



2013  
for the year ended 30 June

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**ANNUAL REPORT**  
*PŪRONGO Ā TAU*

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PRESENTED TO THE HOUSE OF REPRESENTATIVES  
PURSUANT TO THE CROWN ENTITIES ACT 2004

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FRONT COVER: Sky Dancer poster image,  
Capital E National Theatre for Children and  
the New Zealand Symphony Orchestra 2013.

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In accordance with section 150(3) of the Crown Entities Act 2004, this annual report for 2012/13 of the Arts Council of New Zealand Toi Aotearoa (trading as Creative New Zealand) is presented to the House of Representatives.



**R S Grant**

Chair, Arts Council  
31 October 2013



**Erima Henare**

Member, Arts Council  
31 October 2013

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# Our Chair and Chief Executive review the year

## Ngā tirohanga mai tō mātou tiamana, me te tumuaki nō tenei tau

Over 2012/13, we consulted with the arts sector on the development of our new strategic plan. Through this we heard that the arts sector believes the services we provide remain valid and appropriate and that there is broad support for us to continue with our current range of programmes.<sup>1</sup>

During the year, we have continued to support the arts sector as it faced a range of challenges, maintaining our funding at the record level achieved in 2011/12. In the second year of our Tōtara and Kahikatea investment programmes we have directed a greater proportion of our total funding into these key organisations, reflecting our intention to build a stable infrastructure for New Zealand arts.

In 2012/13, we have seen the impact of the Canterbury earthquakes and fiscal constraint begin to ease, with audience numbers starting to recover to pre-quake levels, both in Christchurch and across the country.<sup>2</sup>

### Meeting expectations

Our primary stakeholder and funder, the government, expects all agencies to respond to its priorities. The arts sector expects us to provide appropriate support tailored to sector needs and we are committed to delivering the service and performance forecasts in our Statement of Intent 2012–15 (SOI).

During 2012/13, we have delivered initiatives and services to meet the expectations of our different stakeholders and met or exceeded the great majority of our SOI forecasts.

### Collaborating with others

Creative New Zealand is one of many organisations working to develop the arts in New Zealand. Our investment in the arts attracts resources from local authorities, trusts, sponsors and the community itself. For every Creative New Zealand dollar, many more are attracted to support the arts, along with significant voluntary input.

Important collaborations in this year have included:

- working with other government agencies and arts organisations to keep the arts at the heart of the Canterbury rebuild
- supporting the arts, culture and heritage sectors to build their fundraising skills through our Creative Giving programme
- contributing to the Ministry for Culture and Heritage's review of the professional orchestra sector and implementing the outcomes of the review.

### Major development focuses

A major focus for development during the year was on reviewing policies to better respond to the future needs of the arts sector.

In particular, the policy work we have done on Māori and Pacific arts sets a direction for the support of both heritage and contemporary arts for the next five years and beyond. The plans we are implementing will help Māori and Pacific arts to develop and thrive in New Zealand.

### Looking forward

We have developed a new strategic plan outlining our intentions for the 2013–16 period. The plan is a mixture of continuing existing services and new areas of focus: for example, building our advocacy role and improving internal processes and systems.

We have begun the important work of implementing new information systems and streamlining our decision-making processes, to make processes simpler for clients and staff.

We have also had to make decisions on our Wellington office space following the July and August 2013 Marlborough earthquakes.

<sup>1</sup> From the consultation with focus groups as part of the strategic plan development.

<sup>2</sup> See Figures 1 and 2, page 14.

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## Acknowledgements

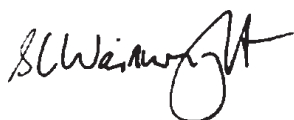
We thank our primary investors – the Ministry for Culture and Heritage and the New Zealand Lottery Grants Board. We are grateful for the ongoing support of our Minister, the Hon Christopher Finlayson, and the presiding member of the Lottery Grants Board, the Minister of Internal Affairs, the Hon Chris Tremain.

Finally, we acknowledge the ongoing commitment of our staff, appointed board and council members, peer advisers and the many artists, partners, patrons and people in our communities who support the arts in New Zealand.



**R S Grant**

Chair, Arts Council



**Stephen Wainwright**

Chief Executive

PART ONE

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# THE YEAR IN REVIEW

## *TE TIROHANGA O TĒNEI TAU*

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# Highlights and achievements

## Ngā miramira me ngā whakatutukitanga

During 2012/13, Creative New Zealand maintained the record levels of support to the arts sector achieved in 2011/12. A total of \$38.6million was directly invested in the sector through our funding, capability building and advocacy programmes.

### Summary of our activity in 2012/13

<b>80</b>	Organisations were funded through our Tōtara and Kahikatea investment programmes
<b>5,869</b>	public arts events/performances were run by our Tōtara and Kahikatea organisations with continuous programmes, and
<b>701,615</b>	people attended these public arts events/performances.
<b>1,295</b>	Applications for grants and special opportunities funding were received and assessed in
<b>5</b>	arts grant and quick response funding rounds, from which
<b>460</b>	grants were awarded to individuals and organisations.
<b>267</b>	New works were developed through our Grants and Investments funding, and
<b>416</b>	New Zealand works were presented during the year.
<b>2,463</b>	Applications for funding by the Creative Communities Scheme were assessed and considered by
<b>67</b>	local authorities, and
<b>1,777</b>	grants were awarded, with a
<b>\$1,779</b>	average grant value.
<b>25</b>	Projects were supported to present internationally by funding from our International Presentation and events budgets. The largest of these were the Festival of Pacific Arts, Frankfurt Book Fair (2012 Guest Country of Honour) and the 2013 Venice Biennale (all of which arose from government-to-government invitations)
<b>45</b>	Capability building initiatives were offered to the arts sector, and
<b>965</b>	people and organisations participated in them, including
<b>193</b>	who attended the national arts conference
<b>7</b>	Submissions were made to local and central government as part of our advocacy programme

## Summary of our key achievements

During 2012/13, Creative New Zealand delivered a range of specific initiatives, policy work and activities designed to meet both our commitments to the arts sector and government priorities.

### Initiatives

#### Auckland Theatre Company Waterfront Theatre project

Creative New Zealand agreed to provide a total of \$3 million from unanticipated Lottery Grants Board income towards the Auckland Theatre Company's (ATC) Waterfront Theatre project.<sup>3</sup> In supporting this project we have partnered with other key funders – the Auckland Council and the ASB Community Trust – to fill a gap in performing arts venues in Auckland and to provide a new permanent home for the ATC. The funding was to be spread evenly over the 2012/13 and 2013/14 financial years. However, the 2012/13 payment has been delayed while the ATC further develops its plans.

#### Creative Giving pilot

This three-year pilot programme to build capability in fundraising within the arts, culture and heritage sector completed its first full year of operation in 2012/13. During the year, workshops and master classes were run on a variety of fundraising topics, attended by over 100 people. Post workshop feedback showed all attendees found the workshops and master classes useful and will be able to apply the learning to their work.

A targeted mentoring programme involved 10 arts, culture and heritage organisations being mentored on a regular, formal basis throughout the year.

In addition, \$223,000 was awarded in 24 grants to match new funding obtained by organisations from private donations.

#### Government-to-government initiatives

During 2012/13, Creative New Zealand funded three government-to-government initiatives – the 2012 Festival of Pacific Arts, New Zealand's presence as the 2012 Guest Country of Honour at the Frankfurt Book Fair and the 2013 Venice Biennale. More information on these initiatives is included under Outcome 4: New Zealand art achieves international success, in Part Two of this report.

#### Sistema Aotearoa

Funding of \$400,000 for each of the 2012/13 and 2013/14 financial years has been agreed to support the Sistema Aotearoa programme run in schools in South Auckland by the Auckland Philharmonia Orchestra. For further information about the programme, see Outcome 1: New Zealanders participate in the arts, in Part Two of this report.

### Policy development

#### Māori arts review

In November 2012, the Arts Council agreed to revisions to Creative New Zealand's Māori Arts policy following the results of a final report on Creative New Zealand's support for Māori arts. The report was the most comprehensive review of our support for Māori arts undertaken in the last 10 years, with more than 100 people providing feedback during the consultation process.

<sup>3</sup> The project involves building a new theatre complex in the Wynyard Quarter on Auckland's waterfront. The complex will house a 600-seat theatre, built specifically to showcase theatre and dance, along with a 200-seat flexible studio space, an 80-seat meeting room and gallery, courtyard, bar and café.

The report noted that the wairua of ngā toi Māori<sup>4</sup> is strong and the future is bright. It also identified a number of areas where we can improve our policy for supporting Māori arts. Among the changes agreed were:

- reserving up to three Quick Response Grants for ngā toi Māori in each funding round to support artists to undertake projects at an early stage of their career
- offering ngā Toi Māori internships to support up to 15 Māori arts practitioners to develop arts management skills. Three internships will be offered in 2013/14
- revising the Tōtara investment programme key roles to be more explicit about the services we expect to be provided for the Māori arts sector
- implementing simplified Quick Response Grant application requirements
- developing a set of Creative New Zealand iwi engagement targets and identifying the resources required to achieve those targets in the period to 2017.

The roll out of these initiatives and programme adjustments began in February 2013.

### Pacific arts review

Between December 2012 and February 2013 Creative New Zealand invited Pacific artists, art groups and organisations with an interest in Pacific arts to contribute to the Pacific arts review.

Research undertaken as part of the review noted that Pacific arts practice in New Zealand today covers a wide range of contemporary and heritage art forms. It was also noted that the growth and success of Pacific arts over the last 20 years has often been achieved with limited resources.

The success of Pacific arts and the engagement of Pacific audiences are vitally important for the success of New Zealand arts generally.

The final report from the review was published in September 2013. It identified five areas where Creative New Zealand can make a measurable difference to sustaining the health and vitality of Pacific arts over the next five years:

- increasing support for Pacific heritage arts and artists
- improving our understanding of Pacific arts and communication with the sector
- improving the Creative Communities Scheme's delivery to Pacific arts
- building and developing the infrastructure for Pacific arts
- strengthening inter-agency co-operation to promote and support Pacific arts.

Changes to our funding programmes and initiatives arising from the Pacific arts review will be implemented from January 2014.

### Orchestra and music reviews

Creative New Zealand contributed to the Ministry for Culture and Heritage's review of the professional orchestra sector, which was released in February 2013. The review affirmed there is a role for central and local government to support orchestras. A much higher level of collaboration and co-ordination between the orchestras will be expected.

A joint Ministry and Creative New Zealand policy and monitoring framework for the support of professional orchestras is being developed for implementation in 2015. The New Zealand Symphony Orchestra will continue to be a Crown entity, funded directly by central government. Other orchestras will be assessed and funded through Creative New Zealand's investment and grants programmes.

4 Spirit or essence of Māori arts.

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The review specifies roles and expectations for a national touring orchestra, a metropolitan orchestra, city orchestras and community orchestras.

Creative New Zealand undertook its consultation and review of its support for music, other than professional orchestras, in April and May 2013. The results were due for release in October 2013.

### **National arts conference**

In June 2013, we organised the sixth national two-day arts conference on the theme *Arts By, With and For Young People*. It focused on:

- good practice and opportunities for providing high-quality arts by, with and for young people
- increased youth participation in the arts
- development of young audiences for the arts
- promotion of the value of arts education
- promotion of arts activity to enhance social well being.

The conference was developed in collaboration with the Ministry for Culture and Heritage, Ministry of Education and UNESCO.

## Government priorities

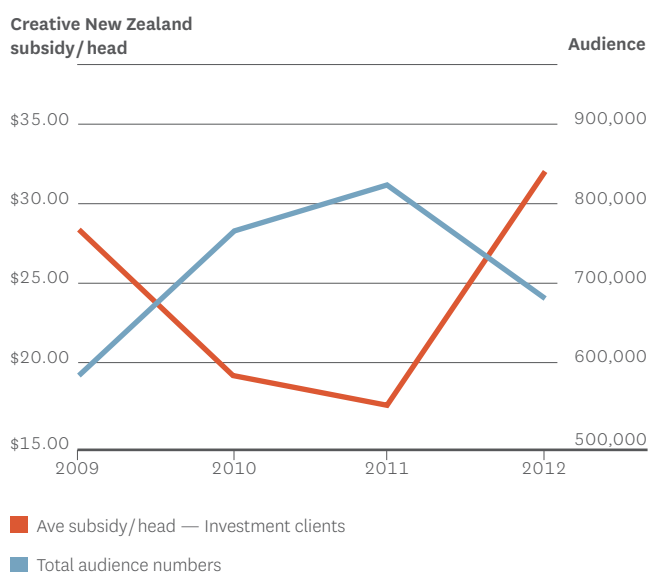
Creative New Zealand contributed to both overarching and specific government priorities as follows:

Overarching priorities	Creative New Zealand response
Responsibly managing the government's finances	Audit New Zealand has issued an unqualified opinion on this Annual Report.  We have also maintained our ratings of 'Very Good' for both our financial management control environment and financial information systems and controls since 2011/12. A rating of 'Very Good' means that no improvements are necessary.
Developing better public services within tight financial constraints	See the section on 'Grants management system' below
Rebuilding Christchurch	During 2012/13 we refocused our earthquake support from providing emergency grants to funding to help the recovery of the arts. A total of 17 grants, worth \$395,000, were awarded.  In addition, we worked closely with the Ministry for Culture and Heritage, Canterbury Earthquake Recovery Authority (CERA), Christchurch City Council and local arts organisations to support the arts in Christchurch and to keep the arts at the centre of the rebuild.
Specific priorities for us	Creative New Zealand response
Deliver a Strategic Plan for 2013–16	See section on 'Strategic Plan direction' below.
Professional orchestra review	See section on the review under 'Policy development' above.
Philanthropy programme	See section on Creative Giving pilot under 'Initiatives' above.
Explore options for funding important capital projects in the arts	We have worked with the Ministry for Culture and Heritage on this topic. In addition, we have agreed to invest \$3 million to support the development of the Auckland Theatre Company's Waterfront Theatre project (see 'Initiatives' above).
Reviewing operating costs	During 2012/13, our operating costs, including all personnel costs and overheads, reduced to 15.8 percent of total expenditure and were at the lowest dollar value in six years.
Improve collaboration in the support of contemporary popular music	We continued to work with NZ On Air, the New Zealand Music Commission and other music support agencies on this topic.
Support special projects such as 2012 Frankfurt Book Fair and Sistema Aotearoa	For further information on the 2012 Frankfurt Book Fair, see Outcome 4: New Zealand arts achieve international success in Part Two of this report.  For information on Sistema Aotearoa, see Outcome 1: New Zealanders participate in the arts, in Part Two.

## Health of the arts sector

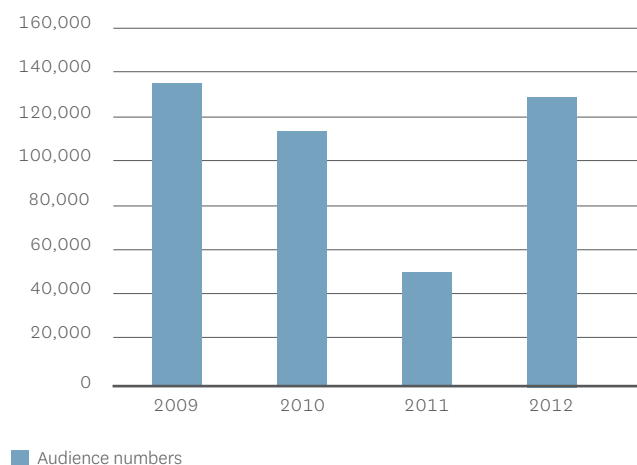
Results from our investment programmes show that the arts sector in New Zealand is fundamentally healthy. Although the sector requires ongoing public funding to thrive, especially in times of stress — such as the effects of the economic downturn and the Canterbury earthquakes — it is able to recover. Figure 1 shows how the pattern of reduced audience numbers in 2010 and 2011 reversed in 2012, with audience numbers increasing beyond the 2009 benchmark.

FIGURE 1: Investment clients, Creative New Zealand subsidy and total paid audience numbers, 2009 to 2012 (calendar years)



In particular, audience figures for the investment programmes indicate that Canterbury arts audience numbers are returning to pre-earthquake levels, despite there being fewer events for people to attend (see Figure 2).

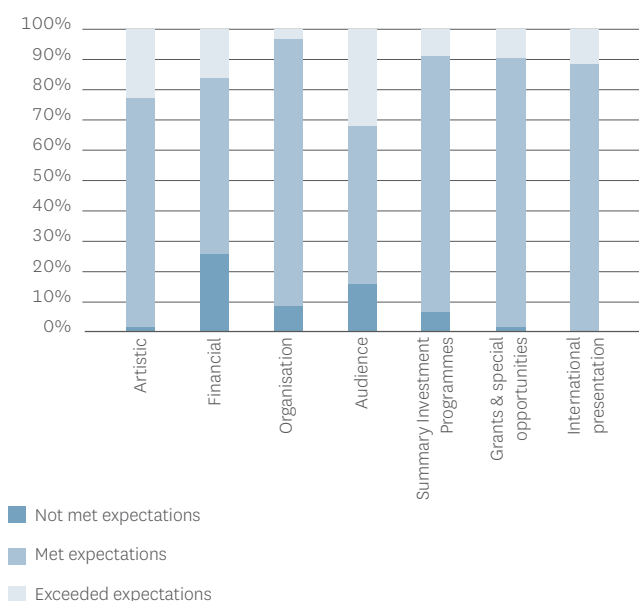
FIGURE 2: Canterbury paid audience numbers, investment clients, 2009 to 2012 (calendar years)



All artists, arts practitioners and arts organisations receiving funding from Creative New Zealand have their performance assessed against criteria set in their funding agreements. Overall, 97 percent of the recipients of Creative New Zealand funding met or exceeded the expectations of their funding agreements.

For investment clients, the arts boards receive reports outlining performance in four areas: artistic, financial, organisational and audience. Results from these reports show the weakest areas of performance are financial expectations and understanding the needs of their audiences (see four left bars of Figure 3). Our capability building initiatives are designed to help clients build their skills in fundraising and improve their understanding of audiences.

FIGURE 3: 2012/13 performance against expectations (investments, grants and special opportunities, international presentation)



Small increases have occurred in funding for international presentation and events and the capability building programme while the Creative Communities Scheme and advocacy have remained stable.<sup>5</sup>

With the exception of the Creative Communities Scheme, where funding is allocated to the territorial authorities on a population basis, Creative New Zealand does not allocate funding on a regional basis through its funding programmes. However, we do fund projects in the regions through grants funding (Arts Grants, Quick Response Grants) and a number of our clients deliver services or activities regionally or nationally.

Figure 4 (next page) shows how our funding is distributed across the country and overseas. The allocation to regions is based on the location of the art delivery rather than the home location for the artist or arts organisation.<sup>6</sup>

## Trends in our funding

Over the last four years, we have increased the support given to the arts sector by around \$4 million per year. During that time the distribution of our funding has changed quite substantially as we have chosen to invest more resources targeted to key organisations and arts infrastructure.

Investment in multi-year funding through the Tōtara and Kahikatea programmes has increased from 53 percent to 61 percent of the total, while funding to individual projects through grants and special opportunities has declined from 34 percent to 21 percent. The increase in the Kahikatea funding, in particular, reflects the growing maturity of the arts sector in New Zealand, with artists seeking support for bigger programmes and drawing on additional support available through charitable status or collaborations to deliver larger projects.

<sup>5</sup> See Figure 22 on page 42 for the 2012/13 distribution of funding between programmes.

<sup>6</sup> The organisations funded to tour work are recorded as 'national' and grants to individuals and organisations to work internationally are recorded as 'overseas'.

FIGURE 4: Distribution of funding by region 2012/13 (footnote).<sup>7</sup>

<b>National 22.6%</b>	\$8,369,153
<b>Overseas 10.4%</b>	\$3,839,763
<b>Total</b>	\$36,991,121



We are the only agency to fund across all of the artforms.<sup>8</sup>

In Figure 5, the distribution of our funding reflects several factors, including:

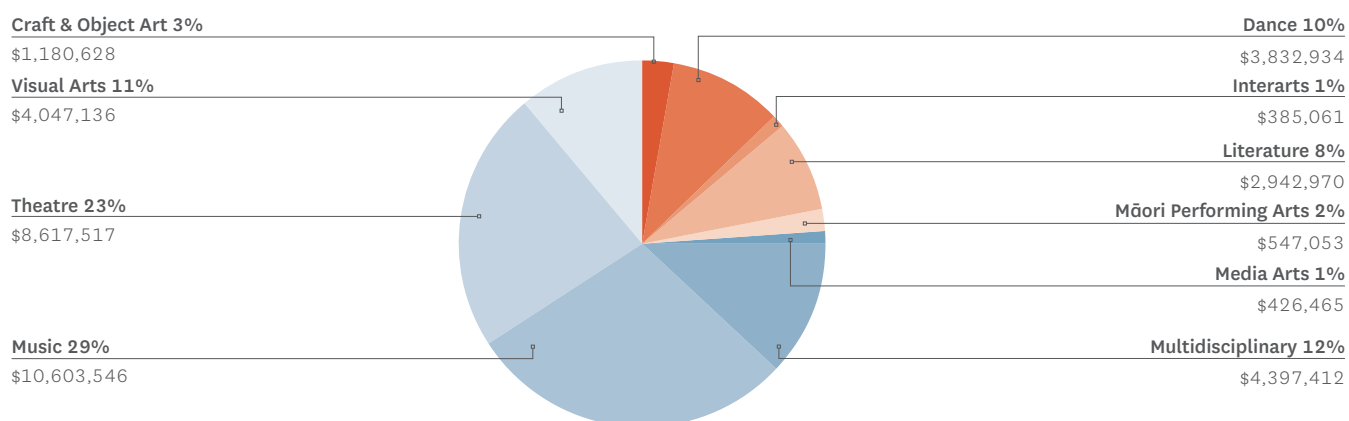
- the variable costs of delivering different artforms (for example, opera and orchestral music have high fixed costs)
- whether other funders are involved (for example, local authorities play a significant role in funding visual arts infrastructure through the network of regional art galleries).

<sup>7</sup> Note that the dollar values given in Figures 4 and 5 exclude capability building and advocacy.

<sup>8</sup> Excluding film.



FIGURE 5: Distribution of funding by artform, 2012/13



## Looking forward

Our work in 2012/13 will have a significant effect on how we operate in the future.

### Strategic Plan direction

Our 2010–13 Strategic Plan expired on 30 June 2013. During 2012 and 2013, we consulted the arts sector (through invited focus groups), Māori and Pacific peoples (through our reviews of Māori and Pacific arts) and other key stakeholders about how we support the arts in New Zealand. The feedback we received indicates that significant change to our current strategic direction and activities is not required.

Feedback indicates that our current outcomes, and our strategy and approach of providing funding, capability building and advocacy services all remain valid and appropriate. However, we are aware there are several areas where our stakeholders and customers would like us to do more, or do differently.

We have drafted a strategic plan reflecting both our existing activities that will continue and the new areas of focus we have identified, including:

- improving our internal operations — the transition to a unitary Arts Council,<sup>9</sup> implementing contemporary systems and streamlining service delivery
- the influencing agenda — building the evidence base for the value of the arts and working with local and central government agencies to respond to the changing needs of Auckland and Christchurch.

The draft plan was open for public submissions in July and August 2013. It is expected that the final plan — including responses to public submissions — will be adopted by the Arts Council in October and published in November 2013.

### Grants and customer management system

One of the key projects in the strategic plan is the implementation of contemporary grants processing and customer management systems to replace the current paper based ones. During 2012/13, we selected software and a supplier for the new, combined system, and began the build process. It is expected that the new system will be implemented from the end of 2013.

<sup>9</sup> Subject to the passage of the Arts Council of New Zealand Toi Aotearoa Bill, currently before Parliament.

The new system will automate processes that are currently manual and provide for online applications and assessments.<sup>10</sup> Benefits of the new system will include:

- reduced timeframes and reduced costs of processing a grant application (both for our customers and for us)
- more transparent decision making processes.

The new system will also enable online reporting by Creative New Zealand clients and will provide our staff and stakeholders with easily accessible and better targeted information. We will use this information to improve our internal reporting, take the opportunity of our new governance structure to streamline our internal reporting processes, and work with the Ministry for Culture and Heritage to improve the effectiveness and efficiency of our reporting to government.

## Old Public Trust Building

Following the July and August 2013 Marlborough earthquakes, the Arts Council has agreed to sell its share of the Old Public Trust Building. This is disclosed in the 'Events subsequent to balance date' note and the 'Contingent liabilities' note of the financial statements. The decision to sell the building removes the contingent liability previously provisioned for proposed strengthening of the building.

The building has been Creative New Zealand's Wellington office for many years. It is a category 1 Heritage Place but has been classified as earthquake prone under the Building Act 2004.

During 2012/13, work was undertaken to finalise the costs of strengthening and restoring the building so that an informed decision could be made on the building's future. However, the July and August earthquakes damaged the interior of the building to the point where it had to be evacuated. Engineers advised that staff should not return to the building and that it should be strengthened as soon as practicable.

A new location for Creative New Zealand's Wellington office has been arranged at Aorangi House, Molesworth Street.

## Arts Council of New Zealand Toi Aotearoa Bill

Creative New Zealand anticipates the enactment of the Arts Council of New Zealand Toi Aotearoa Bill in the 2013/14 financial year. The Bill replaces the current governance structure of the Arts Council, Arts Board, Te Waka Toi and the Pacific Arts Committee with a unitary Arts Council. The transition to the new unitary structure and the related changes to decision making and other delegations will be an important focus for Creative New Zealand in 2013/14.

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<sup>10</sup> Provision for artists who are not connected to the internet will be made in the new system.

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# STATEMENT OF NON-FINANCIAL PERFORMANCE

*PŪRONGO WHAKATUTUKI  
KORE PŪTEA*

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# Performance against strategic outcomes

## Ngā tairitenga me ngā whakaritenga hua o te rautaki

### Summary

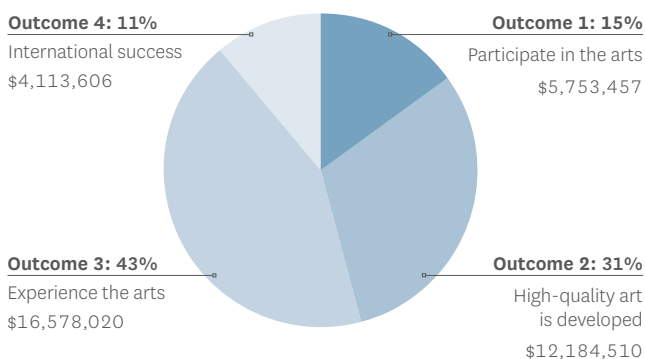
The SOI 2012–15 sets out the forecast for Creative New Zealand’s outcomes. During 2012/13, Creative New Zealand met or exceeded 81 percent of the performance forecasts set under the four strategic outcomes.<sup>11</sup>

Support was provided to the arts sector through funding, capability building and advocacy programmes across all four outcomes, in a similar pattern to that since 2009/10.

For **Outcome 2: High-quality New Zealand art is developed** and **Outcome 3: New Zealanders experience high-quality arts**, Creative New Zealand is the only national arts development organisation working across all artforms. As a result, these two outcomes are our largest areas of investment, comprising nearly three-quarters of expenditure.

The investment in **Outcome 4: New Zealand arts gain international success** reflects the smaller number of artists, arts practitioners and arts organisations operating internationally and our main focus on developing high-quality art in New Zealand for New Zealand audiences.

FIGURE 6: Distribution of 2012/13 expenditure (excluding personnel costs and overheads) by outcome



We are one of many agencies contributing to **Outcome 1: New Zealanders participate in the arts**. Others include gaming and community trusts, local government, iwi, local businesses, other parts of central government, and individual artists and arts organisations, including arts festivals.

<sup>11</sup> See the Proof of performance tables for each Outcome.



## Outcome 1: New Zealanders participate in the arts

### Our stories from 2012/13

#### Sistema Aotearoa

For the second year, Creative New Zealand supported the Auckland Philharmonia Orchestra to work with seven South Auckland schools, teaching children from year two onwards to play violin, viola, cello or double bass. The programme is based on El Sistema, one of the world's most successful music and social development programmes, originating in Venezuela. It is credited with improving the lives and lifting the aspirations of participants and their families, reducing crime, increasing school attendance rates and preventing anti-social behaviour.

Based at the Otara Music Arts Centre, Sistema Aotearoa provides group tuition in a community setting, in school, after school and in holidays.

*(Artform — music; location — South Auckland; funding — special initiative).*

FIGURE 7: *Sistema Aotearoa* concert, 2012. Photo courtesy of Adrian Malloch.





FIGURE 8: *Dominator Cardboard Collision* — children’s show, 2013. Photo courtesy of Andrew Malmo.

### AUT Dominion Road Stories

Auckland Theatre Company (ATC) presented its inaugural community show, *AUT Dominion Road Stories*, as part of the Auckland Arts Festival 2013. The project was the result of two years’ work with local groups and community organisations via the ATC Participate programme, developed as a part of ATC’s move into a permanent residence within the Dominion Road community in late 2010.

As a result, over 200 volunteers, 30 professional and emerging artists and all of ATC’s staff were involved in the production and performances which featured a free family picnic and concert in Potters Park, shows at the Balmoral Bowling Club, Auckland Philharmonia Orchestra rehearsal studios, a children’s show in the Mount Eden War Memorial Hall and a tour of the Asian food quarter of Dominion Road. The project also included an ongoing oral history collaboration with Auckland Library to collect ‘Dominion Road stories’ from locals and visitors over the weekend.

The wide range of activities was enjoyed by audience and reviewers alike, making ATC’s first community theatre project a great success.

(Artform — theatre; location — Auckland; funding — Tōtara investment programme).

### Creative Communities projects

During the year, the Creative Communities Scheme, operated through the 67 territorial authorities, funded a range of projects throughout the country covering themes as diverse as the Ellerslie One Act Play Festival 2013, a DVD on 30 years of the Monte Cecilia Housing Trust, an interactive area at the New Zealand Body Art show, a sand sculpting event, potter’s wheel tuition, a wide range of concerts and musical events, an exhibition of art by the intellectually disabled, Māori cloak/kakahu weaving workshops, cultural festivals by a wide range of ethnic groups and local theatre productions. (Artforms – all; location – all; funding Creative Communities Scheme)

### What we were seeking to achieve

We seek to ensure that New Zealanders have the chance to participate in the arts. By ‘participate’, we mean the direct involvement of individuals, groups and/or communities in making or presenting art. This includes opportunities to:

- celebrate, practise and transmit their diverse artistic traditions and cultural heritage
- develop links between communities that improve cross-cultural understanding.

## What we did

We provided opportunities for communities throughout New Zealand to participate in a diverse range of artforms and arts practices.

The **Creative Communities Scheme** is an important means by which we support New Zealanders' participation in the arts. It is a small grants scheme, devolved to all territorial authorities for delivery, which funds community arts projects and activities within the local area of each authority.

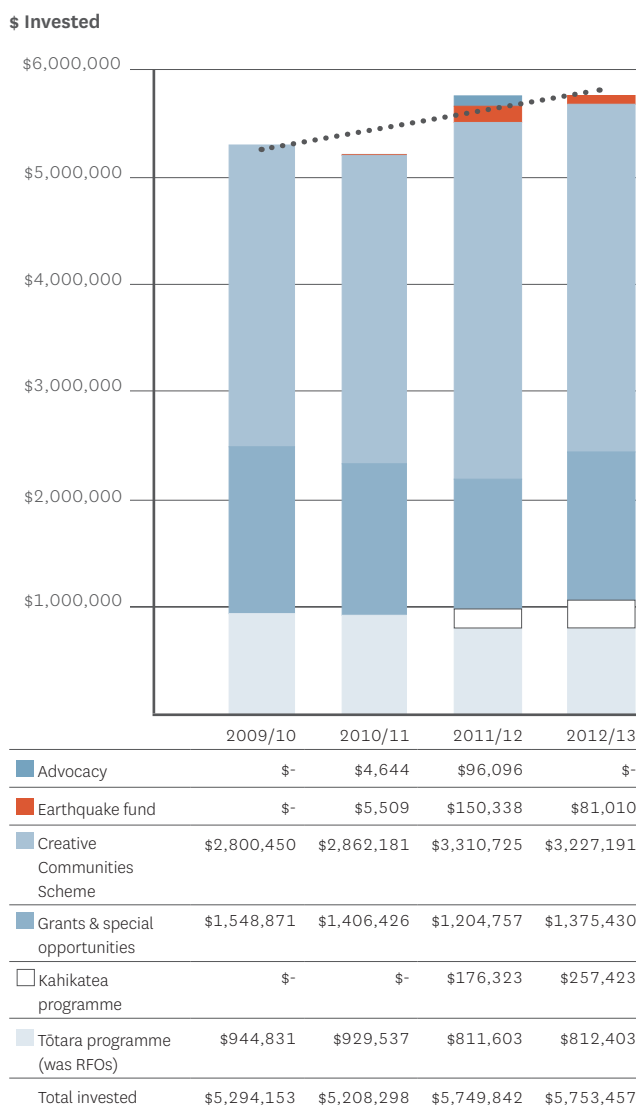
Through our Grants and special opportunities and Earthquake funding programmes, we funded 59 projects focused on community arts and participation, worth \$1.4 million, including:

- projects aimed at helping Māori and Pacific artists and communities to preserve their heritage arts
- funding to support children in Otago learning to play and participate in classical music (Sistema Aotearoa)
- several projects to support the recovery of the arts in Christchurch.

Organisations in the Tōtara and Kahikatea investment programmes undertook projects and activities aimed at encouraging people to participate in the arts worth a further \$1 million. Included in this was work done by Arts Access Aotearoa which advocates for all people in New Zealand to have access to the arts by supporting people who experience barriers to participation or whose access is limited, including people with physical, sensory or intellectual impairments, mental health service users and prisoners.

Figure 9 shows how the investment in outcome 1 has developed over the past four years, in terms of contributions from the different funding programmes and total expenditure.

FIGURE 9: Outcome 1, investment by programme, 2009/10 to 2012/13<sup>12</sup>



<sup>12</sup> The dollar values for expenditure given by outcome vary slightly from those in the financial statements because of different ways of reporting. 'RFO's' refers to the former Recurrently Funded Organisations.

## How we performed

TABLE 1: Proof of performance, Outcome 1, 2009/10 to 2012/13<sup>13</sup>

		PAST YEARS			CURRENT YEAR			
		2009/10 Actual	2010/11 Actual	2011/12 Actual	2012/13 Forecast	2012/13 Actual	Variance to Forecast (+/-%)	Notes
<b>Investment</b>								
Total investment — all programmes		\$5,294,153	\$5,208,298	\$5,749,842	\$7,383,616	\$5,753,457	(22%)	
<b>Impact</b>	<b>Measure</b>							
Māori customary arts	Number of Māori customary arts projects/ Toi Ake projects successfully completed	35	38	28	≥ 35 projects	33	(6%)	Forecast not met. But a two-project variance not deemed significant
		New measure	New measure	100%	≥ 90% met or exceeded expectations	100% (of the 88% that were evaluated)	11%	Exceeded forecast
Pacific heritage arts	Number of Pacific heritage arts projects successfully completed	25	20	20	≥ 25 projects	19	(24%)	Forecast not met. The number of Pacific heritage arts projects funded has declined over three years and the forecast for 2013/14 has been reduced
		New measure	New measure	94% (of the 85% that were evaluated)	≥ 90% met or exceeded expectations	93% (of the 74% that were evaluated)	3%	Met forecast
Community arts participation	Number of community arts projects successfully completed	7	16	21	≥ 16 projects	11	(31%)	Forecast not met. It is anticipated that the 2013/14 forecast will be achieved as there are a number of projects awaiting completion
		New measure	New measure	95%	≥ 90% met or exceeded expectations	100% (of the 91% that were evaluated)	11%	Exceeded forecast
	Number of Creative Communities Scheme grants awarded	2,418	1,725	1,839	≥ 1,800 grants	1,777	(1%)	Forecast met
<b>Outcome</b>	<b>Measure</b>							
New Zealanders participate in the arts	Levels of participation in the arts from the three-yearly <i>New Zealanders and the arts survey</i>	48% (2008 survey)	No survey	49%	Maintain or increase	No survey — done every three years		

<sup>13</sup> Unless otherwise specified, measures do not include Creative Communities Scheme funding. During 2012/13, one of the outcomes of our review of Māori arts (ngā toi Māori) was the change in terminology from Māori heritage arts to Māori customary arts.



## Outcome 2: High-quality New Zealand art is developed

### Our stories from 2012/13

#### New Zealand Dance Company

2013 has seen several milestone achievements for The New Zealand Dance Company (NZDC). Following the box office and artistic success of their inaugural tour of *Language of Living*, the company has recently premiered its first full-length work, *Rotunda*, at Q Theatre. *Rotunda* features the powerful collision of a live brass band with contemporary dance and has been described as ‘...another fierce and fabulous strike for professional and profound contemporary dance in New Zealand’.<sup>14</sup>

*Rotunda* was produced to coincide with the 2014–18 First World War centenary. Created by the company’s Chief Executive and Artistic Director, Shona McCullagh, in collaboration with NZDC dancers, musician Chris O’Connor and celebrated songwriter Don McGlashan as Musical Director, it brings to life the world of the band *rotunda* as an iconic symbol of New Zealand community. The work features contemporary and traditional brass music by New Zealand composers, to conjure the emotional landscape of a seminal time in our history. The company has been invited to perform *Rotunda* at the prestigious Holland Dance Festival in February 2014.

(Artform — Dance; location — Auckland; funding — Kahikatea investment programme, \$250,000).



FIGURE 10: *Rotunda*, NZDC, 2013, featuring Hannah Tasker-Poland and Tupua Tīgafua. Photo courtesy of John McDermott.

<sup>14</sup> Bernadette Rae, *New Zealand Herald*, August 2013.

### Man Booker Prize

The recipient of the 2013 Man Booker Prize, Eleanor Catton, began her winning novel *The Luminaries* using the 2008 Louis Johnson Writers' Bursary and then further worked on the book during her six-month residency in 2012 at the Michael King Writers' Centre. Both awards were funded by Creative New Zealand. Her publisher, Victoria University Press, has consistently received support for publishing New Zealand literature since the mid-1990s and is currently a Kahikatea investment programme client.

Eleanor Catton has travelled widely to festivals in Edinburgh, Shanghai, Perth and Toronto and, in 2014, she'll appear in Adelaide, with assistance from the Creative New Zealand International Writers' Fund which is managed by the New Zealand Book Council.

### Uku Rere Ngā Kaihanga Uku: The Contemporary Māori Clay Movement

A partnership between Toi Māori and Pataka Art + Museum, the project supported the tour of this exhibition to six regional venues. The exhibiting artists participated in public programme events at each of the venues, including demonstrations of ceramic skills and panel discussions.

Ngā Kaihanga Uku is a long-standing and important organisation that has championed the medium of clay within a kaupapa Māori context.

*(Artform — craft/object; locations — Whangarei, Rotorua, Gisborne, Palmerston North, Masterton, Nelson; funding — Māori Arts Presentation Fund, \$50,000).*



FIGURE 11: *Ipu*, by Wi Taepa, 1992.  
Medium – clay, sigilatta lustre  
sprayed over wax resist:  
dimensions – 290 x 300 x 300mm,  
collection of Porirua City Council.  
Photo courtesy of Forrest Smyth  
and the artist.

## What we were seeking to achieve

Creative New Zealand seeks to ensure that artists, arts practitioners and arts organisations have the opportunity to fulfil their potential by:

- continually developing their artforms, the quality of their work and their artistic skills and capabilities, and
- having opportunities to experiment, be innovative and take risks.

We are committed to developing and strengthening New Zealand artistic work. As the national arts development agency, we take a lead role in achieving this outcome providing funding across all artforms and supporting the full range of individuals and arts organisations.

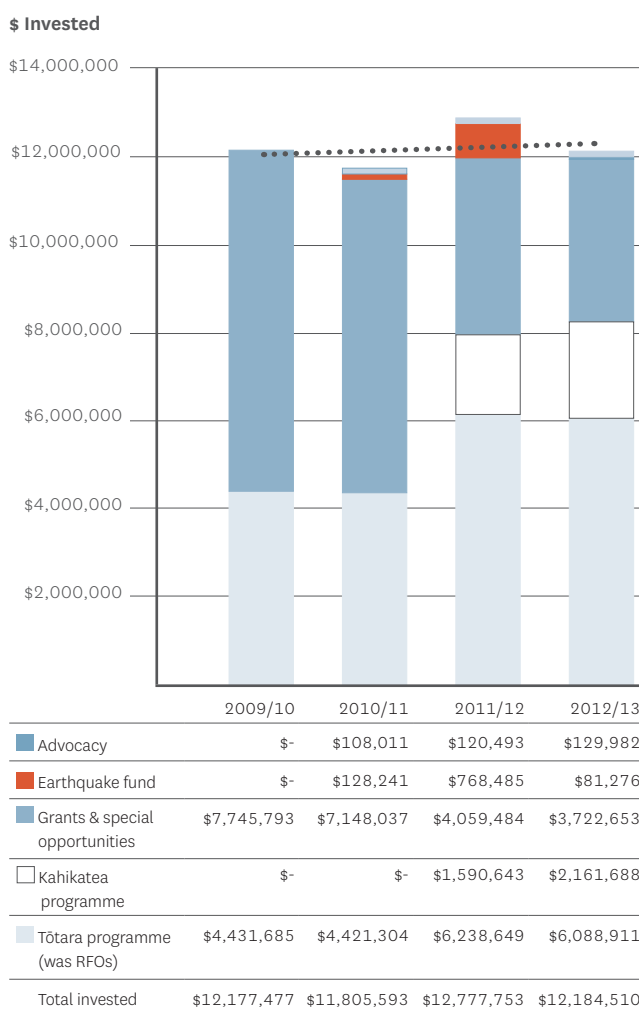
## What we did

Creative New Zealand made a substantial investment towards this outcome through the Tōtara and Kahikatea investment programmes. Our Tōtara organisations played a vital role in supporting this outcome, through providing leadership, developing talent, and supporting innovation and artistic risk. The key roles that we fund through this programme complement the investments made by central and local government. In total, we invested \$8.3 million in this outcome via these programmes.

In addition, our Grants and special opportunities and Earthquake funding supported individual artists, arts practitioners and arts organisations to create new works and develop their artistic skills through 235 grants worth \$3.8 million.

Figure 12 shows how the investment in outcome 2 has developed over the past four years, in terms of contributions from the different funding programmes and total expenditure.

FIGURE 12: Outcome 2, investment by programme, 2009/10 to 2012/13



## How we performed

TABLE 2: Proof of performance, Outcome 2, 2009/10 to 2012/13<sup>15</sup>

		PAST YEARS			CURRENT YEAR			
		2009/10 Actual	2010/11 Actual	2011/12 Actual	2012/13 Forecast	2012/13 Actual	Variance to Forecast (+/-%)	Notes
<b>Investment</b>								
Total investment — all programmes		\$12,177,477	\$11,805,593	\$12,777,753	\$12,516,986	\$12,184,510	(3%)	
<b>Impact</b>	<b>Measure</b>							
High-quality artists	Number of 'High-quality artists' projects and awards/residencies that are successfully completed	71	64	46	≥ 50 projects	56	12%	Exceeded forecast
		New measure	New measure	100%	≥ 90% met or exceeded expectations	100% (of the 89% that were evaluated)	11%	Exceeded forecast
	Number of artists employed by Tōtara/Kahikatea organisations with a continuous programme	New measure	New measure	271 full time equivalents (2011 calendar year)	No target set	321 full time equivalents (2012 calendar year)		No target set
Producing innovative work	Number of projects for 'Producing innovative work' that are successfully completed	172	130	112	≥ 172 projects	101	(41%)	Forecast not met. Forecast was not adjusted to reflect the declining number of grants under this impact
		New measure	New measure	97% (of the 99% that were evaluated)	≥ 90% met or exceeded expectations	100% (of the 89% that were evaluated)	11%	Exceeded forecast
Developing potential	Number of 'Developing potential' projects and bursaries, scholarships that are successfully completed	42	77	95	≥ 90 projects	106	18%	Exceeded forecast
		New measure	New measure	99% (of the 98% that were evaluated)	≥ 90% met or exceeded expectations	97% (of the 84% that were evaluated)	8%	Exceeded forecast
<b>Outcome</b>	<b>Measure</b>							
High-quality New Zealand art is developed	Number of new works funded by Creative New Zealand	247	287	319	No target set	267	N/A	No target set
	Number of New Zealand works delivered by organisations funded by Creative New Zealand	330	563	443	≥ 220	417	90%	Significantly exceeded forecast. Forecast for 2013/14 has been increased to reflect actual results

<sup>15</sup> The measure in the SOI for 'Producing innovative work' was to design 'a matrix of innovation scores and evaluations'. When this was done, no indicative pattern could be established, and so the 2011/12 measure of the number of projects was reinstated. However, the pattern of declining numbers of grants under this impact was not reflected in a decreased forecast.





## Outcome 3: New Zealanders experience high-quality arts

### Our stories from 2012/13

#### Heart Strings Guitars fund music programme

Guitars made from wood donated by the owners of many historic and iconic Christchurch buildings that fell in the earthquakes raised a total of \$111,000. Funds donated to Creative New Zealand by the Heart Strings organisation were awarded to Christchurch arts advocacy group, Arts Voice, for the monthly musical programme for ReSTART.

*(Artform — music; location — Christchurch; funding — Earthquake recovery grant, \$50,000).*

FIGURE 13: Seven Heart Strings Guitars, each built from wood from historic buildings that fell in the earthquakes. Photo courtesy of Diederik Van Heyningen.



FIGURE 14: Albert Wendt, Prime Minister's Awards, 2012. Photo courtesy of Neil Mackenzie.

### **Ancestry by Albert Wendt**

Albert Wendt's 2012 collection of short stories, *Ancestry*, was supported by a grant to Huia Publishers. The acclaimed Samoan-born writer has been an influential figure in the developments that have shaped New Zealand and Pacific literature since the 1970s and he has won numerous awards for his works including winning the Prime Minister's Award for Literary Achievement in fiction in 2012. He was awarded New Zealand's highest honour, Member of the Order of New Zealand for services to New Zealand, in the 2013 Queens Birthday Honours.

*(Artform — literature; funding — quick response, \$3,000).*

### **What we were seeking to achieve**

Audiences are vital to a vibrant arts sector. Creative New Zealand aims to broaden the opportunities for all New Zealanders to experience the arts, providing them with access to a diverse range of artistic experiences.

### **What we did**

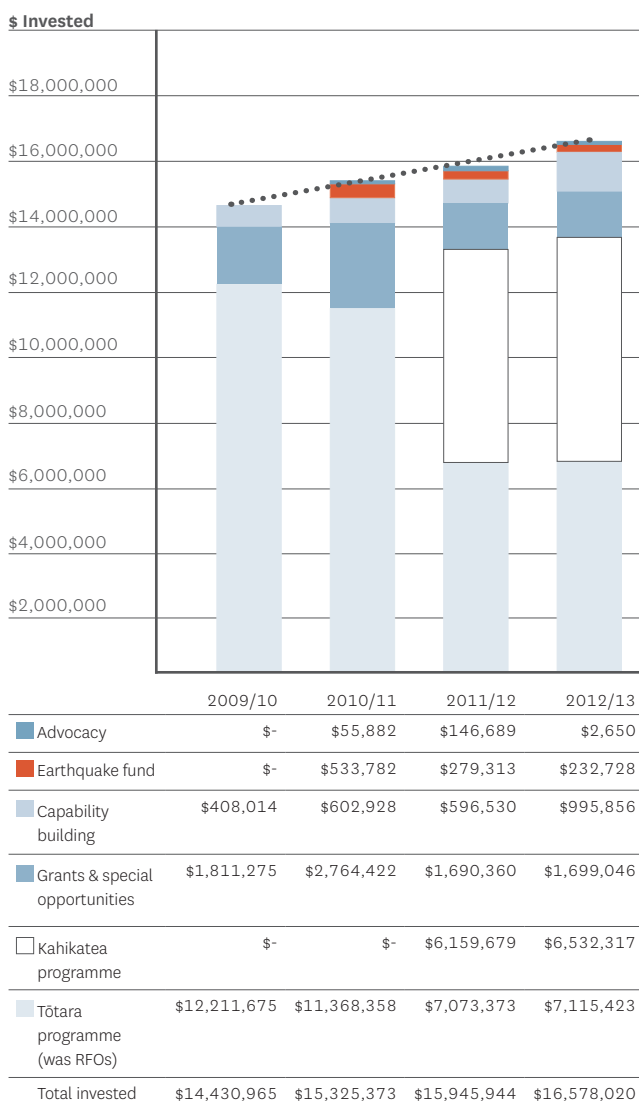
We supported arts organisations to provide high-quality arts experiences across the country and across all artforms through the Tōtara and Kahikatea investment programmes (\$13.6 million) and through the Grants and special opportunities and Earthquake funding programmes (100 grants worth \$1.9 million). This included \$400,000 in grants to three regional consortia to support touring events in Northland, the central North Island and the top of the South Island.

We provided targeted capability building initiatives to help artists, arts practitioners and arts organisations to address identified development needs. The organisations that participated in the capability building initiatives increased their overall capability by 7 percent with the highest increases shown in audience development/client engagement (27 percent), fundraising (33 percent) and risk management planning (26 percent).<sup>16</sup>

<sup>16</sup> Based on comparison of the 2012 and 2013 self-assessments from the organisation development survey by 22 organisations.

Figure 15 shows how the investment in outcome 3 has developed over the past four years, in terms of contributions from the different funding programmes and total expenditure.

FIGURE 15: Outcome 3, investment by programme, 2009/10 to 2012/13





## How we performed

TABLE 3: Proof of performance, Outcome 3, 2009/10 to 2012/13

		PAST YEARS			CURRENT YEAR			
		2009/10 Actual	2010/11 Actual	2011/12 Actual	2012/13 Forecast	2012/13 Actual	Variance to Forecast (+/-%)	Notes
<b>Investment</b>								
Total investment – all programmes		\$14,430,965	\$15,325,373	\$15,945,944	\$16,975,651	\$16,578,020	(2%)	
<b>Impact</b>	<b>Measure</b>							
Delivery of the arts	Geographic distribution of arts experiences delivered: Numbers of performances and total dollar value of investment by region			\$4,862	≥ 3,700 total presentations	5,869	59%	Forecast number of presentations significantly exceeded. Forecasts for 2013/14 and out years have been increased. See Figure 4 for dollars invested by region
Diversity of the arts	Number of 'Diversity of the arts' projects that are successfully completed	New measure	New measure	2	≥ 5 projects	7	40%	Exceeded forecast
		New measure	New measure	100%	≥ 90% met or exceeded expectations	100% (of the 86% that were evaluated)	11%	Exceeded forecast
Developing potential	Percentage of arts organisations that have received development support from Creative New Zealand and improved their delivery capability/ audience diversity as a result	New measure	New measure	New measure	≥ 80%	77%	(3%)	Forecast met
<b>Outcome</b>	<b>Measure</b>							
New Zealanders experience high-quality arts	Levels of New Zealanders arts' attendances (from three-yearly <i>New Zealanders and the arts survey</i> )	83% (2008 survey)	No survey	80% (83% excluding Christchurch)	Maintain or increase	No survey – done every three years		
	Levels of New Zealanders arts' attendances at events / performances funded by Creative New Zealand (run by organisations with continuous programmes of activity)	617,960 (2009 calendar year)	599,994 (2010 calendar year)	622,945 (2011/12 year)	≥ 700,000	701,615 (2012/13 year)	0%	Forecast met



## Outcome 4: New Zealand arts gain international success

### Our stories from 2012/13

#### Handshake

Handshake is a mentoring scheme for New Zealand contemporary jewellers, which has been running over the past three years with the aid of three grants from Creative New Zealand. The initial grant in 2011 was for the mentor programme itself, and two grants in 2012 provided support towards national and international exhibitions and the printing of a book about the programme. The programme was designed and delivered by Wellington-based jeweller and educator Peter Deckers.



FIGURE 16: Handshake exhibition, Handwerksmesse, Munich. Photo courtesy of Lynsay Raine.

The scheme took 12 New Zealand emerging and early career jewellers and allowed them to choose a mentor nationally or internationally. They engaged with each other via digital means, mainly email and Skype, and the results of their discussions were posted on a blog. An extensive exhibition programme that the mentees had to produce work towards finished with an exhibition of collaborations between mentees and mentors at Objectspace in July 2013.

A 110 page book documenting the mentor and mentee relationships and the resulting work was produced to coincide with an exhibition at the Handwerksmesse in Munich in March 2013.

*(Artform — craft/object; location — Munich; funding — Arts Grant, \$42,530).*

## Simon Denny

In June 2012, Simon Denny was awarded the prestigious Baloise Art Prize worth nearly \$23,000 (CHF 30,000).

Simon Denny investigated the changing role of the media and television in an age of rapid technological progress. In his large-scale installation, *Channel Document*, he addressed the restructuring of the media and its social consequences. At the core of his work was the imminent closure of the television channel TVNZ 7, which had operated as a government funded non-commercial, digital channel. As part of the installation, the artist commissioned a documentary on the redesign of New Zealand's passport in the style of a TVNZ production. *Channel Document* was presented at Art 43 Based by Michael Lett Gallery with the support of an Arts Grant.

Simon Denny has since been named as Creative New Zealand's artist for the 2015 Venice Biennale.



FIGURE 17: *TVNZ 7 Timeline 2012* by Simon Denny. Multi media installation, dimensions variable. Photo courtesy of the artist and Michael Lett.

## What we were seeking to achieve

Creative New Zealand supported selected New Zealand artists, arts practitioners and arts organisations to develop international audiences, readers and viewers. This helps increase income for our artists and arts organisations, assists them to engage with the international arts environment and promotes New Zealand and its arts to international audiences.

## What we did

Creative New Zealand's international networks and targeted programmes meant that it was able to bring 32 international buyers to New Zealand through the Te Manu Ka Tau programme to experience New Zealand art in its local context. We took 41 New Zealand artists and representatives to four designated, receptive international markets to display their works and introduce them to potential buyers or distributors.

We provided capability building for those wanting to develop skills to engage with international markets and audiences. We also supported 67 artists and organisations wanting to undertake international projects through the Grants and special opportunities programme and a further 28 artists and organisations who have previously appeared at a market or fair and who subsequently received invitations to tour work overseas.

During 2012/13, Creative New Zealand provided support to three major arts events arising from government-to-government invitations.

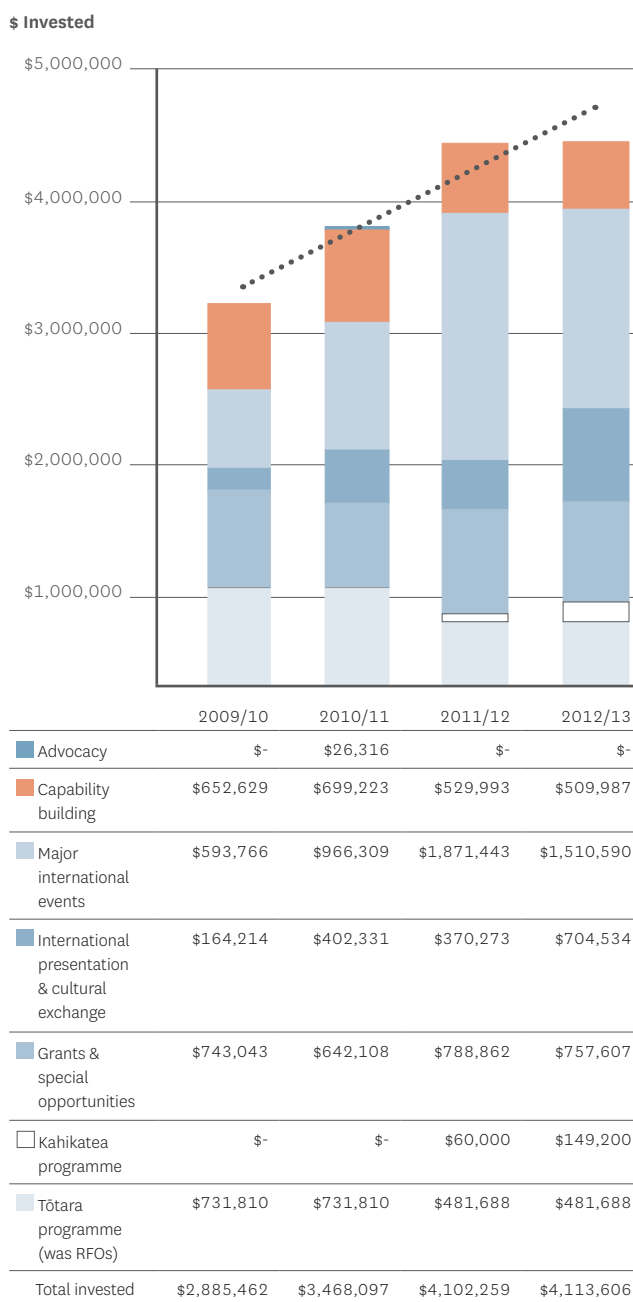
The four yearly Festival of Pacific Arts was held in the Solomon Islands in July 2012. New Zealand was represented by a delegation of nearly 100 artists, plus support staff. Up to 200,000 people shared in the festival, which celebrates, preserves and promotes Pacific arts and culture.

New Zealand was the Guest Country of Honour at the 2012 Frankfurt Book Fair, held in October 2012. The project was led by the Ministry for Culture and Heritage and Creative New Zealand's investment was targeted at the literary programme, arts and culture programme, the New Zealand Pavilion, website and translation costs.

The highly successful 2013 Venice Biennale, featuring artist Bill Culbert's installation *Front Door Out Back* held at the Istituto Santa Maria della Pietà, attracted over 21,000 visitors in June 2013 alone and received widespread positive media coverage, both in New Zealand and overseas.

Figure 18 shows how the investment in outcome 4 has developed over the past four years, in terms of contributions from the different funding programmes and total expenditure.

FIGURE 18: Outcome 4, investment by programme, 2009/10 to 2012/13

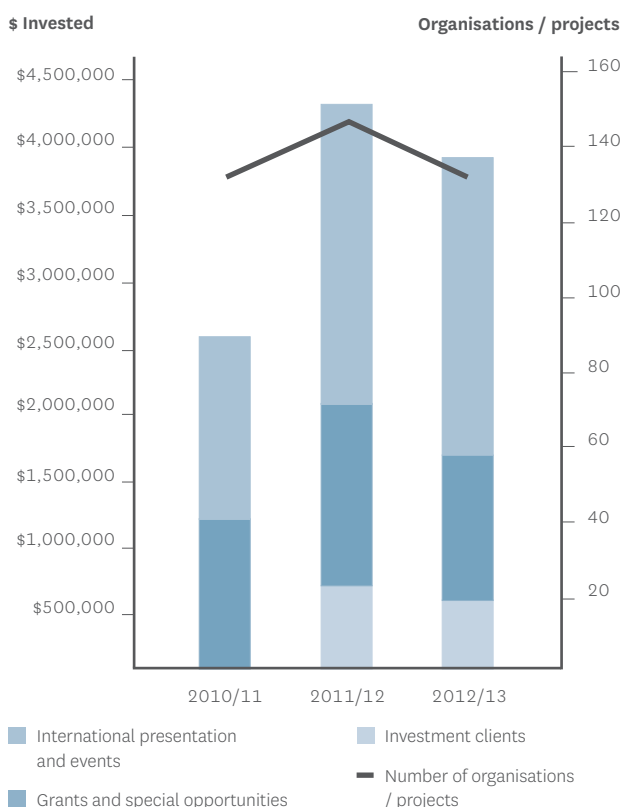


## How we performed

TABLE 4: Proof of performance, Outcome 4, 2009/10 to 2012/13

		PAST YEARS			CURRENT YEAR			
		2009/10 Actual	2010/11 Actual	2011/12 Actual	2012/13 Forecast	2012/13 Actual	Variance to Forecast (+/-%)	Notes
<b>Investment</b>								
Total investment – all programmes		\$ 2,885,462	\$ 3,468,097	\$ 4,102,259	\$ 4,104,143	\$ 4,113,606	0%	
<b>Impact</b>	<b>Measure</b>							
New Zealand's distinctive voice is heard overseas	Number of artists and arts organisations funded by Creative New Zealand to perform, present or exhibit overseas and the number of their performances and/or presentations	New measure	New measure	New measure	≥ 80 artists/ organisations	264	230%	Forecast significantly exceeded — more international activity by more organisations/ artists than anticipated
		New measure	New measure	New measure	≥ 200 presentations	232	16%	Forecast exceeded
International market development	Number of New Zealand artists, arts practitioners and arts organisations funded by Creative New Zealand that receive invitations to tour works overseas and the percentage that actually do tour	New measure	New measure	New measure	No target set	22 tours undertaken	N/A	International presentation fund successful applications
Developing potential	International activity (performances, presentations, exhibitions) over time	New measure	New measure	New measure	No target set	Refer to Figure 19 below		
<b>Outcome</b>	<b>Measure</b>							
New Zealand arts gain international success	Sample of works/projects supported by Creative New Zealand in the previous two years that have produced subsequent repeat international invitations	New measure	New measure	New measure	Case studies reported	Case studies detailed below		

FIGURE 19: Amounts invested and number of organisations or projects funded by Creative New Zealand outside New Zealand, 2010/11 to 2012/13



### Case studies

- Jumpboard Production's *Live Live Cinema: Carnival of Souls*** was performed in Frankfurt as part of New Zealand's Guest of Honour programme at the Frankfurt Book Fair in 2012. The 'presenters to view' initiative supported the airfares and accommodation of invited United Kingdom presenters to view this work which was presented at the English Theatre in Frankfurt. Subsequently, Jumpboard Productions received an invitation from Bryn Ormrod, creative producer at The Barbican, to perform at The Barbican in London during October 2013.

- Iva Lamkum** was a showcasing artist supported by Creative New Zealand at the Australasian World Music Expo in Melbourne, 2012. From her showcase performance, she received several invitations from notable music festivals such as the Sziget Festival, Hungary; Glastonbury Festival, United Kingdom; and Riddu Riddu in Norway – which resulted in a very successful European tour for Iva Lamkum and her band in 2013.
- Atamira** has recently toured *Kaha* in Hawaii and the United States including the Maui Arts and Cultural Centre, New York's Jacob's Pillow and the San Francisco International Arts Festival. The invitation and confirmation of venues for this tour was a result of United States agent Karen Fisher's attendance in the Te Manu Ka Tau programme in 2012 and 2013.
- The international tour of *Masi* to perform at the Oceania Centre in Suva, Fiji and in the Sydney International Arts Festival in January 2013 resulted from the debut performance of *Masi* by **The Conch** at the International Arts Festival, Wellington 2012 and Creative New Zealand's Te Manu Ka Tau programme.
- Royale Production's *No Holds Bard*** was invited to perform at the 2013 Edinburgh Fringe Festival. The invitation for this performance was a result of a visit by William Burdett Coutts and Kim Acland to New Zealand as part of Te Manu Ka Tau programme in 2012 and 2013. The invitation was for a season at the Roxy Downstairs venue at the Assembly in Scotland.
- Douglas Wright's *Rapt*** was invited by Holland Dance Festival's Artistic Director Samuel Weursten to perform at Holland Dance in April 2012, one of the most prestigious world contemporary dance festivals. The invitation came from initial discussions with Phil Evans and Samuel Weursten at the Australian Performing Arts Market in 2012 and then Samuel's subsequent visit to New Zealand as part of Creative New Zealand's Te Manu Ka Tau programme.

## Managing organisational health

We recognise that our organisational culture and our people, systems, processes, decision making and relationships are critical to us achieving our outcomes.

To help us focus on each aspect of our organisational health we have defined six headings under which activity can be grouped and performance measured.

### Organisational culture

Since 2008, we have participated in the annual Best Workplaces survey and used the results to help us identify ways in which we can improve. This year we ran the survey (renamed the Engagement survey) in conjunction with the Ministry for Culture and Heritage and several agencies in the cultural sector. Our key results for the four years 2010 to 2013 are shown in Figure 20.

FIGURE 20: Key results from Creative New Zealand Best Workplaces/ Engagement Survey, 2010 to 2013



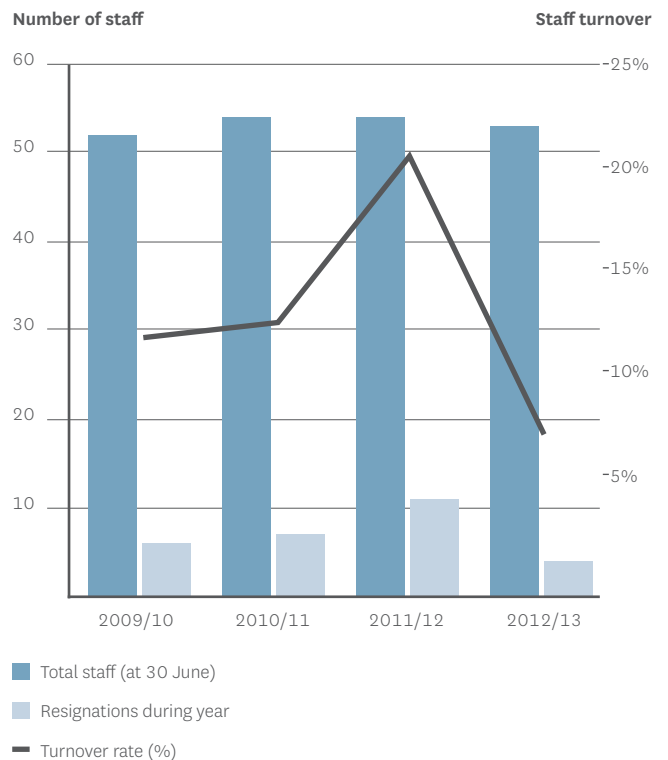
For the 2013 survey, we had a response rate of 94.3 percent, which is slightly down on the 100 percent response rate achieved in the previous three years. Our results show we have proportionally more engaged staff and fewer disengaged staff compared with the State Service Benchmark which comprises the 34 state sector organisations that participated in the survey between April 2011 and 2013.

The benchmark results for the seven other cultural sector agencies participating in the survey show we have proportionally more engaged and disengaged staff and that we have higher 'weighted mean scores' for the overall performance, wellbeing and perceptions indices.

### People

The voluntary turnover rate for the year to 30 June 2013 was 7.5 percent (see Figure 21).

FIGURE 21: Staff resignations and turnover rate, 2009/10 to 2012/13



At the time each vacancy occurred, the position and rationale for it was reviewed with regard to our desire to contain personnel and operating costs. All advertised vacancies attracted good numbers of applications from people with appropriate skills, experience and qualifications and from a diverse range of backgrounds.

In addition to the voluntary turnover rate noted above, two positions were disestablished in the year to 30 June 2013. The two employees in those roles left the organisation following a search to identify whether there were any other suitable vacancies for them, either within the organisation or externally.

Over the 2012/13 year there was an increase in the number of staff opting to use their Long Service Leave entitlement to undertake additional professional development. In cases where staff choose to use their long service leave to do 'mutually beneficial' development, we fund that development (additional to the training budget) up to the value of 1 percent of their accumulated gross salary over the previous five years.

## Governance and management

Creative New Zealand has in place a comprehensive governance manual and delegation schedule assigning responsibilities to the Arts Council, arts boards and management.

Members of the Arts Council, arts boards and committees are aware of the duty to manage existing and potential conflicts of interest. A conflict of interest register is maintained, and meeting processes support individual members to manage all existing and potential conflicts of interest.

New Arts Council, arts board and committee members receive a comprehensive induction to Creative New Zealand and their specific roles.

The Arts Council of New Zealand Toi Aotearoa Bill was introduced to Parliament in June 2010. A comprehensive transition project has been developed to ensure that the new Arts Council, once appointed, is able to assume its responsibilities and fulfil its functions from day one. The transition project includes a full review of all delegations and decision making processes.

The Finance, Risk and Audit Committee maintained an overview of Creative New Zealand's financial position and risk management (every two months) and legislative compliance (twice yearly).

## Structures and processes

A priority for Creative New Zealand in 2012/13 and 2013/14 is an overhaul of information and communications technology to make better use of 21st century tools. In 2012/13, we:

- selected a provider and technology for developing a contemporary grants and customer management system, and began to build the system
- continued to improve the functionality and reporting of existing legacy information systems as an interim measure.

## Equal Employment Opportunities (EEO) reporting

The Crown Entities Act 2004 requires us to:

- operate a personnel policy that complies with the principle of being a good employer
- make that policy available to employees
- ensure that we comply with the personnel policy and report in the Annual Report on the extent of our compliance.

TABLE 5: Staff profile as at 30 June 2013

	Number	Percentage
Staff full-time equivalent	50.2	-
Headcount	53.0	-
Permanent staff	46.2	92
Fixed-term contracts	4.0	8
<b>Senior leadership team (Chief Executive and direct reports)</b>		
Men	3	50
Women	3	50
<b>All managers (incl senior leadership team)</b>		
Men	6	32
Women	13	68
Māori	3	14
<b>All Staff</b>		
Men	14	26
Women	39	74
Māori	6	11
Pacific Island	3	6
People with disabilities	1	2
<b>Age groups</b>		
20 - 29	5	10
30 - 39	16	30
40 - 49	15	28
50 - 59	11	21
60+	6	11

## EEO policy and practice

Creative New Zealand's EEO policy is an integral part of the organisation's policy and procedures manual. A copy of the manual is readily available from our intranet and new staff are required to read key policies including the EEO Policy during their induction.

## Responsiveness to Māori

Creative New Zealand continues to provide regular tuition in te reo. Many staff attend waiata practice, and there are monthly talks about tikanga and kaupapa Māori at staff meetings. Business cards and organisational signage feature titles in te reo, and staff are encouraged to use Māori greetings and signoffs in their communications with customers.

This year, we included questions on 'Māori Responsiveness' in the Engagement survey. The results are as follows:

- This organisation has clearly defined Māori goals and objectives (75.5 percent)
- I am encouraged to participate in training and development that enables me to contribute to this organisation's Māori goals and objectives (71 percent).

## Staff wellbeing

Creative New Zealand regularly promotes health and safety and wellbeing awareness through several initiatives including:

- providing access to an employer-paid and confidential employee assistance programme and publicising the support to staff
- providing flu vaccinations free to all staff
- providing workstation assessments to all new staff and anyone experiencing physical discomfort at their desk
- providing a 'reasonable' sick leave entitlement for personal and domestic situations
- providing life and income protection insurance for all permanent staff.



In the latest Engagement survey, there was a 76.5 percent satisfaction rate from staff to the statement 'This organisation cares about the wellbeing of its people'.

The organisation has received no allegations of bullying or harassment in the past 12 months.

### Flexible work arrangements

Flexible working arrangements are offered to recognise the needs of staff. Of our staff, 15 percent work part time, and staff have remote access to our information technology systems when they need to work from home.

### Employee development

In our latest Engagement survey, staff had a 75 percent satisfaction level with the statements:

- I am encouraged to develop my knowledge skills and abilities in this organisation
- This organisation ensures that I am adequately trained for the work I do.

Learning and development opportunities form an integral part of the six-monthly performance planning and reviews, and all staff have been offered development opportunities in the past 12 months.

The training budget for the 2012/13 year was \$115,000 (nearly \$2,300 per full-time equivalent staff member or 2.7 percent of salary costs). Training ranged from Workwise training, plain English writing, presentation skills development, weekly classes in te reo, coaching and mentoring, to leadership and management development.

### Management accountability

Amongst the highest rated questions in our Engagement survey were two relating to managers' behaviour. These are:

- The person I report to treats people with respect (82.5 percent satisfaction)
- The person I report to behaves in a way that is consistent with the values of this organisation (80.5 percent satisfaction).

Managers are committed to modelling behaviours they expect of their teams. Managers are aware of the need to sustain work/life balance and allow staff to work flexible hours and from home when their domestic situation calls for this. Staff are also supported in times of illness to ensure they take the time off work required to get back to full health.

### Recruitment and induction

Vacancies are advertised through diverse advertising channels, including staff networks, to attract a wide pool of applicants. Selection panels comprise a cross section of managers and staff. Candidates are invited to bring whānau support to interviews and are normally invited to meet with members of their prospective team before an offer of employment is finalised.

Comprehensive information packs are sent to all new staff in advance of their first day. All new staff are teamed up with a buddy for support during their first weeks in the new role.

An individualised induction programme is prepared for each new starter, which is designed to ensure that the new employee is quickly integrated into their role, team and the organisation.

# Performance against Output Areas

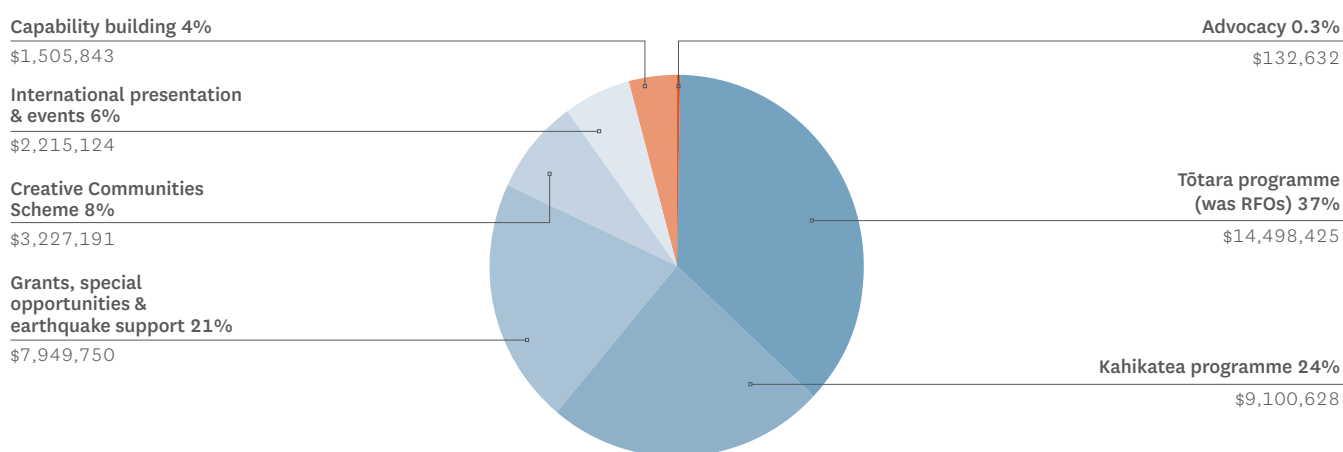
Te whakatutuki ki ngā hua ka puta

## Summary

The SOI 2012–15 sets out the forecast performance for Creative New Zealand’s outputs. During 2012/13, Creative New Zealand met or exceeded all of the targets for performance measures for its outputs.<sup>17</sup>

Support was provided to the arts sector through our range of programmes and initiatives, in a similar funding pattern to 2011/12.

FIGURE 22: Distribution of 2013/13 expenditure (excluding personnel costs and overheads) by programme



<sup>17</sup> This does not include forecast expenditure because some rebalancing always takes place between programmes during the year.

## Total revenue, income and expenditure under Vote: Arts, Culture and Heritage

Creative New Zealand operates under one central government output class: *Promotion and Support of the Arts and Film*. Funding is received from the Government through Vote: Arts, Culture and Heritage and the New Zealand Lottery Grants Board.

Creative New Zealand has one output class: *Promotion and Support of the Arts*. Within that are three main output areas:

- **funding** for artists, arts practitioners and arts organisations
- **capability** building for artists, arts practitioners and arts organisations
- **advocacy** for the arts.

TABLE 6: Revenue and expenditure against budget, 2012/13<sup>18</sup>

	2011/12 Actual	2012/13 Forecast	2012/13 Actual	Variance 2012/13
<b>Revenue</b>				
Promotion and support of the arts and film	\$ 15,689,000	\$ 15,689,000	\$ 15,689,000	\$ -
New Zealand Lottery Grants Board	\$ 27,516,239	\$ 27,705,000	\$ 31,024,104	\$ 3,319,104
Other	\$ 981,969	\$ 834,000	\$ 1,689,976	\$ 855,976
<b>Total revenue</b>	<b>\$ 44,187,208</b>	<b>\$ 44,228,000</b>	<b>\$ 48,403,080</b>	<b>\$ 4,175,080</b>
<b>Expenses</b>				
Funding	\$ 37,039,048	\$ 36,312,595	\$ 36,936,309	\$ 623,713
Capability building	\$ 1,126,522	\$ 1,750,180	\$ 1,505,842	(\$ 244,338)
Advocacy	\$ 363,278	\$ 172,500	\$ 132,631	(\$ 39,869)
<b>Total Funding, Capability Building &amp; Advocacy</b>	<b>\$ 38,528,848</b>	<b>\$ 38,235,275</b>	<b>\$ 38,574,782</b>	<b>\$ 339,507</b>
Personnel and other operating expenses	\$ 8,838,513	\$ 7,600,375	\$ 7,264,058	(\$ 336,317)
<b>Total expenditure</b>	<b>\$ 47,367,360</b>	<b>\$ 45,835,650</b>	<b>\$ 45,838,841</b>	<b>\$ 3,190</b>
<b>Net surplus/(deficit)</b>	<b>(\$ 3,180,152)</b>	<b>(\$ 1,607,650)</b>	<b>\$ 2,564,239</b>	<b>\$ 4,171,889</b>

<sup>18</sup> The funding expenditure figure on Table 6 differs from the totals of Figures 4 to 6, 12, 15 and 22, and tables 7 to 10 owing to a different treatment of \$54,811 between the outcomes and output areas and the financial statements.

## Output Area 1: Funding for artists, arts practitioners and arts organisations

Creative New Zealand funding supports individual professional development opportunities, as well as the creation, presentation and distribution of art, across community and professional arts. We provide funding to artists, arts practitioners and arts organisations and their projects in the following ways:

- multi-year funding for organisations through our investment programmes
- as grants in response to applications that meet published criteria
- through initiatives established in response to specific needs
- by devolving funds to partners for them to distribute.

Creative New Zealand's total expenditure for 2012/13 was \$45.8 million, of which \$36.9 million (81 percent) was distributed to the community through funding.

The four main funding programmes are:

- Investment programmes (formerly the Recurrent Funding programme)
- Grants funding (formerly the Contestable Funding programme)
- Creative Communities Scheme
- International presentation and events.

Detailed information on all of the funding programmes is available in the Funding and Programmes Guide, which is published annually.<sup>19</sup>

## Investment programmes

Creative New Zealand's Investment programmes – the Arts Leadership Investment (Toi Tōtara Haemata) and Arts Development Investment (Toi Uru Kahikatea) programmes, referred to as the Tōtara and Kahikatea programmes respectively – were implemented from 1 January 2012, replacing the previous Recurrent Funding programme.<sup>20</sup>

The Tōtara and Kahikatea programmes support the development of a sustainable infrastructure in the arts sector by funding key arts organisations for a fixed term. With such support, organisations are able to plan their programmes of activity.

- Tōtara organisations fulfil specific key roles that Creative New Zealand has identified as important to the health of the arts sector. They provide leadership and play an active role in promoting collaboration, developing talent, fostering new work, supporting innovation and taking artistic risks. Funding can be committed to Tōtara organisations for periods of up to five years.
- Kahikatea organisations have more flexibility in what they are funded to deliver. They can have funding committed to them for periods of up to three years.

The membership of the Tōtara and Kahikatea programmes is expected to change over time as organisations develop and the needs of the arts sector change. Creative New Zealand aims to review Tōtara key roles for each artform every five years.

Throughout the year, Creative New Zealand regularly monitors the performance of Tōtara and Kahikatea organisations against their funding agreements and works with them to improve their performance. Organisations are assessed against the expectations of their funding agreements in four component areas (artistic, financial, organisation, audience), plus a summary assessment.

<sup>19</sup> Available from [www.creativenz.govt.nz](http://www.creativenz.govt.nz).

<sup>20</sup> Funding from the former Arts and Sector Investment (Grants Funding) has also been incorporated into the new programmes.

The Investment programmes support **all four outcomes**.

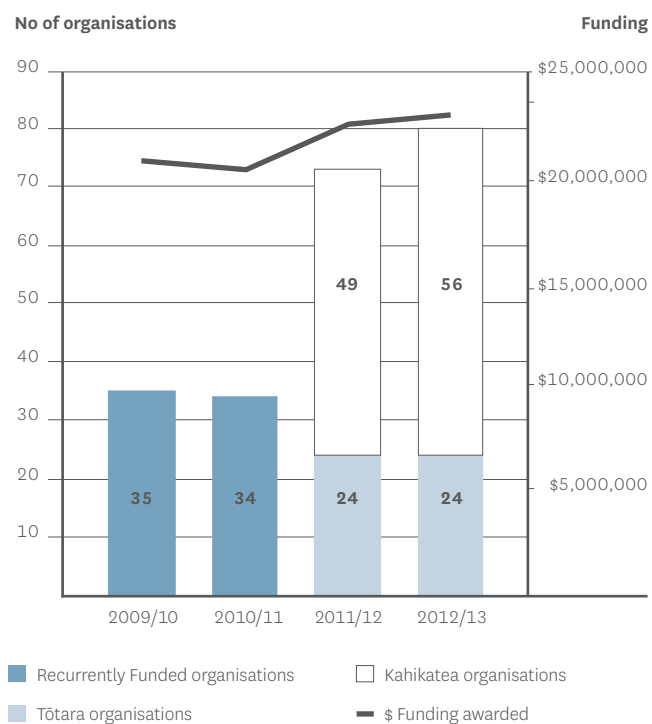
TABLE 7: Proof of performance, Investment programmes, 2009/10 to 2012/13<sup>21</sup>

	PAST PERFORMANCE			CURRENT PERFORMANCE			Notes
	2009/10 Actual	2010/11 Actual	2011/12 Actual	2012/13 Forecast	2012/13 Actual	Variance to forecast (+/-%)	
<b>Expenditure</b>							
Total expenditure	\$ 18,320,001	\$ 17,451,009	\$ 22,591,958	\$ 22,970,600	\$ 23,599,053	3%	Forecast met
<b>Quantity</b>							
Number of organisations funded through Recurrent Funding (to 31 December 2011 only)	35	34	34	N/A – programme ceased 31 December 2011. Included only for trend information			
Number of Tōtara organisations contracted to deliver programmes of activity	New measure	New measure	24	23 – 26	24	0%	Forecast met
Number of Kahikatea organisations contracted to deliver programmes of activity	New measure	New measure	49	45 – 50	56	12%	Exceeded forecast. Number of Kahikatea organisations growing faster than anticipated
<b>Quality</b>							
Proportion of organisations that meet or exceed the agreed expectations in their funding contracts	51%	91%	86%	≥ 92%	93%	1%	Forecast met
Proportion of Creative New Zealand obligations to customers under the funding contracts that are met	100%	96%	100%	≥ 95%	100%	5%	Forecast exceeded

<sup>21</sup> The structure of the outputs and performance measures in this section was improved between 2009/10 and 2010/11. Consequently, some of the comparative performance information and figures for 2009/10 have not been audited in this format and are presented for trend analysis only.

Figure 23 shows the effect of Creative New Zealand’s decision to increase multi-year funding to key organisations and infrastructure on the numbers of organisations supported and the amount invested.

FIGURE 23: Number of organisations and total investment in Recurrent Funding and Investment programmes, 2009/10 to 2012/13



## Grants funding and special opportunities

Creative New Zealand provides grants funding through a range of programmes, selecting the best artists, arts practitioners and arts organisations and their projects. Around 500 projects are supported each year through grants funding.

In 2012/13, there were two main types available: Quick Response Grants and Arts Grants.

A key aspect considered by the assessment process is how effectively a project will achieve one, or more, of the results (outcomes and impacts) that Creative New Zealand is seeking.

The quality of all projects is assessed by Creative New Zealand staff. Arts Grants are also assessed by external peer assessors. Projects are assessed for quality on a seven-point scale across four areas.

1. The idea: What is it that you want to do?
2. The process: How will you carry out the project, where and when will it occur, and how will you evaluate the completed project?
3. The people: Who is involved?
4. The budget: How much will it cost?

Where relevant, projects are assessed for their contribution to cultural diversity, innovation and community arts participation.

The detailed assessments are provided to the appropriate advisory panel and decision making board, to inform the final grants’ decisions.

For reporting purposes, Grants funding referred to in table 8 below also includes:

- special opportunities (awards, residencies, bursaries, scholarships)
- the Toi Ake and Tohunga Tukunga programmes and grants funded from the Māori Arts Development Initiative, all of which focus on specific outcomes for Māori
- the Distribution strategy funding, which supports regional arts touring
- Sistema Aotearoa
- the Flexible Funding portfolio, a fund to be used at the Chief Executive’s discretion
- the Earthquake Emergency Response Fund.

Applications are assessed against additional criteria that are specific to these particular programmes.

Following the devastating Canterbury earthquakes, Creative New Zealand used some of its reserves to establish an Earthquake Emergency Response Fund. Initial grants from the fund were for emergency assistance to those affected by the earthquakes. At the beginning of 2013, the focus of the fund changed from addressing emergency needs to supporting the recovery of the arts in Canterbury. The fund has been budgeted for until 2015/16.

Applications for grants from the Earthquake fund are considered on a monthly basis to provide rapid responses to changing needs in Christchurch. Recovery grants are reported under Grants funding.

Once completed, projects that have received Grants funding have their project completion reports evaluated against the expectations of their initial application and funding agreement.

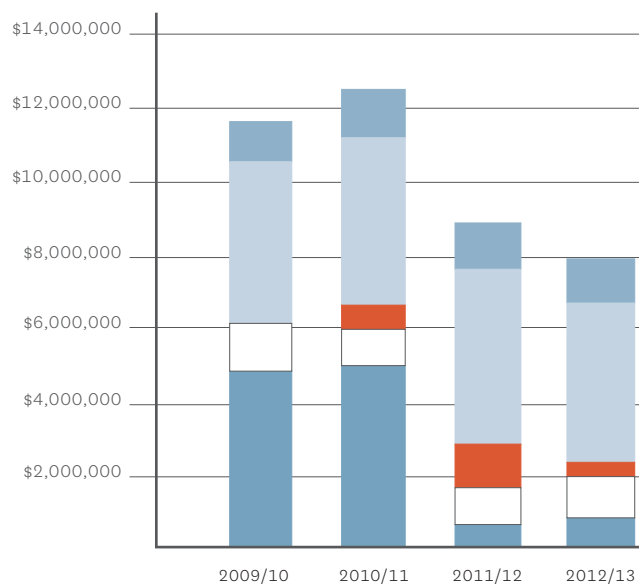
Grants funding supports **all four outcomes**.

TABLE 8: Proof of performance, grants and special opportunities, 2009/10 to 2012/13

	PAST PERFORMANCE			CURRENT PERFORMANCE		Variance to forecast (+/-%)	Notes
	2009/10 Actual	2010/11 Actual	2011/12 Actual	2012/13 Forecast	2012/13 Actual		
<b>Expenditure</b>							
Total expenditure	\$ 11,739,438	\$ 12,628,525	\$ 8,941,600	\$ 8,401,495	\$ 7,949,750	(5%)	Forecast not met. Budgets for the Flexible funding portfolio and Earthquake support were not fully utilised
<b>Quantity</b>							
Number of projects funded	504	584	529	450	460	2%	Forecast met
<b>Quality</b>							
Project completion rate	99%	99%	99%	99%	99%	0%	Forecast met
Proportion of projects that meet or exceed the expectations in the approved application and the funding agreement	98% (of the 99% of projects that were evaluated)	97% (of the 99% of projects that were evaluated)	98% (of the 99% of projects that were evaluated)	≥ 96%	98% (of the 86% of projects that were evaluated)	2%	Forecast met
<b>Timeliness</b>							
Proportion of grants that are processed within published timeframes	100%	100%	100%	100%	100%	0%	Forecast met

The decline in funding since 2010/11 shown in Figure 24 is attributable to the transfer of funds previously associated with the Arts and Sector Investment grants to the new Kahikatea programme from 2012, plus the end, in 2010/11, of the Independent Filmmakers' Fund and the Smash Palace Fund.

FIGURE 24: Investment in grants and special opportunities by programme, 2009/10 to 2012/13



Quick Response Grants	\$1,107,756	\$1,334,009	\$1,277,810	\$1,218,852
Arts Grants and Toi Ake	\$4,463,018	\$4,622,314	\$4,827,733	\$4,397,274
Christchurch Earthquake Emergency Response Fund	\$-	\$667,532	\$1,204,136	\$395,014
Special Opportunities	\$1,318,714	\$1,001,925	\$1,017,596	\$1,138,610
Arts & Sector Investments, Independent Filmmakers' Fund, Sistema Aotearoa	\$4,849,950	\$5,002,745	\$614,325	\$800,000
<b>Total \$ awarded</b>	<b>\$11,739,438</b>	<b>\$12,628,525</b>	<b>\$8,941,600</b>	<b>\$7,949,750</b>

## Creative Communities Scheme

The Creative Communities Scheme is a small-grants scheme that supports community arts projects and activities taking place within the area of a territorial authority. Funding allocations are based on population size.

Decisions under the scheme are devolved to all of New Zealand's 67 territorial authorities, which administer the scheme themselves or through suitable third parties. Local assessment committees consider applications for funding under the scheme. Funding decisions are made on the basis of criteria set by Creative New Zealand as follows:

- **Broad community involvement:** The project creates opportunities for local communities to engage with and participate in arts activities
- **Diversity:** The project supports the diverse arts and cultural traditions of local communities, enriching and promoting their uniqueness and cultural diversity
- **Young people:** The project enables and encourages young people (under 18 years) to engage with and actively participate in the arts.

The Creative Communities Scheme directly supports

### Outcome 1: New Zealanders participate in the arts.



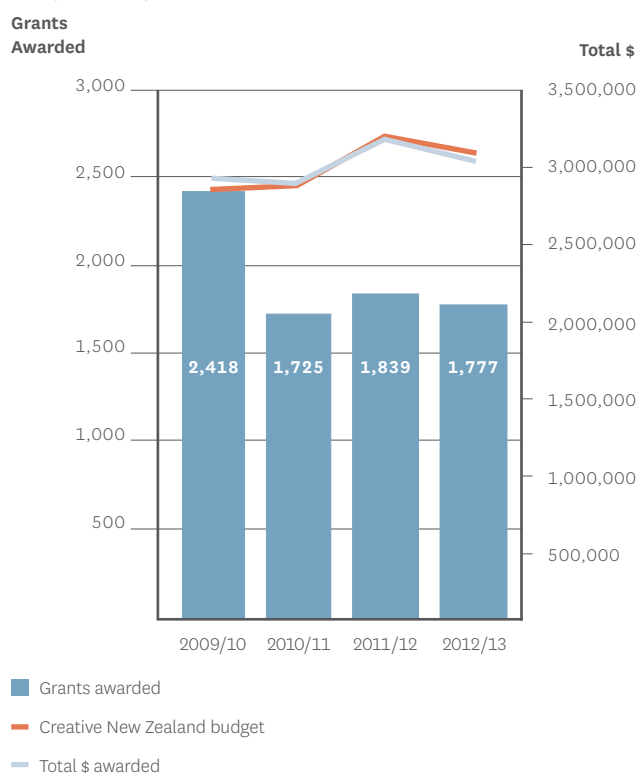
TABLE 9: Proof of performance, Creative Communities Scheme, 2009/10 to 2012/13

	PAST PERFORMANCE			CURRENT PERFORMANCE			Notes
	2009/10 Actual	2010/11 Actual	2011/12 Actual	2012/13 Forecast	2012/13 Actual	Variance to forecast (+/-%)	
<b>Expenditure</b>							
Creative New Zealand budget	\$ 2,800,450	\$ 2,862,181	\$ 3,310,725	\$ 3,263,500	\$ 3,227,191	(1%)	Forecast met
Value of grants awarded	\$ 2,924,322	\$ 2,838,818	\$ 3,276,794	\$ 3,263,500	\$ 3,161,657	(3%)	Forecast met
<b>Quantity</b>							
Number of territorial authorities (TAs) contracted to manage the scheme in their area	73	67	67	67	67	0%	Forecast met
Number of projects funded	2,418	1,725	1,839	≥ 1,800	1,777	(1%)	Forecast met
<b>Quality</b>							
Proportion of TAs that meet the requirements of their contracts as administrators of the scheme	93%	93%	99%	≥ 95%	98%	3%	Forecast met

Figure 25 shows the budget provided by Creative New Zealand and the number and dollar value of the grants awarded. The decline in the number of grants in 2010/11 is attributable to the removal of a funding cap, which has allowed territorial authorities to make fewer but larger grants. The average grant value has increased from \$1,209 in 2009/10 to \$1,779 in 2012/13.

Some territorial authorities supplement the funds in the scheme, and unspent funds may, with Creative New Zealand's permission, be rolled over from one year to the following.

FIGURE 25: Investment and grant numbers, Creative Communities Scheme, 2009/10 to 2012/13



## International presentation and events

Through International presentation and events,<sup>22</sup> Creative New Zealand supports opportunities for individual artists, arts practitioners, arts organisations or groups of artists to tour, exhibit or perform internationally. Support may leverage a New Zealand attendance at a trade fair overseas or a particular market-development initiative. Other activities include providing advice and resources to New Zealand artists seeking to work, or who are working, internationally.

The focus of International presentation is targeted, rather than being fully contestable. International projects are generally longer term and outcomes can take up to 18 months to be fully recognised. Those who receive this support have their project completion reports evaluated against the expectations of their initial application and funding agreement.

International funding directly supports **Outcome 4: New Zealand arts gain international success.**

TABLE 10: Proof of progress, international presentation and events, 2009/10 to 2012/13

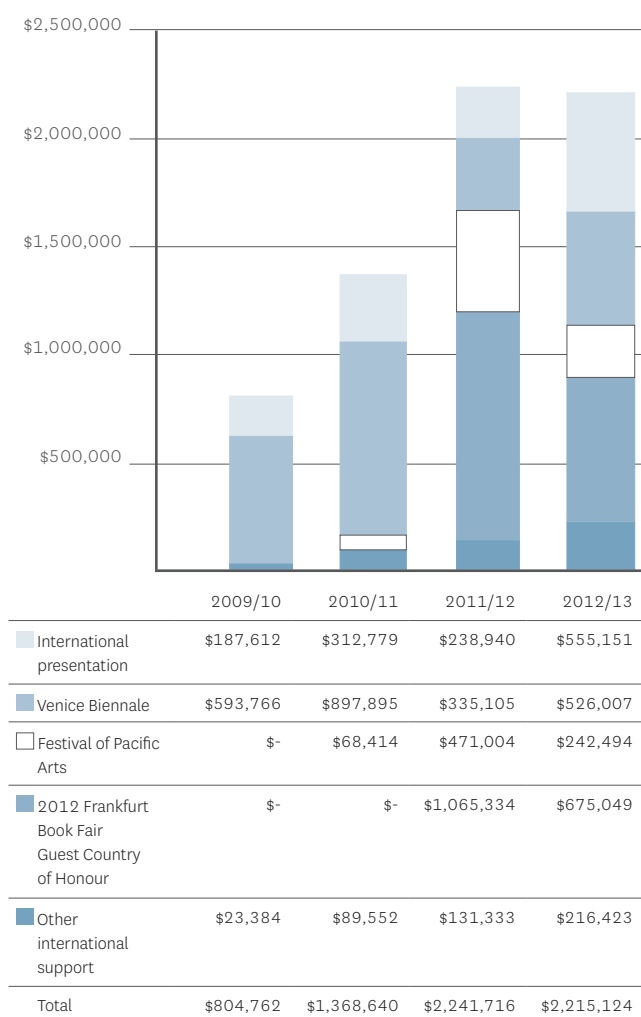
	PAST PERFORMANCE			CURRENT PERFORMANCE		Variance to forecast (+/-%)	Notes
	2009/10 Actual	2010/11 Actual	2011/12 Actual	2012/13 Forecast	2012/13 Actual		
<b>Expenditure</b>							
Total expenditure	\$ 804,761	\$ 1,368,640	\$ 2,241,716	\$ 1,677,000	\$ 2,215,125	32%	Exceeded forecast. Includes additional funding for 2012 Guest Country of Honour at Frankfurt Book Fair and upfront payment of Venice Biennale costs (budgeted over two years)
<b>Quantity</b>							
Number of projects funded	25	20	20	≥ 25	25	0%	Forecast met
<b>Quality</b>							
Project completion rate	99%	99%	99%	99%	99%	0%	Forecast met
Proportion of projects that meet or exceed the expectations in the approved application and the funding agreement	98% (of the 87% of projects that were evaluated)	100% (of the 90% of projects that were evaluated)	100%	≥ 80%	100% (of the 94% of projects that were evaluated)	25%	Exceeded forecast. Target has been increased for 2013/14

<sup>22</sup> International presentation and events does not include grants awarded through the Arts Grants and Quick Response application processes for projects undertaken overseas, or overseas special opportunities — these are reported under Grants funding.

Figure 26 shows the effect on total International presentation and events of specific initiatives that Creative New Zealand supports as a result of government-to-government invitations:

- Venice Biennale (occurs every two years)
- Festival of Pacific Arts (occurs every four years)
- Frankfurt Book Fair – Guest Country of Honour (specific 2012 initiative).

FIGURE 26: Investment by programme, international presentation and events, 2009/10 to 2012/13



## Output Area 2: Capability building

In addition to funding, Creative New Zealand offers capability building initiatives to help artists, arts practitioners and arts organisations develop professionally, manage their organisations more effectively and develop audiences and markets for their work. Our capability building programme includes initiatives ranging from webinars and workshops through to one-on-one coaching. We also provide online and print resources.

The expenditure on capability building in 2012/13 was \$1.5 million, 4 percent of the total expenditure for 2012/13 (excluding personnel costs and overheads).

There are three main aspects of capability building:

- audience and market development
- strategy and governance
- fundraising.

### Audience and market development

Our audience and market development training enables arts organisations to better communicate with existing and new audiences to develop and grow their audiences. Organisations learn how to apply audience research, use a marketing segmentation system developed for the arts sector, make better use of their databases, information and reporting systems and take advantage of the power of online marketing.

The international aspect of audience and market development aims to build strong relationships between local artists, arts practitioners, arts organisations and key players in international arts management. This is done through attendance at international markets and fairs, by promoting market development and bringing appropriate overseas experts and agents to New Zealand to experience local arts.

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In addition to the formal categories of activity, Creative New Zealand staff work with individual artists, arts practitioners and arts organisations, providing coaching and advice on a daily basis, using their own experience and expertise.

## Strategy and governance

Strategy and governance initiatives help arts organisations to acquire and apply the skills necessary to develop strategic plans, digital strategies and effective boards. Sixteen arts organisations took part in these initiatives in 2012/13 through a series of workshops, strategic planning consultations involving members of their organisations and follow-up support and advice. This area of capability building covers leadership, vision, strategy, governance, outcomes, branding and priorities for action and staff development.

## Fundraising

Creative New Zealand is currently delivering a pilot Creative Giving programme designed to enhance the ability of the arts, culture and heritage sectors to source private sector funding. The programme provides advice and support to arts, culture and heritage organisations to help them increase the funding they receive from individuals, businesses, trusts and foundations. The pilot includes individual mentoring for selected organisations and nationwide workshops and master classes. To incentivise financial support of the arts from the private sector, Creative New Zealand also matches the funds organisations raise through new or increased sponsorships or donations between \$5,000 and \$20,000 (criteria apply).

The pilot also works to facilitate partnerships between arts, culture and heritage organisations and individuals and businesses, through advocacy, to highlight the benefits of investing in the arts, culture and heritage.

The delivery of capability building is usually targeted to the needs of existing Creative New Zealand clients, rather than being fully contestable.

This output area supports **all four outcomes** and is associated in particular with the 'Developing potential' impacts under **Outcome 3: New Zealanders experience high-quality arts** and **Outcome 4: New Zealand arts gain international success**.

TABLE 11: Proof of performance, capability building, 2009/10 to 2012/13<sup>23</sup>

	PAST PERFORMANCE			CURRENT PERFORMANCE			Notes
	2009/10 Actual	2010/11 Actual	2011/12 Actual	2012/13 Forecast	2012/13 Actual	Variance to forecast (+/-%)	
<b>Expenditure</b>							
Total expenditure	\$ 1,013,862	\$ 1,302,151	\$ 1,126,522	\$ 1,750,180	\$ 1,505,842	(14%)	Forecast not met. Some initiatives did not take place and others presented unanticipated savings
<b>Quantity</b>							
Number of capability building initiatives delivered to the sector	31	57	32	≥ 31	45	45%	Exceeded forecast. Results include Creative Giving initiatives not in forecast
Number of person-days of workshop based capability building initiatives delivered	New measure	500	218	≥ 600	903	51%	Exceeded forecast. Results include the well supported National Arts Conference
Number of participants in experiential capability building initiatives	New measure	New measure	128	≥ 94	107	14%	Exceeded forecast. Results include markets and fairs; digital strategy, evaluating databases and strategic planning initiatives
<b>Quality</b>							
Proportion of participants who find the workshop based capability building initiatives to be relevant and helpful	90%	88%	94%	≥ 91%	94%	4%	Forecast met. Based on 170 responses concerning 13 initiatives
Proportion of participants in experiential initiatives who find them to be relevant and effective	90%	92%	100%	≥ 75%	100%	33%	Exceeded forecast. Forecast has been increased for 2013/14

23 Experiential capability building includes attendance at selected international markets and fairs and participation in Te Manu Ka Tau, a programme that brings selected overseas agents and experts to New Zealand.

## Output Area 3: Advocacy for the arts

The advocacy programme aims to raise awareness of the role and contribution of the arts, highlight important issues affecting the sector and change the environment for the benefit of the arts.

We advocate by carrying out research – in particular, the triennial *New Zealanders and the arts* survey; fostering relationships and partnerships, both nationally and internationally; participating in cross-government initiatives and, where relevant, making submissions on issues facing the arts sector or Creative New Zealand.

All Creative New Zealand staff play a role in advocating for and promoting the arts; therefore, the costs of advocacy lie mostly within personnel costs. The advocacy costs listed in this report are those of producing research and resources that are made publicly available.

The advocacy programme includes the following activities:

- carrying out research for the arts sector. In 2012/13, we published discussion papers on Pacific arts and music arts development and the final result of our 2011/12 review of ngā toi Māori<sup>24</sup>
- developing strategic partnerships to increase support for the arts. Our strategic partners in 2012/13 included Auckland Council and the ASB Community Trust, and Christchurch City Council and CERA
- participating in cross-government initiatives. During 2012/13, we continued to work with CERA, the Ministry for Culture and Heritage and Christchurch City Council on ways in which the arts can help the recovery of Christchurch. We also worked with the Ministry on its review of the professional orchestras and with NZ On Air and the New Zealand Music Commission on clarifying support for contemporary popular music
- where relevant, making submissions on issues affecting the arts sector or Creative New Zealand. In 2012/13, Creative New Zealand made six submissions to territorial authorities on draft plans or policies and one to the select committee on proposed changes to the Local Government Act.

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<sup>24</sup> All reports and papers are available from [www.creativenz.govt.nz](http://www.creativenz.govt.nz).

TABLE 12: Proof of performance, advocacy, 2009/10 to 2012/13

	PAST PERFORMANCE			CURRENT PERFORMANCE		Variance to forecast (+/-%)	Notes
	2009/10 Actual	2010/11 Actual	2011/12 Actual	2012/13 Forecast	2012/13 Actual		
<b>Expenditure</b>							
Total expenditure	\$ 54,737	\$ 194,854	\$ 363,278	\$ 172,500	\$ 132,631	(23%)	Did not meet forecast. Budget for Strategic Plan and Advocacy toolkit rolled forward
<b>Quantity</b>							
<b>Research</b>							
Total number of research projects and other resources delivered to the sector	2	2	6	3	3	0%	Forecast met
Number of submissions made to government or local government on arts matters	New measure	New measure	14	≥ 3	7	133%	Exceeded forecast
<b>Strategic partnerships</b>							
Total number of meetings per key partner	2	3	2	3	3	0%	Forecast met
<b>Quality</b>							
The arts sector is using available resources as indicated by the website usage	New measure	446,344	419,549	≥ 450,000 unique page views	436,540	(3%)	Forecast met

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# FINANCIAL PERFORMANCE

*NGĀ WHAKARITENGA PŪTEA*

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# Independent Auditor's Report

Ripoata nō te kaitātari pūtea umanga ake

**AUDIT NEW ZEALAND**  
Mana Arotake Aotearoa

To the readers of the Arts Council of New Zealand Toi Aotearoa's financial statements and statement of service performance for the year ended 30 June 2013.

The Auditor-General is the auditor of the Arts Council of New Zealand Toi Aotearoa (Creative New Zealand). The Auditor-General has appointed me, J R Smaill, using the staff and resources of Audit New Zealand, to carry out the audit of the financial statements and non-financial performance information of Creative New Zealand on her behalf.

We have audited:

- the financial statements of Creative New Zealand on pages 60 to 94, that comprise the statement of financial position as at 30 June 2013, the statement of financial performance, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date and notes to the financial statements that include accounting policies and other explanatory information; and
- the non-financial performance information of Creative New Zealand that comprises the statement of service performance on pages 42 to 55 and the report about outcomes on pages 20 to 37.

## Opinion

In our opinion:

- the financial statements of Creative New Zealand on pages 60 to 94:
  - comply with generally accepted accounting practice in New Zealand; and
  - fairly reflect Creative New Zealand's:
    - financial position as at 30 June 2013; and
    - financial performance and cash flows for the year ended on that date.
- the non-financial performance information of Creative New Zealand on pages 20 to 37 and 42 to 55:
  - complies with generally accepted accounting practice in New Zealand; and
  - fairly reflects Creative New Zealand's service performance and outcomes for the year ended 30 June 2013, including for each class of outputs:
    - its service performance compared with forecasts in the statement of forecast service performance at the start of the financial year; and
    - its actual revenue and output expenses compared with the forecasts in the statement of forecast service performance at the start of the financial year.

Our audit was completed on 31 October 2013. This is the date at which our opinion is expressed.

The basis of our opinion is explained below. In addition, we outline the responsibilities of the Arts Council and our responsibilities, and we explain our independence.

## Basis of opinion

We carried out our audit in accordance with the Auditor-General's Auditing Standards, which incorporate the International Standards on Auditing (New Zealand). Those standards require that we comply with ethical requirements and plan and carry out our audit to obtain reasonable assurance about whether the financial statements and non-financial performance information are free from material misstatement.

Material misstatements are differences or omissions of amounts and disclosures that, in our judgement, are likely to influence readers' overall understanding of the financial statements and non-financial performance information. If we had found material misstatements that were not corrected, we would have referred to them in our opinion.

An audit involves carrying out procedures to obtain audit evidence about the amounts and disclosures in the financial statements and non-financial performance information. The procedures selected depend on our judgement, including our assessment of risks of material misstatement of the financial statements and non-financial performance information, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the preparation of Creative New Zealand's financial statements and non-financial performance information that fairly reflect the matters to which they relate. We consider internal control in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of Creative New Zealand's internal control.

An audit also involves evaluating:

- the appropriateness of accounting policies used and whether they have been consistently applied;
- the reasonableness of the significant accounting estimates and judgements made by the Arts Council;

- the appropriateness of the reported non-financial performance information within Creative New Zealand's framework for reporting performance;
- the adequacy of all disclosures in the financial statements and non-financial performance information; and
- the overall presentation of the financial statements and non-financial performance information.

We did not examine every transaction, nor do we guarantee complete accuracy of the financial statements and non-financial performance information. Also we did not evaluate the security and controls over the electronic publication of the financial statements and non-financial performance information.

We have obtained all the information and explanations we have required and we believe we have obtained sufficient and appropriate audit evidence to provide a basis for our audit opinion.

## Responsibilities of the Arts Council

The Arts Council is responsible for preparing financial statements and non-financial performance information that:

- comply with generally accepted accounting practice in New Zealand;
- fairly reflect Creative New Zealand's financial position, financial performance and cash flows; and
- fairly reflect its service performance and outcomes.

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The Arts Council is also responsible for such internal control as is determined necessary to enable the preparation of financial statements and non-financial performance information that are free from material misstatement, whether due to fraud or error. The Arts Council is also responsible for the publication of the financial statements and non-financial performance information, whether in printed or electronic form.

The Arts Council's responsibilities arise from the Crown Entities Act 2004.

### **Responsibilities of the Auditor**

We are responsible for expressing an independent opinion on the financial statements and non-financial performance information and reporting that opinion to you based on our audit. Our responsibility arises from section 15 of the Public Audit Act 2001 and the Crown Entities Act 2004.

### **Independence**

When carrying out the audit, we followed the independence requirements of the Auditor-General, which incorporate the independence requirements of the External Reporting Board.

Other than the audit, we have no relationship with or interests in Creative New Zealand.



**J R Smail**

Audit New Zealand  
On behalf of the AuditorGeneral  
Wellington, New Zealand

# Financial statements

Ngā pūrongo pūtea

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## Statement of responsibility

For the year ended 30 June 2013

The Arts Council (the governing body of Creative New Zealand) accepts responsibility for the preparation of Creative New Zealand's financial statements and statement of service performance, and the judgements made in them.

The Arts Council accepts responsibility for establishing and maintaining a system of internal control designed to provide reasonable assurance as to the integrity and reliability of financial and non-financial reporting.

In the opinion of the Arts Council, the annual financial statements and the statement of service performance for the year ended 30 June 2013 fairly reflect the financial position and operations of Creative New Zealand.

Signed on behalf of the Arts Council:



**RS Grant**

Chair, Arts Council

31 October 2013



**Erima Henare**

Member, Arts Council

31 October 2013

## Summary of financial performance

Overall, the financial statements for the year ended 30 June 2013 show a positive picture of the organisation's financial performance and financial position, including:

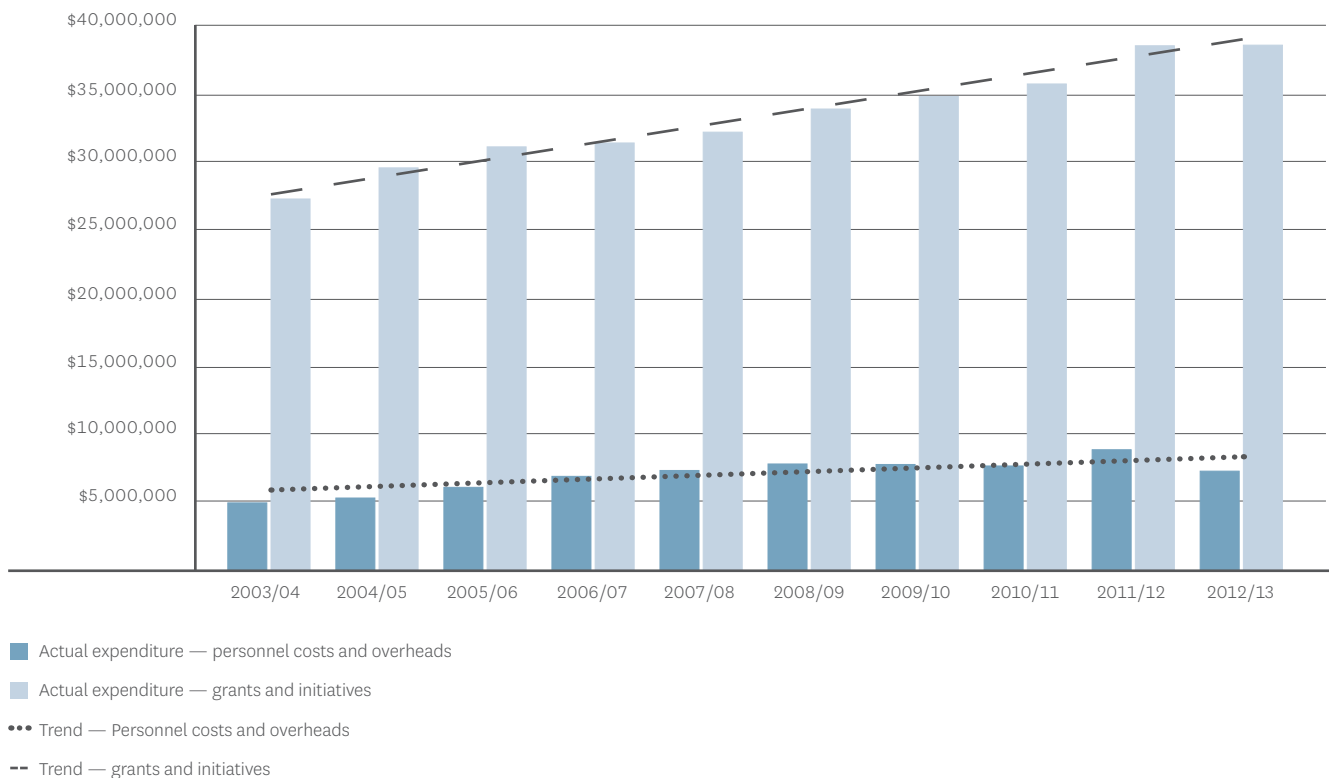
- a record level of income that was not budgeted for in the published SOI 2012–15
- funding, capability building and advocacy provided to the sector are at the same level as in the previous year but above the SOI budget
- operating expenses are at the lowest level they have been in the past six years (see Figure 27).

The financial position is strong with total assets of \$27.467 million and a net equity position of \$12.415 million. Creative New Zealand needs to keep a relatively high level of funds on hand to meet funding commitments which are made for two or three years out.

Our cash and investments position is strong at \$15.145 million, an increase on the previous year due to higher income.

Capital expenditure projects are tracking to budget. The financial statements recognise a contingent liability of \$2.7 million to \$5.6 million for the strengthening of the Old Public Trust Building. However, the post-balance date decision to sell the building removes the need for this contingency.

FIGURE 27: Expenditure — Grants and initiatives and personnel costs and overheads, 2003/04 to 2012/13



## Statement of financial performance

For the year ended 30 June 2013

BUDGET 2013 \$000		NOTE	ACTUAL 2013 \$000	ACTUAL 2012 \$000
<b>INCOME</b>				
15,689	Income from the Crown	2	15,689	15,689
27,705	Income from New Zealand Lottery Grants Board	3	31,024	27,516
550	Interest income		684	613
200	Grant retirements and gains	4	335	275
84	Other income	5	671	94
<b>44,228</b>	<b>TOTAL INCOME</b>		<b>48,403</b>	<b>44,187</b>
<b>EXPENDITURE</b>				
38,235	Funding, capability building and advocacy	10	38,575	38,529
4,446	Personnel expenses	6	4,453	4,546
550	Depreciation and amortisation	7	391	440
2,605	Other expenses	8	2,420	3,852
<b>45,836</b>	<b>TOTAL EXPENDITURE</b>		<b>45,839</b>	<b>47,367</b>
<b>(1,608)</b>	<b>NET OPERATING SURPLUS/(DEFICIT)</b>		<b>2,564</b>	<b>(3,180)</b>

*The accompanying accounting policies and notes form an integral part of these financial statements.*

## Statement of comprehensive income

For the year ended 30 June 2013

BUDGET 2013 \$000		NOTE	ACTUAL 2013 \$000	ACTUAL 2012 \$000
(1,608)	Net operating surplus/(deficit) for the year		2,564	(3,180)
	<b>Other comprehensive income/(loss)</b>			
-	Revaluation of land and buildings	14	274	(1,010)
-	Revaluation of works of art	15	17	(48)
-	<b>Total other comprehensive income/(loss)</b>		<b>291</b>	<b>(1,058)</b>
(1,608)	<b>TOTAL COMPREHENSIVE INCOME/(LOSS)</b>		<b>2,855</b>	<b>(4,238)</b>

## Statement of changes in equity

For the year ended 30 June 2013

BUDGET 2013 \$000		NOTE	ACTUAL 2013 \$000	ACTUAL 2012 \$000
11,068	Total equity as at 1 July		9,565	13,803
(1,608)	Net operating surplus/(deficit) for the year		2,564	(3,180)
-	Other comprehensive income/(loss)		291	(1,058)
(1,608)	<b>Total comprehensive income/(loss)</b>		<b>2,855</b>	<b>(4,238)</b>
9,460	<b>TOTAL EQUITY AS AT 30 JUNE</b>	21	<b>12,420</b>	<b>9,565</b>

The accompanying accounting policies and notes form an integral part of these financial statements.

## Statement of financial position

As at 30 June 2013

BUDGET 2013 \$000		NOTE	ACTUAL 2013 \$000	ACTUAL 2012 \$000
<b>ASSETS</b>				
<b>Current assets</b>				
11,360	Cash and cash equivalents	11	7,645	12,697
-	Investments in term deposits	12	7,500	-
7,200	Debtors and other receivables	13	7,297	7,009
200	Prepayments		344	279
<b>18,760</b>	<b>Total current assets</b>		<b>22,786</b>	<b>19,985</b>
<b>Non-current assets</b>				
3,334	Property, plant and equipment	14	2,401	2,109
1,211	Works of art	15	1,180	1,163
540	Investment property	16	380	312
692	Intangible assets	17	720	558
<b>5,777</b>	<b>Total non-current assets</b>		<b>4,681</b>	<b>4,142</b>
<b>24,537</b>	<b>TOTAL ASSETS</b>		<b>27,467</b>	<b>24,127</b>
<b>LIABILITIES</b>				
<b>Current liabilities</b>				
1,747	Creditors and other payables	18	1,449	1,994
320	Employee entitlements	20	320	344
13,010	Grants payable		13,239	12,193
<b>15,077</b>	<b>Total current liabilities</b>		<b>15,008</b>	<b>14,531</b>
<b>Non-current liabilities</b>				
-	Employee entitlements	20	39	31
-	<b>Total non-current liabilities</b>		<b>39</b>	<b>31</b>
<b>15,077</b>	<b>TOTAL LIABILITIES</b>		<b>15,047</b>	<b>14,562</b>
<b>9,460</b>	<b>NET ASSETS</b>		<b>12,420</b>	<b>9,565</b>
<b>EQUITY</b>				
7,250	Accumulated funds	21	10,977	8,413
2,210	Revaluation reserves	21	1,443	1,152
<b>9,460</b>	<b>TOTAL EQUITY</b>		<b>12,420</b>	<b>9,565</b>

The accompanying accounting policies and notes form an integral part of these financial statements.



**Stephen Wainwright**  
Chief Executive  
16 October 2013



**R S Grant**  
Chair, Arts Council  
16 October 2013



## Statement of cash flows

For the year ended 30 June 2013

BUDGET 2013 \$000		ACTUAL 2013 \$000	ACTUAL 2012 \$000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
<b>Cash was provided from:</b>			
15,689	Crown revenue	15,689	15,689
27,705	New Zealand Lottery Grants Board	30,631	21,006
284	Other revenue	681	193
-	Retirement of grants	101	140
550	Interest received	676	546
-	Net goods and services tax	104	-
<b>44,228</b>		<b>47,882</b>	<b>37,574</b>
<b>Cash was applied to:</b>			
37,735	Payments of grants	37,433	37,751
4,460	Payments to employees	4,469	4,533
2,591	Payments of operating expenses	3,048	2,258
-	Net goods and services tax	-	1,321
<b>44,786</b>		<b>44,950</b>	<b>45,863</b>
<b>(558)</b>	<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>	<b>2,932</b>	<b>(8,289)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
<b>Cash was provided from:</b>			
-	Sale of property, plant and equipment	-	2
<b>Cash was applied to:</b>			
816	Purchase of property, plant, equipment and intangible assets	484	499
-	Investment in term deposits	7,500	-
<b>(816)</b>	<b>NET CASH FLOWS FROM INVESTING ACTIVITIES</b>	<b>(7,984)</b>	<b>(497)</b>
<b>(1,374)</b>	<b>NET INCREASE (DECREASE) IN CASH HELD</b>	<b>(5,052)</b>	<b>(8,786)</b>
<b>Add opening cash brought forward:</b>			
30	Cash on hand and at bank	43	29
12,704	Short-term deposits	12,654	21,454
<b>11,360</b>	<b>BALANCE AT END OF YEAR</b>	<b>7,645</b>	<b>12,697</b>
<b>Represented by:</b>			
Closing cash carried forward:			
30	Cash on hand and at bank	32	43
11,330	Short-term deposits	7,613	12,654
<b>11,360</b>		<b>7,645</b>	<b>12,697</b>

The goods and services tax (GST) (net) component of operating activities reflects the net GST paid and received with Inland Revenue. The GST (net) component has been presented on a net basis, as the gross amounts do not provide meaningful information for financial statement purposes.

The accompanying accounting policies and notes form an integral part of these financial statements.

## Notes to the financial statements

### 1. Statement of accounting policies

For the year ended 30 June 2013.

#### 1.1 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. As such, Creative New Zealand's ultimate parent is the New Zealand Crown.

Its purpose, as defined under the Arts Council of New Zealand Toi Aotearoa Act 1994, 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).

The financial statements of Creative New Zealand are for the year ended 30 June 2013 and were authorised for issue by Creative New Zealand on 16 October 2013.

#### 1.2 Basis of preparation

##### 1.2.1 STATEMENT OF COMPLIANCE

The financial statements have been prepared in accordance with the Arts Council of New Zealand Toi Aotearoa Act 1994 and the Crown Entities Act 2004, which includes the requirement to comply with generally accepted accounting practice in New Zealand (NZ GAAP).

These financial statements have been prepared in accordance with NZ GAAP, as appropriate for public benefit entities and they comply with NZ IFRS.

##### 1.2.2 MEASUREMENT BASE

The financial statements have been prepared on a historical cost basis, except where modified by the revaluation of land and building, works of art and investment property.

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

##### 1.2.3 FUNCTIONAL AND PRESENTATION CURRENCY

The financial statements are presented in New Zealand dollars (NZ\$) and are rounded to the nearest thousand dollars (\$000), unless otherwise stated. The functional currency of Creative New Zealand is New Zealand dollars.

##### 1.2.4 CHANGES IN ACCOUNTING POLICIES AND ESTIMATES

There have been no changes in accounting policies since the date of the last audited financial statements. These policies have been applied on a basis consistent with previous years. If errors are detected that have a material impact on prior periods, then these are applied retrospectively, and comparatives are restated.

##### 1.2.5 STANDARDS, AMENDMENTS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE AND HAVE NOT BEEN EARLY ADOPTED

The following new standards, amendments or interpretations that have been issued but are not yet effective may be relevant for Creative New Zealand's financial statements in the future. These standards, amendments or interpretations have not been applied in these financial statements but could have a material effect on these prospective financial statements if they had been applied.

- *NZ IFRS 9 Financial Instruments*, will eventually replace *NZ IAS 39 Financial Instruments: Recognition and Measurement*. NZ IAS 39 is being replaced in the following three main phases: Phase 1 Classification and Measurement, Phase 2 Impairment Methodology, Phase 3 Hedge Accounting.

Phase 1 on the classification and measurement of financial assets has been completed and published in the new financial instrument standard NZ IFRS 9. NZ IFRS 9 uses a single approach to determine whether a financial asset is measured at amortised cost or fair value, replacing the many different rules in NZ IAS 39. The approach in NZ IFRS 9 is based on how an entity manages its financial instruments (its business model) and the contractual cash flow characteristics of the financial assets. The financial liability requirements are the same as those of NZ IAS 39, except for when an entity elects to designate a financial liability at fair value through the surplus/deficit. The new standard is required to be adopted for the year ended 30 June 2016. However, as a new Accounting Standards Framework will apply before this date, there is no certainty when an equivalent standard to NZ IFRS 9 will be applied by public benefit entities.

The Minister of Commerce has approved a new Accounting Standards Framework (incorporating a tier strategy) developed by the External Reporting Board (XRB). Under this Accounting Standards Framework, Creative New Zealand is classified as a Tier 1 reporting entity and it will be required to apply full Public Benefit Entity Accounting Standards (PAS). These standards are being developed by the XRB based on current International Public Sector Accounting Standards. The effective date for the new standards for public sector entities is for reporting periods beginning on or after 1 July 2014. Therefore, Creative New Zealand will transition to the new standards in preparing its 30 June 2015 financial statements. Creative New Zealand has not assessed the implications of the new Accounting Standards Framework at this time.

Due to the change in the Accounting Standards Framework for public benefit entities, it is expected that all new NZ IFRS and amendments to existing NZ IFRS will not be applicable to public benefit entities. Therefore, the XRB has effectively frozen the financial reporting requirements for public benefit entities up until the new Accounting Standard Framework is effective. Accordingly, no disclosure has been made about new or amended NZ IFRS that exclude public benefit entities from their scope.

### 1.3 Accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

#### 1.3.1 RECOGNITION OF REVENUE AND EXPENDITURE

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

##### REVENUE FROM THE CROWN

Creative New Zealand receives a significant amount of its funding from the Crown, which is restricted in its use for the purpose of meeting its objectives as specified in the SOI 2012–15.

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 the majority of its funding from the New Zealand Lottery Grants Board. 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, 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.

#### **1.3.2 RECOGNITION OF GRANTS AND INITIATIVES 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 Creative New Zealand has no obligations to award on receipt of the grant application and are recognised as expenditure when approved by Creative New Zealand and the approval has been communicated 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 paid at 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 Council or board-led projects, known as initiatives. 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.

#### **1.3.3 FOREIGN CURRENCY TRANSACTIONS**

Foreign currency transactions are translated into New Zealand dollars using the exchange rates prevailing at the dates of 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.

#### **1.3.4 LEASES**

Creative New Zealand leases office premises in 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. 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 Financial Performance.

Creative New Zealand does not have any finance lease arrangements.

#### **1.3.5 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.

### **1.3.6 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.

### **1.3.7 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.

### **1.3.8 PROPERTY, PLANT AND EQUIPMENT**

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

#### ***REVALUATION***

Land and buildings 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 registered valuer. All other asset classes are carried at depreciated historical cost.

The carrying values of revalued assets are assessed annually to ensure that they do not differ materially from the assets' fair values.

The net revaluation results are credited or debited to other comprehensive income and are accumulated to an asset revaluation reserve in equity for that class of assets. Where this would result in a debit balance in the asset revaluation reserve, this balance is not recognised in other comprehensive income but is recognised in the Statement of Financial Performance. Any subsequent increase on revaluation that reverses a previous decrease in value recognised in the Statement of Financial Performance will be recognised first in the Statement of Financial Performance, up to the amount previously expensed, and then recognised in other comprehensive income.

#### ***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 disposal proceeds with the carrying amount of the asset. Gains and losses on disposals are included in the Statement of Financial Performance.

When revalued assets are sold, the amounts included in asset revaluation reserves in respect of those assets are transferred to accumulated funds.

### **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 Statement of Financial Performance 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.

<b>Land</b>	<b>Not depreciated</b>	
Building	35 years	2.9 percent
Building improvements	10 or 35 years	10 percent or 2.9 percent
Furniture, equipment and fittings	10 years	10 percent
Computer equipment	4 years	25 percent

### **1.3.9 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.

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.

### **1.3.10 INVESTMENT PROPERTY**

Investment property consists of part of the Old Public Trust Building on which rental income is earned.

The fair value of Creative New Zealand's ownership of the premises is determined by an independent registered valuer using market based evidence. To determine the fair value of the investment property, this valuation has been apportioned between the areas occupied by Creative New Zealand and the areas leased out on the basis of potential net rental income earning capacity of each area.

Any change in the fair value of investment property is recognised in the Statement of Financial Performance in the year of valuation.

### **1.3.11 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 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 percent straight line
Acquired computer software	4 years	25 percent straight line

### 1.3.12 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.

### 1.3.13 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.

### 1.3.14 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.

### 1.3.15 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, retirement 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.

#### **1.3.16 SUPERANNUATION SCHEME**

##### **DEFINED CONTRIBUTION SCHEME**

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

#### **1.3.17 GOODS AND SERVICES TAX**

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 statement of cash flows.

Commitments and contingencies are disclosed exclusive of GST.

#### **1.3.18 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.

#### **1.3.19 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.

## **1.4 Budgeted figures**

The budget figures are derived from the SOI 2012–15 as approved by the Arts Council at the beginning of the financial year. The budget figures have been prepared in accordance with NZ IFRS, using accounting policies that are consistent with those adopted by Creative New Zealand for the preparation of these financial statements.

## 1.5 Use of judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Creative New Zealand continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Creative New Zealand bases its judgements and estimates on historical experience and on other various factors it believes to be reasonable under the circumstances, the results of which form the basis of the carrying values of assets and liabilities that are not readily apparent from other sources.

Creative New Zealand has identified the following critical accounting policies for which significant judgements, estimates and assumptions are made. Actual results may differ from these estimates under different assumptions and conditions and may materially affect financial results or the financial position reported in future periods.

### 1.5.1 SIGNIFICANT ACCOUNTING JUDGEMENTS

#### *IMPAIRMENT OF NON-FINANCIAL ASSETS*

Creative New Zealand assesses impairment of all assets at each reporting date by evaluating conditions specific to Creative New Zealand and to the particular asset that may lead to impairment. These include property, plant and equipment, works of art and intangible assets. If an impairment trigger exists, the recoverable amount of the asset is determined. Given the current uncertain economic environment, management considered that the indicators of impairment were significant enough and, as such, these assets have been tested for impairment or revalued in this financial period.

#### *OPERATING LEASE COMMITMENTS — CREATIVE NEW ZEALAND AS LESSOR*

Creative New Zealand has entered into commercial property leases on its investment property. Creative New Zealand has determined that it retains substantially all the significant risks and rewards of ownership of the property primarily as the lease does not transfer ownership of the asset to the lessee at the end of the lease term. Thus, Creative New Zealand has classified the leases as operating leases.

### 1.5.2 SIGNIFICANT ACCOUNTING ESTIMATES AND ASSUMPTIONS

#### *ESTIMATION OF USEFUL LIVES OF ASSETS*

The estimation of the useful lives of assets has been based on historical experience and the economic life of the assets. In addition, the condition of the assets is assessed at least once a year and considered against the remaining useful life. Adjustments to useful lives are made when considered necessary. The useful life of the Old Public Trust Building was reassessed at 30 June 2009 to be 35 years. The useful life of furniture, equipment and fittings has been reassessed from 1 July 2011 to be 10 years.

#### *REVALUATION OF LAND AND BUILDING (INCLUDING INVESTMENT PROPERTY)*

The revaluation of land and buildings (including investment property) is performed by an independent valuer, using the capitalisation of the potential net income and discounted cash flow analysis. These methods are based upon assumptions including future rental income, anticipated maintenance costs and appropriate discount rate.

## REVALUATION OF WORKS OF ART

The revaluation of works of art is performed by an experienced independent valuer and art dealer, using the available art market sales data in New Zealand. There is no formal qualification for valuing artworks in New Zealand. Creative New Zealand is relying on the valuer's judgement and expertise in this area.

## 2. Revenue from the Crown

Creative New Zealand has been provided with funding from the Crown for the specific purposes of the Arts Council as set out in its founding legislation and the scope of the relevant government appropriations. Apart from these general restrictions, there are no unfulfilled conditions or contingencies attached to government funding (2012: nil).

The funding provided from the Crown amounted to \$15.689 million (2012: \$15.689 million).

## 3. Revenue from New Zealand Lottery Grants Board

	2013 \$000	2012 \$000
Base funding	25,950	24,510
Additional profit allocation	4,054	3,006
One off funding allocations from reserves	1,020	-
	<b>31,024</b>	<b>27,516</b>

The New Zealand Lottery Grants Board allocates 15 percent of its profit to Creative New Zealand under section 279 of the Gambling Act 2003. The core funding is allocated based on the Board's forecast profit for the financial year.

Creative New Zealand also receives a 15 percent share in the Board's profit over and above the forecast. This additional profit allocation is dependent on the actual audited Board's profit for the year.

## 4. Grants retirements and gains

	2013 \$000	2012 \$000
Gain on revaluation of investment property	68	-
Gain on revaluation of land and building to the extent it decreases revaluation loss in previous year	69	-
Retirement of grants	197	275
Net foreign exchange gain	1	-
	<b>335</b>	<b>275</b>

## 5. Other income

	2013 \$000	2012 \$000
Venice Biennale Patrons	371	-
Venice Biennale Te Papa contribution	80	-
Festival of Pacific Arts Te Matatini contribution	60	-
Rental income	73	73
The Todd Trust	10	10
Other	77	11
	<b>671</b>	<b>94</b>

## 6. Personnel expenses

	2013 \$000	2012 \$000
Salaries and wages	4,252	4,294
Other staff related costs	183	224
Employer contributions to defined contribution plans	32	32
Increase/(decrease) in employee entitlements	(14)	(4)
Termination benefits	-	-
	<b>4,453</b>	<b>4,546</b>

Employer contributions to defined contribution plans include contributions to KiwiSaver and personal schemes of certain employees.

During the year ended 30 June 2013, two employees received a total of \$48,310 relating to the cessation of their employment with Creative New Zealand (2012: \$nil).

The number of employees whose remuneration for the financial year exceeded \$100,000 is as follows:

Total remuneration and benefits	Number of employees	
	2013	2012
\$100,000 – 109,999	1	2
\$110,000 – 119,999	2	2
\$120,000 – 129,999	2	2
\$130,000 – 139,999	1	1
\$140,000 – 149,999	1	Nil
\$240,000 – 249,999	Nil	1
\$260,000 – 269,999	1	Nil

The Chief Executive's remuneration, including benefits, is in the \$260,000 to \$269,999 band.

## 7. Depreciation and amortisation

	2013 \$000	2012 \$000
<b>Depreciation</b>		
Building	11	43
Building improvements	57	56
Furniture, equipment and fittings	14	13
Computer equipment	86	85
<b>Amortisation</b>		
Computer software	100	100
Web portal	123	143
	391	440

## 8. Other expenses

	NOTE	2013 \$000	2012 \$000
Auditor's remuneration – Audit New Zealand – for audit of financial statements		54	52
Council, board and committee fees	9	273	269
Operating lease payments		189	164
Loss on gifting of work of art	15	–	835
Loss on revaluation of investment property	16	–	228
Loss on revaluation of land and building	14	–	69
Net loss on disposal of property, plant and equipment	14	13	46
Net foreign exchange loss		–	10
Other expenses		1,891	2,179
		<b>2,420</b>	<b>3,852</b>

## 9. Council, board and committee fees

Arts Council, Arts Board, Te Waka Toi and Pacific Arts Committee members earned the following fees and honoraria during the year for attendance at Council, board and/or assessment committee meetings.

Member	2013 \$	2012 \$
A Carruthers (Chair, Arts Council to 31 March 2013)	24,000	32,000
R Grant (Arts Council member from 23 July 2013; Chair, Arts Council from 1 April 2013)	14,585	-
A Sorrell (Chair, Arts Board)	21,000	21,000
D Haimona (Chair, Te Waka Toi)	21,000	21,000
P Walker (Chair, Pacific Arts Committee, and Arts Board member, to 28 February 2013)	9,067	14,300
W Laban (Chair, Pacific Arts Committee, and Arts Board member, from 1 March 2013)	5,233	-
A Rush (Arts Council and Arts Board member)	14,650	15,280
E Henare	9,500	9,500
J Wallace	9,500	9,500
H Kedgley	9,500	9,500
J Davidson	9,500	9,500
M Prentice	11,500	11,500
T Snow	11,500	11,500
N Tanczos	11,500	11,500
J Afford	11,500	11,500
K Te Waru-Rewiri	11,500	11,500
J Huria	11,500	11,500
T Maxwell	11,500	11,500
M Mahuika	11,500	11,500
N Gray	11,495	11,500
M Sciascia	11,495	11,500
F Pulotu-Endemann	1,885	1,680
T Ness	2,030	2,380
M Papau	1,710	2,030
K Mahina-Tuai	2,060	1,650
C Rangj	2,060	1,440
S Elliot	1,060	1,440
S Iosefa (term ended 30 September 2011)	-	350
T Vao (term ended 30 September 2011)	-	350
F Hartnell (term ended 31 December 2011)	-	940
J Puka (term ended 28 February 2012)	-	590
	<b>273,330</b>	<b>269,430</b>

## 10. Funding, capability building and advocacy

	ACTUAL 2013 \$000	ACTUAL 2012 \$000
<b>Investment programmes</b>		
Arts Leadership Investments (Tōtara)	14,034	14,062
Arts Development Investments (Kahikatea)	9,565	8,227
Recurrently Funded Organisations	-	303
	<b>23,599</b>	<b>22,592</b>
<b>Grants funding</b>		
Arts Grants	4,251	4,422
Quick Response Grants	1,217	1,274
Christchurch Earthquake Support Fund	345	1,204
Sector Investment Grants	-	214
Other Grants Funding	2,082	1,780
	<b>7,895</b>	<b>8,894</b>
<b>International funding</b>		
Frankfurt Book Fair (2012 Country of Honour)	675	997
Venice Biennale *	526	335
Festival of Pacific Arts	242	471
Edinburgh/Glasgow 2014	67	-
International presentation	705	439
	<b>2,215</b>	<b>2,242</b>
<b>Creative Communities Scheme</b>	<b>3,227</b>	<b>3,311</b>
<b>Funding **</b>	<b>36,936</b>	<b>37,039</b>
<b>Capability building</b>		
National programmes	996	597
International programmes	510	530
	1,506	1,127
<b>Advocacy</b>	<b>133</b>	<b>363</b>
<b>Total funding, capability building and advocacy</b>	<b>38,575</b>	<b>38,529</b>

*Creative New Zealand is not in the practice of allocating personnel costs direct to funding, capability building and advocacy programmes.*

*\* Venice Biennale expenditure in 2013 is partly off-set by income of \$451,000 disclosed in note 5. The project runs over two years with the larger part of expenditure being incurred in the first year.*

**\*\* Total funding by the funding body was as follows:**

Arts Board	29,149	30,143
Te Waka Toi	3,816	3,468
Pacific Arts Committee	693	644
Council and other funding	3,278	2,784
<b>Total funding</b>	<b>36,936</b>	<b>37,039</b>

## 11. Cash and cash equivalents

	<b>2013 \$000</b>	<b>2012 \$000</b>
Cash at bank and on hand	32	43
Short-term deposits	7,613	12,654
Total cash and cash equivalents	7,645	12,697

The carrying value of cash at bank and short-term deposits with maturity dates of three months or less approximates their fair value.

The weighted average effective interest rate for short-term deposits is 3.86 percent (2012: 3.66 percent).

## 12. Investments

	<b>2013 \$000</b>	<b>2012 \$000</b>
Term deposits	7,500	-
Total investments	7,500	-

Investments in term deposits have maturity dates between three and six months.

The carrying value of term deposits approximates their fair value.

## 13. Debtors and other receivables

	<b>2013 \$000</b>	<b>2012 \$000</b>
New Zealand Lottery Grants Board	6,903	6,510
GST receivable	226	330
Interest receivable	106	98
Sundry receivables	62	71
<b>Total debtors and other receivables</b>	<b>7,297</b>	<b>7,009</b>

Debtors and other receivables are non-interest bearing and are normally settled on 30-day terms. The carrying value of debtors and receivables approximates to their fair value.

<b>2013</b>	<b>Gross \$000</b>	<b>Impairment \$000</b>	<b>Net \$000</b>
Not past due	7,269	-	7,269
Past due 1 – 30 days	7	-	7
Past due 31 – 60 days	1	-	1
Past due 61 – 90 days	3	-	3
Past due over 90 days	17	-	17
	<b>7,297</b>	<b>-</b>	<b>7,297</b>

<b>2012</b>	<b>Gross \$000</b>	<b>Impairment \$000</b>	<b>Net \$000</b>
Not past due	6,925	-	6,925
Past due 1 – 30 days	81	-	81
Past due 31 – 60 days	-	-	-
Past due 61 – 90 days	-	-	-
Past due over 90 days	3	-	3
	<b>7,009</b>	<b>-</b>	<b>7,009</b>

## 14. Property, plant and equipment

	Land	Building	Building improvements	Furniture, equipment & fittings	Computer equipment	Work in progress	Total
	\$000	\$000	\$000	\$000	\$000	\$000	\$000
<b>Cost or valuation</b>							
Balance at 1 July 2012	1,164	374	1,117	565	514	-	3,734
Additions	-	-	30	13	82	-	125
Reclassification	-	-	-	-	-	-	-
Revaluation increase/(decrease)	-	332	-	-	-	-	332
Disposals	-	-	-	-	(212)	-	(212)
<b>Balance at 30 June 2013</b>	<b>1,164</b>	<b>706</b>	<b>1,147</b>	<b>578</b>	<b>384</b>	<b>-</b>	<b>3,979</b>
<b>Accumulated depreciation</b>							
Balance at 1 July 2012	-	-	760	487	378	-	1,625
Depreciation expense	-	11	57	14	86	-	168
Eliminated on disposal/reclassification	-	-	-	-	(204)	-	(204)
Eliminated on revaluation	-	(11)	-	-	-	-	(11)
<b>Balance at 30 June 2013</b>	<b>-</b>	<b>-</b>	<b>817</b>	<b>501</b>	<b>260</b>	<b>-</b>	<b>1,578</b>
<b>Carrying amount at 30 June 2013</b>	<b>1,164</b>	<b>706</b>	<b>330</b>	<b>77</b>	<b>124</b>	<b>-</b>	<b>2,401</b>
<b>Cost or valuation</b>							
Balance at 1 July 2011	1,164	1,496	1,061	596	845	61	5,223
Additions	-	-	94	20	39	-	153
Reclassification	-	-	61	-	-	(61)	-
Revaluation increase/(decrease)	-	(1,122)	-	-	-	-	(1,122)
Disposals	-	-	(99)	(51)	(370)	-	(520)
<b>Balance at 30 June 2012</b>	<b>1,164</b>	<b>374</b>	<b>1,117</b>	<b>565</b>	<b>514</b>	<b>-</b>	<b>3,734</b>
<b>Accumulated depreciation</b>							
Balance at 1 July 2011	-	-	763	524	661	-	1,948
Depreciation expense	-	43	56	13	85	-	197
Eliminated on disposal/reclassification	-	-	(59)	(50)	(368)	-	(477)
Eliminated on revaluation	-	(43)	-	-	-	-	(43)
<b>Balance at 30 June 2012</b>	<b>-</b>	<b>-</b>	<b>760</b>	<b>487</b>	<b>378</b>	<b>-</b>	<b>1,625</b>
<b>Carrying amount at 30 June 2012</b>	<b>1,164</b>	<b>374</b>	<b>357</b>	<b>78</b>	<b>136</b>	<b>-</b>	<b>2,109</b>



The land and building assets represent the ownership of three floors of the Old Public Trust Building excluding the portion classified as investment property (note 16). The revalued land and building is stated at fair value as determined by Wayne Nyberg, the registered valuer with Darroch Limited, as at 30 June 2013.

The fair value has been determined using the capitalisation of the potential net income and discounted cash flow analysis.

These methods are based upon assumptions including future rental income, anticipated maintenance costs and an appropriate discount rate.

	<b>2013</b>	<b>2012</b>
	<b>\$000</b>	<b>\$000</b>
Fair value of the Old Public Trust Building and associated land at 30 June per valuation	2,250	1,850
Apportioned as follows:		
Land	1,164	1,164
Building	706	374
Investment property (note 16)	380	312
	<b>2,250</b>	<b>1,850</b>

The change in fair value of land and building has been reflected as follows:

Accumulated depreciation eliminated on revaluation	(11)	(43)
Revaluation gain/(loss) through revaluation reserve (note 21)	274	(1,010)
Revaluation gain/(loss) through net operating surplus/(deficit)	69	(69)
	<b>332</b>	<b>(1,122)</b>

## 15. Works of art

	<b>2013</b>	<b>2012</b>
	<b>\$000</b>	<b>\$000</b>
Valuation		
Balance at 1 July	1,163	2,046
Additions	-	-
Revaluation increase/(decrease)	17	(48)
Disposals – gifting	-	(835)
Impairment losses	-	-
<b>Carrying amount at 30 June</b>	<b>1,180</b>	<b>1,163</b>

The works of art are stated at fair value as determined by Christopher Moore of Chris Moore Gallery. The valuation was completed in June 2013 effective as at 30 June 2013. Christopher Moore is an art dealer and an experienced independent valuer of artworks. There is no formal qualification for valuing artworks in New Zealand.

In August 2011, Creative New Zealand gifted Colin McCahon's *Landscape Theme and Variation, Series B, 1963* to the Museum of New Zealand Te Papa Tongarewa (Te Papa), Wellington. The artwork is made up of eight canvas panels each being nearly 1706 x 930mm. It was valued at 30 June 2011 at \$834,783 (excluding GST).

By gifting the artwork to Te Papa Creative New Zealand has honoured the original intention of the purchase, being:

- acquiring the work for the nation and preventing the panels from going to overseas buyers, and
- making the panels available to the public by presenting them to the National Gallery provided 'the gallery undertakes to make proper display use of the panels'.

The artwork was on long-term loan at Te Papa because Creative New Zealand does not have the wall space, appropriate security or humidity controlled conditions required to hang or store this artwork in any of its current sites.

## 16. Investment property

	<b>2013</b>	<b>2012</b>
	<b>\$000</b>	<b>\$000</b>
Balance at 1 July	312	540
Acquisitions	-	-
Transfer from property, plant and equipment	-	-
Change in fair value	68	(228)
<b>Carrying amount at 30 June</b>	<b>380</b>	<b>312</b>

Investment property consists of part of the Old Public Trust Building, which is leased to a third party. The property was revalued at 30 June 2013. See note 14 for further details.

## 17. Intangible assets

	Computer software	Web portal	Work in progress	Total
	\$000	\$000	\$000	\$000
<b>Cost</b>				
Balance at 1 July 2012	965	582	213	1,760
Additions	83	-	307	390
Reclassification	15	-	(15)	-
Disposals	(58)	-	-	(58)
Balance at 30 June 2013	1,005	582	505	2,092
<b>Accumulated amortisation</b>				
Balance at 1 July 2012	766	436	-	1,202
Amortisation expense	100	123	-	223
Eliminated on disposal/reclassification	(53)	-	-	(53)
Balance at 30 June 2013	813	559	-	1,372
<b>Carrying amount at 30 June 2013</b>	<b>192</b>	<b>23</b>	<b>505</b>	<b>720</b>
<b>Cost</b>				
Balance at 1 July 2011	1,028	552	-	1,580
Additions	68	30	213	311
Reclassification	-	-	-	-
Disposals	(131)	-	-	(131)
Balance at 30 June 2012	965	582	213	1,760
<b>Accumulated amortisation</b>				
Balance at 1 July 2011	795	293	-	1,088
Amortisation expense	100	143	-	243
Eliminated on disposal/reclassification	(129)	-	-	(129)
Balance at 30 June 2012	766	436	-	1,202
<b>Carrying amount at 30 June 2012</b>	<b>199</b>	<b>146</b>	<b>213</b>	<b>558</b>

The work in progress balance of \$505,000 (2012: \$198,000) relates to the build of the Pivotal — Grant Management (GMS) and Customer Relationship Management (CRM) solution.

## 18. Creditors and other payables

	NOTE	2013 \$000	2012 \$000
Trade payables		409	1,053
Accrued expenses		139	151
Special purpose funds	19	901	790
		<b>1,449</b>	<b>1,994</b>

Creditors and other payables are non-interest bearing and are normally settled on 30-day terms; therefore, the carrying value of creditors and other payables approximates their fair value.

Creative New Zealand has a bank credit card facility with BNZ of up to \$150,000 (2012: \$150,000) and with Westpac of up to \$200,000 (2012: \$nil). Of the total facility, \$8,771 was used at 30 June 2013 (2012: \$10,704).

## 19. Special purpose funds

Included within creditors and other payables are the following amounts, which have been designated for special purposes.

<b>2013</b>	<b>Opening balance \$000</b>	<b>Third party income \$000</b>	<b>Expenditure \$000</b>	<b>Closing balance \$000</b>
Edwin Carr Foundation	428	204	-	632
Tup Lang bequest	75	2	2	75
Louis Johnson bequest	54	2	2	54
Butland Music Foundation	40	1	1	40
Old Public Trust Body Corporate	38	292	339	(9)
Mataora royalties	4	-	-	4
The Todd Trust	-	10	10	-
Heartstrings Guitars donation	91	2	50	43
Christchurch Earthquake Support Fund donation	60	2	-	62
	<b>790</b>	<b>515</b>	<b>404</b>	<b>901</b>
<b>2012</b>				
Edwin Carr Foundation	424	14	10	428
Tup Lang bequest	76	2	3	75
Louis Johnson bequest	54	2	2	54
Butland Music Foundation	39	1	-	40
Old Public Trust Body Corporate	22	266	250	38
Mataora royalties	4	-	-	4
The Todd Trust	-	10	10	-
Heartstrings Guitars donation	-	91	-	91
Christchurch Earthquake Support Fund donation	-	60	-	60
	<b>619</b>	<b>446</b>	<b>275</b>	<b>790</b>

- The Edwin Carr Foundation was set up during 2004/05. Creative New Zealand administers the foundation and its associated scholarships.
- The Tup Lang bequest is held in trust and the income is given towards a grant for research and choreographic development of a new work.
- The Louis Johnson bequest is held in trust and the income is given towards financing the Louis Johnson Writers' Bursary.
- The Butland Music Foundation appointed the Arts Council as its trustees in 1994. Income from trust funds is given towards a grant to a music student to help and encourage studies within or beyond New Zealand.
- The Old Public Trust Body Corporate owns the Wellington premises occupied by Creative New Zealand.
- The Mataora royalties are received for a book funded by Te Waka Toi. These royalties will go back to Te Waka Toi via its funding and granting decisions.

- The Todd Trust contribution goes towards the Todd Writers' Bursary.
- Heartstrings Guitars donation is the funds received from the auction of seven guitars created from the wood donated by the owners of many historic and iconic Christchurch buildings that fell in the earthquakes. The guitars were auctioned to raise money for organisations in the struggling Christchurch arts community. The funds are to be distributed to the Christchurch arts community via grants from Creative New Zealand's Earthquake Emergency Response Fund.
- Christchurch Earthquake Support Fund donation is the payment received from Christchurch Art Gallery. The sum relates to funds presented by the English artist Sarah Lucas to Christchurch Art Gallery and, in line with artist's wishes, is to go towards Christchurch Earthquake Support Fund and the visual arts community.

## 20. Employee entitlements

	2013 \$000	2012 \$000
<b>Current portion</b>		
Accrued salaries and wages	82	84
Annual leave	199	216
Time in lieu	9	6
Long service leave	30	38
<b>Total current portion</b>	<b>320</b>	<b>344</b>
<b>Non-current portion</b>		
Long service leave	39	31
<b>Total non-current portion</b>	<b>39</b>	<b>31</b>
<b>Total employee entitlements</b>	<b>359</b>	<b>375</b>

## 21. Equity

	NOTE	2013 \$000	2012 \$000
<b>Accumulated funds</b>			
Balance at 1 July		8,413	10,759
Gift of work of art	15	-	834
Net operating surplus/(deficit) for the year		2,564	(3,180)
<b>Balance at 30 June</b>		<b>10,977</b>	<b>8,413</b>
<b>Revaluation reserves</b>			
Balance at 1 July		1,152	3,044
Revaluation of land and buildings	14	274	(1,010)
Gift of work of art	15	-	(834)
Revaluation of works of art	15	17	(48)
<b>Balance at 30 June</b>		<b>1,443</b>	<b>1,152</b>
<b>Total equity</b>		<b>12,420</b>	<b>9,565</b>
<b>Revaluation reserve consists of:</b>			
Land and Building revaluation reserve		274	-
Works of Art revaluation reserve		1,169	1,152
<b>Total revaluation reserve</b>		<b>1,443</b>	<b>1,152</b>

## 22. Reconciliation of net surplus / (deficit) to net cash flow from operating activities

	<b>2013</b>	<b>2012</b>
	<b>\$000</b>	<b>\$000</b>
<b>Net surplus/(deficit) from operations</b>	<b>2,564</b>	<b>(3,180)</b>
Add/(less) non-cash items:		
Depreciation and amortisation	391	440
Loss on gifting of work of art	-	835
Loss/(gain) on revaluation of investment property	(68)	228
Loss/(gain) on revaluation of land and building	(69)	69
Loss on disposal of property, plant and equipment	13	46
(Gain)/loss on foreign exchange	(1)	10
Retirement of grants	(96)	(135)
<b>Total non-cash items</b>	<b>170</b>	<b>1,493</b>
<b>Add/(less) movements in working capital items:</b>		
Decrease/(increase) in prepayments	(65)	(108)
Decrease/(increase) in accounts receivable	(384)	(6,409)
Decrease/(increase) in interest receivable	(8)	(67)
Increase/(decrease) in GST payable/receivable	104	(1,321)
Increase/(decrease) in accounts payable	(575)	514
Increase/(decrease) in provision for employee entitlements	(16)	13
Increase/(decrease) in current grants payable	1,142	778
<b>Net movements in working capital items</b>	<b>198</b>	<b>(6,600)</b>
<b>Add/(less) items classified as investing activities</b>		
Net loss/(gain) on the sale of property, plant and equipment	-	(2)
<b>Total items classified as investing activities</b>	<b>-</b>	<b>(2)</b>
<b>NET CASH FLOW FROM OPERATING ACTIVITIES</b>	<b>2,932</b>	<b>(8,289)</b>

## 23. Commitments and operating leases

### 23.1 Capital commitments

	2013 \$000	2012 \$000
Capital commitments		
Intangible assets	382	53
<b>Total capital commitments</b>	<b>382</b>	<b>53</b>

Creative New Zealand entered into an agreement with Fusion5 for the delivery of the Pivotal – Grant Management (GMS) and Customer Relationship Management (CRM) solution. This project has been broken down into multiple phases. The capital commitment at 30 June 2013 relates to the solution build and deliver phase (phase 2), which has been contracted and the cost capped. Further costs will be known when the business and user acceptance testing plans, as well as data migration plan, are completed.

### 23.2 Grant commitments

	2013 \$000	2012 \$000
<b>Grant commitments, payable:</b>		
Not later than one year	15,415	20,243
Later than one year and not later than two years	1,515	8,095
Later than two years and not later than three years	610	–
<b>Total grant commitments</b>	<b>17,540</b>	<b>28,338</b>

Contracts are entered into with organisations, which Creative New Zealand funds on a two or three-year basis. Amounts granted under these multi-year contracts are disclosed in the Statement of Financial Performance to the extent that they relate to the current financial year.

The major variance in grant commitments between 2013 and 2012 is caused by the timing of the multi-year funding contracts.

### 23.3 Operating leases

	2013 \$000	2012 \$000
Operating leases as lessee, payable:		
Not later than one year	93	145
Later than one year and not later than two years	75	88
Later than two years and not later than five years	6	86
Later than five years	–	–
<b>Total non-cancellable operating leases payable</b>	<b>174</b>	<b>319</b>

Creative New Zealand leases office premises in Auckland and Rotorua, video conferencing equipment, multifunctional devices and printers. The non-cancellable leasing periods for these leases range from two to six years. There are no contingent rents payable and no sublease income receivable on these operating leases.

	2013 \$000	2012 \$000
Operating leases as lessor, receivable:		
Not later than one year	21	21
Later than one year and not later than two years	3	3
Later than two years and not later than five years	5	8
Later than five years	–	–
<b>Total non-cancellable operating leases receivable</b>	<b>29</b>	<b>32</b>

Creative New Zealand leases out part of the Old Public Trust Building under an operating lease. After the 21 July 2013 earthquake in Wellington, the tenant vacated the building, which removes the \$18,000 receivable not later than one year under the operating lease.

## 24. Contingent liabilities

### 24.1 The Old Public Trust Building

In April 2010, Creative New Zealand and other members of the Old Public Trust Building Body Corporate were notified by the Wellington City Council, pursuant to section 124 of the Building Act 2004, that the Old Public Trust Building had been classified as earthquake prone.

The Building Act 2004 and the associated Wellington City Council Earthquake Prone Buildings policy would suggest that significant upgrade of the Old Public Trust Building is required within a 10 to 15 year period; however some discretion is permitted for heritage buildings. The Old Public Trust Building is a Category 1 Heritage Place.

The Old Public Trust Building Body Corporate commissioned a report on the seismic strengthening feasibility design of the building. The report was completed by Dunning Thornton in September 2012. The costs of the strengthening, facade restoration, decanting and fit-out of the Old Public Trust Building were estimated between \$4.6 million and \$9.4 million. Creative New Zealand's share of the estimated costs would be 60 percent (based on the Unit Titles Act 2010), ranging between \$2.7 million and \$5.6 million, with the other members of the Body Corporate liable for the balance.

After the 21 July 2013 earthquake in Wellington, the Old Public Trust Building has been vacated by all tenants.

At the August 2013 meeting, the Arts Council agreed that Creative New Zealand sell its share in the building, subject to obtaining necessary authorisation from the Crown, and that all members of the Body Corporate place the property on the market.

### 24.2 Waterfront Theatre project by Auckland Theatre Company

At the September 2012 meeting, the Arts Council approved the allocation of \$3.0 million, spread evenly over the 2012/13 and 2013/14 financial years, to the Auckland Theatre Company towards the Waterfront Theatre project. This investment is a result of the additional income from the New Zealand Lottery Grants Board and has been identified as supporting government priorities.

The allocation is payable to the Ministry for Culture and Heritage for payment to the Auckland Theatre Company, and is conditional on:

- the balance of the total funding required for the project being confirmed
- the Ministry being satisfied with the business case for the project
- Creative New Zealand being satisfied with the proposed new operating model for the Auckland Theatre Company.

At 30 June 2013, the funding conditions had not been met, with Auckland Theatre Company still in the process of confirming the balance of the fundraising target.

### 24.3 Bank guarantees

	ACTUAL 2013	ACTUAL 2012
Bank of New Zealand Letter of Credit – Datacom Employer Services Limited	150	150
Bank of New Zealand – Wellington Regional Chamber of Commerce	-	597
	<b>150</b>	<b>747</b>

The bank guarantees to Wellington Regional Chamber of Commerce of \$0.597 million in 2012 related to an ATA Carnet bank indemnity. This carnet related to the exhibition items shipped to the Venice Biennale 2011 and subsequently to Musée du quai Branly in Paris.



## 25. Contingent assets

Creative New Zealand invoices grantees who are in default of their grant terms and conditions. As a result of invoicing, the grantee could produce a satisfactory acquittal report or repay the grant. If a satisfactory acquittal report is provided then the repayment of the grant will not be pursued. It is not possible to reliably estimate the amount recoverable on these invoices, therefore amounts invoiced during the financial year and not paid as at 30 June have not been recognised in the Statement of Financial Position. Instead the invoiced amounts are disclosed below as a contingent asset in accordance with NZ IAS 37.

At 30 June, the total invoiced to grantees in a default position was as follows:

Granting board or committee	2013 \$000	2012 \$000
Arts Board	21	17
Te Waka Toi	40	42
Pacific Arts Committee	47	65
Council	19	-

## 26. Related parties

All related party transactions have been entered into on an arm's length basis.

Creative New Zealand is a wholly owned entity of the Crown.

### 26.1 Significant transactions with government-related entities

Creative New Zealand has been provided with funding from the Crown through the Ministry for Culture and Heritage (note 2) of \$15.689 million (2011: \$15.689 million) for specific purposes as set out in its founding legislation and the scope of the relevant government appropriations.

Creative New Zealand made a total payment of \$0.668 million (2012: \$1.183 million) to the Ministry for Culture and Heritage, out of which \$0.605 million (2012: \$1.105 million) has been provided in support of New Zealand's literature, arts and culture programme at the Frankfurt Book Fair (2012 Guest Country of Honour). This investment was provided through the international funding and capability building programmes.

Creative New Zealand has been provided with funding from the New Zealand Lottery Grants Board (note 3) of \$31.024 million (2012: \$27.516 million). The Board was set up by Parliament to benefit the community by distributing the profits from the games run by the New Zealand Lotteries Commission. Lottery grants are administered by the Department of Internal Affairs.

### 26.2 Collectively, but not individually, significant transactions with government-related entities

In conducting its activities, Creative New Zealand is required to pay various taxes and levies (such as GST, fringe benefit tax, pay as you earn (income) tax and Accident Compensation Corporation levies) to the Crown and entities related to the Crown. The payment of these taxes and levies, other than income tax, is based on the standard terms and conditions that apply to all tax and levy payers. Creative New Zealand is exempt from paying income tax.

Creative New Zealand also purchases goods and services from entities controlled, significantly influenced or jointly controlled by the Crown. Purchases from these government-related entities for the year ended 30 June 2013 totalled \$0.365 million (2012: \$0.415 million). These purchases include the purchase of electricity from Genesis Energy, air travel from Air New Zealand and postal services from New Zealand Post.

### 26.3 Other related party transactions

Creative New Zealand maintains interest registers for the Arts Council, the funding bodies (Arts Board, Te Waka Toi and Pacific Arts Committee) and staff to record any interests they may have in an entity or person who is funded by, or contracted to, Creative New Zealand for services.

Interests are declared and managed in line with Creative New Zealand's conflict of interest policy and the Crown Entities Act 2004.

The aggregate value of transactions and outstanding balances relating to key management personnel and entities or people who they have control or significant influence over were as follows.

			TRANSACTION VALUE		BALANCE OUTSTANDING	
			Year ended 30 June		Year ended 30 June	
			2013	2012	2013	2012
			\$000	\$000	\$000	\$000
Cath Cardiff (Senior Management Team)	Silo Theatre (Jessica Smith, Executive Director)	Family member	443	320	210	170
The decision to fund Silo Theatre Trust was made by the Arts Board. Cath Cardiff declared her conflict of interest and did not take part in any stage of the grant decision making process.						
Te Kāhautu Maxwell	Te Matatini Society Incorporated	Trustee	(60)	-	-	-
Te Matatini Society Incorporated paid \$60,000 to Creative New Zealand as a contribution towards the Festival of Pacific Arts 2012 (note 5).						

### 26.4 Key management personnel compensation

	2013	2012
	\$000	\$000
Salaries and other short-term employee benefits	1,128	1,132
Post-employment benefits	45	37
Other long-term benefits (long service leave)	(2)	2
	<b>1,171</b>	<b>1,171</b>

Key management personnel include the Chief Executive and six members of the Senior Leadership Team as well as members of the Arts Council, Arts Board, Te Waka Toi and the Pacific Arts Committee.

## 27. Financial instruments

### 27.1 Financial instrument categories

The carrying amounts of financial assets and liabilities in each of the NZ IAS 39 categories are as follows:

	2013 \$000	2012 \$000
<b>Financial assets</b>		
Loans and receivables		
Cash and cash equivalents	7,645	12,697
Investments in term deposits	7,500	-
Debtors and other receivables	7,297	7,009
<b>Total financial assets</b>	<b>22,442</b>	<b>19,706</b>
<b>Financial liabilities</b>		
Financial liabilities at amortised cost		
Creditors and other payables	1,449	1,994
Grants payable	13,239	12,193
<b>Total financial liabilities</b>	<b>14,688</b>	<b>14,187</b>

The carrying value of financial assets and liabilities equates to their fair value at 30 June.

### 27.2 Financial instrument risks

Creative New Zealand's activities expose it to a variety of financial instrument risks, including market risk, credit risk and liquidity risk. Creative New Zealand has policies in place to manage the risks associated with financial instruments and seeks to minimise exposure. These policies do not allow any transactions that are speculative in nature to be entered into.

#### 27.2.1 MARKET RISK

##### PRICE RISK

Price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices. Creative New Zealand does not invest in publicly traded financial instruments, therefore, the price risk is considered to be minimal.

##### CURRENCY RISK

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates.

Creative New Zealand is exposed to foreign currency risk on payments and liabilities that are denominated in a currency other than Creative New Zealand's functional and presentational currency, New Zealand dollars.

The level of payments in foreign currencies is small and the time between commitment and payment of the liability is generally less than one month, therefore, Creative New Zealand considers foreign exchange risk to be minimal. No forward contracts are entered into to hedge foreign currency risk exposure.

##### FAIR VALUE INTEREST RATE RISK

Fair value interest rate risk is the risk that the fair value of a financial instrument will fluctuate due to changes in market interest rates.

Creative New Zealand's exposure to fair value interest rate risk is limited to its bank deposits, which are held at fixed rates of interest. The fair value interest rate risk is considered to be minimal.

##### CASH FLOW INTEREST RATE RISK

Cash flow interest rate risk is the risk that the cash flows from a financial instrument will fluctuate due to changes in market interest rates.

Creative New Zealand has no borrowings and has adopted a policy of holding short-term investments until maturity at a fixed rate. Therefore, the cash flow interest rate risk is considered to be minimal.

The interest rates for fixed-term deposits at 30 June 2013 were ranging between 3.97 percent and 4.19 percent (2012: 4.0 percent and 4.1 percent). Call deposits are invested at the interest rate of 2.75 percent at 30 June 2013 (2012: 3.1 percent).

### 27.3 Credit risk

Credit risk is the risk that a third party will default on its obligations to Creative New Zealand, causing Creative New Zealand to incur a loss.

Financial instruments, which potentially subject Creative New Zealand to risk, consist principally of cash, bank deposits and trade debtors.

Creative New Zealand is only permitted to deposit funds with the major banks that have a high credit rating, as defined by the Crown Entities Act 2004. For its other financial instruments, Creative New Zealand does not have significant concentrations of credit risk.

Creative New Zealand's maximum credit exposure for each class of financial instrument is represented by the total carrying amount of cash and cash equivalents and debtors and other receivables. There is no collateral held as security against these financial instruments.

#### CREDIT QUALITY OF FINANCIAL ASSETS

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to Standard and Poor's credit ratings (if available) or to historical information about counterparty default rates.

	2013 \$000	2012 \$000
<b>Counterparties with credit ratings</b>		
Cash and cash equivalents		
AA <sup>25</sup>	7,645	12,697
Investments in term deposits		
AA	7,500	-
<b>Total cash and term deposits</b>	<b>15,145</b>	<b>12,697</b>
<b>Counterparties without credit ratings</b>		
Debtors and other receivables		
Existing counterparty with no defaults in the past	7,297	7,009
Existing counterparty with defaults in the past	-	-
<b>Total debtors and other receivables</b>	<b>7,297</b>	<b>7,009</b>

### 27.4 Liquidity risk

Liquidity risk is the risk that Creative New Zealand will encounter difficulty raising liquid funds to meet commitments as they fall due.

Creative New Zealand closely monitors its forecast cash requirements and maintains a target level of cash to meet liquidity requirements.

#### CONTRACTUAL MATURITY ANALYSIS

The table below analyses the contractual cash flows for all financial liabilities that will be settled based on the remaining period at the balance sheet date to the contractual maturity date.

	(in \$000)	Carrying amount	Contractual cash flows	1 to 5 years
<b>2013</b>				
Creditors and other payables	1,449	1,449	1,449	-
Grants payable	13,239	13,239	13,239	-
<b>2012</b>	(in \$000)			
Creditors and other payables	1,994	1,994	1,994	-
Grants payable	12,193	12,193	12,193	-

<sup>25</sup> AA refers to the counterparties' Standard and Poor's credit rating.

## 28. Capital management

Creative New Zealand's capital is its equity, which comprises accumulated funds and revaluation reserves. Equity is represented by net assets.

Creative New Zealand is independent in deciding how to best use its capital for achieving its goals. However, Creative New Zealand is subject to the financial management and accountability provisions of the Crown Entities Act 2004, which impose restrictions in relation to borrowings, acquisition of securities, issuing guarantees and indemnities, and the use of derivatives.

Creative New Zealand manages its equity as a by-product of prudently managing revenues, expenses, assets, liabilities, investments and general financial dealings to ensure it effectively achieves its objectives and purpose, while remaining a going concern.

As a Crown entity, Creative New Zealand uses its capital to achieve its strategic and other goals. Creative New Zealand's statutory purpose is to encourage, promote and support the arts in New Zealand for the benefit of all New Zealanders, including both community and professional arts (Arts Council of New Zealand Toi Aotearoa Act 1994). Details of this can be found in the Statement of Non-Financial Performance in this report.

The focus of capital management therefore includes the following aspects:

- ensuring that Creative New Zealand's activities are for the statutory purpose only
- ensuring Creative New Zealand's financial viability in terms of maintaining sufficient cash reserves and meeting minimum surplus and cash flow requirements.

## 29. Significant budget variances

Creative New Zealand's budget figures are derived from the SOI 2012 –15 published in June 2012.

These forecast figures are based on a number of assumptions which are causing variances between budget and actual figures.

- The level of funding received from the New Zealand Lottery Grants Board had been estimated based on projected income for the 2013 financial year, as the actual funding was not confirmed until July 2012.
- The level of funding provided to the sector was based on historical data, existing business practices or actual business plan projections, and is dependent on the level of funding received.
- No attempt was made to estimate the impact of the Old Public Trust Building and the works of art annual revaluations.

Explanations for major variances are outlined below.

### 29.1 Statement of financial performance

The net operating surplus was greater than budgeted by \$4.103 million mainly due to higher than budgeted income as follows:

- Revenue from the New Zealand Lottery Grants Board was greater than budgeted by \$3.319 million due to the way New Zealand Lottery Grants Board funding is calculated and allocated to Creative New Zealand, as disclosed in note 3.
- Other income was greater than budgeted mainly due to the receipt of contributions for the Venice Biennale 2013 and the Festival of Pacific Arts 2012, as disclosed in note 5.

### 29.2 Statement of financial position

The net increase in total cash and investments balance by \$3.785 million is due to higher than budgeted income received.

The movements in the non-current assets balances mainly reflect the impact of the valuations.

A decrease in the revaluation reserve reflects the land and building and works of art valuations as at 30 June 2012 and 2013, which reflect the market conditions as well as gifting of a work of art to the Museum of New Zealand Te Papa Tongarewa. Further details are disclosed in the note 21.

### 29.3 Statement of cash flows

The statement of cash flows reflects the movements in the statement of financial performance and the statement of financial position, as outlined above.

## 30. Events subsequent to balance date

After the 21 July 2013 earthquake in Wellington, the Old Public Trust Building was vacated by all tenants.

Creative New Zealand owns a 60 percent share in the Old Public Trust Building, with ground floor of the building being leased to a third party and classified as investment property (note 16).

After the earthquake, the investment property has been withdrawn from use and no future economic benefits are expected from rental income for the foreseeable future.

A revised valuation of the land and building was completed by Wayne Nyberg, the registered valuer with Darroch Limited, as at 22 August 2013, taking into consideration the changes in the market conditions post the 21 July 2013 earthquake. This was completed to help the Arts Council in making decisions about the building.

The fair value has been determined as follows:

	<b>22 August 2013 \$000</b>	<b>30 June 2013 \$000</b>
Fair value of the Old Public Trust Building and associated land	2,050	2,250
Apportioned as follows:		
Land (note 14)	1,400	1,164
Building (note 14)	650	706
	<b>2,050</b>	<b>1,870</b>
Investment property (note 16) represented by:		
Land	-	236
Building	-	144
	-	<b>380</b>

The change in fair value of land and building and investment property will be reflected as follows:

Loss on de-recognition of investment property through net operating surplus/(deficit)	(380)
Revaluation gain on land and building through revaluation reserve*	180
	<b>(200)</b>

\* A revaluation gain on land and building is a result of a decrease in valuation of the Old Public Trust Building (and associated land) by \$200,000 and a recognition of the portion of land and building that was previously allocated to the investment property.

At the August 2013 meeting, the Arts Council agreed that Creative New Zealand sell its share in the Old Public Trust Building.

The impending sale of the Old Public Trust Building and the move of Creative New Zealand's head office to new premises will also result in the disposal of building improvements related to the building and some furniture and fittings. The carrying amount of the building improvements related to the Old Public Trust Building at 30 June 2013 is \$154,000. The financial impact of the Old Public Trust Building sale and the related disposals cannot be quantified at present.

No other events have occurred subsequent to 30 June 2013 that materially affect these financial statements.

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# APPENDICES

*PEPA TĀPIRI*

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# Appendix 1:

## Creative New Zealand — Who We Are

### Toi Aotearoa — Ko wai mātou

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The Arts Council of New Zealand Toi Aotearoa (which operates under the trading name of Creative New Zealand) was established by the Arts Council of New Zealand Toi Aotearoa Act 1994.

We are the national agency for the development of the arts. Our purpose under the Act is to ‘encourage, promote and support the arts in New Zealand for the benefit of all New Zealanders’.<sup>26</sup>

### What we are trying to achieve

We support four strategic outcomes on behalf of all New Zealanders:

1. New Zealanders participate in the arts
2. High-quality New Zealand art is developed
3. New Zealanders experience high-quality arts
4. New Zealand arts gain international success.

These outcomes, their associated impacts and performance measures are identified in our SOI 2012–15.<sup>27</sup> We measure our performance against each outcome and report against our targets in Part Two of this annual report.

### What we do

To support its outcomes, Creative New Zealand provides three main services or output areas: funding, capability building and advocacy. We monitor and compare what is achieved in these three areas to understand where the greatest benefit is obtained. The measures of success for our output areas are detailed in the SOI 2012–15 and reported on in the Performance against Output Areas section of Part Two of this annual report.

### How it links together

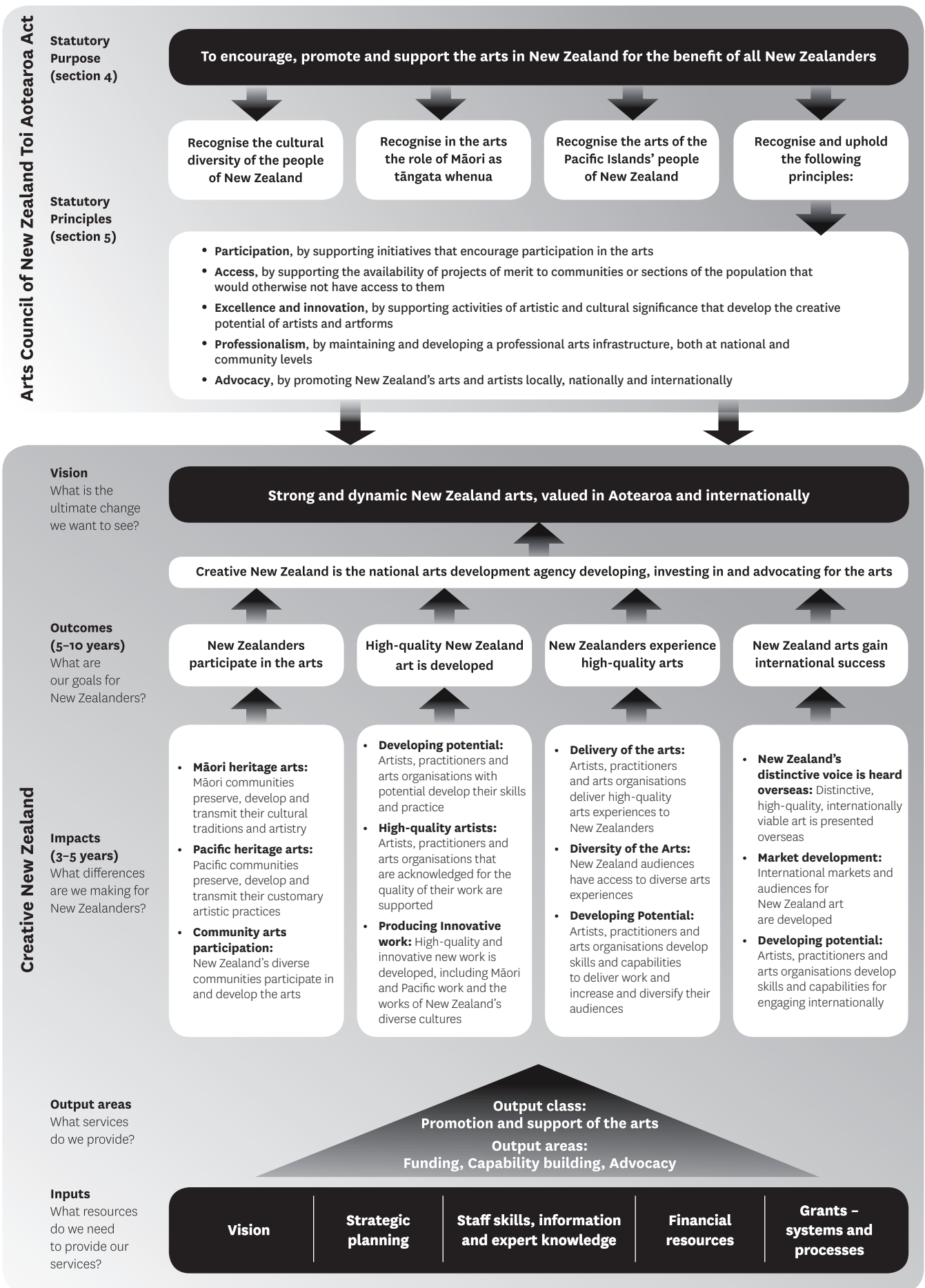
The relationship between our legislation and vision, purpose, outcomes and impacts, and the services we provide are shown in Figure 28.

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<sup>26</sup> Section 4 of the Act.

<sup>27</sup> Available at [www.creativenz.govt.nz](http://www.creativenz.govt.nz).

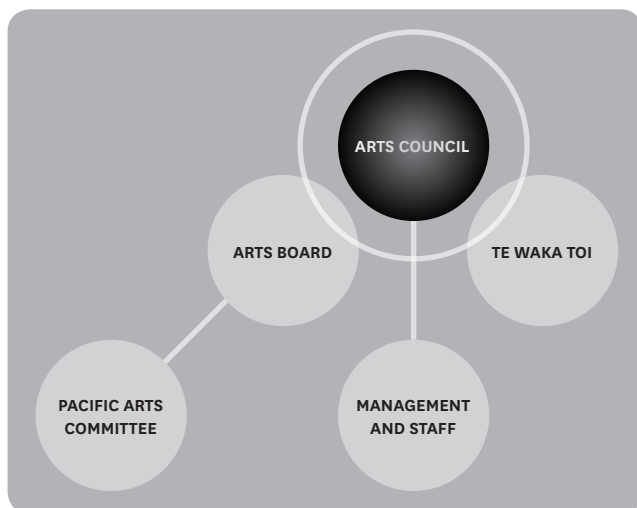
FIGURE 28: Linkages between legislative requirements and Creative New Zealand’s vision, purpose, outcomes/impacts and services



## Governance structure

Creative New Zealand's structure is determined by the Arts Council of New Zealand Toi Aotearoa Act 1994 (the Act). Figure 29 shows the present structure, consisting of:

- the Arts Council
- two arts boards: the Arts Board and Te Waka Toi (the Māori Arts Board)
- the Pacific Arts Committee, which is a committee of the Arts Board
- management and staff.



## Planned changes to our governance structure

A government bill that would streamline Creative New Zealand's governance structure is, at the time of publication, before Parliament. The changes are designed to improve our effectiveness and free up resources that would be better directed to artists.

The Arts Council of New Zealand Toi Aotearoa Bill proposes to replace the Arts Council, Arts Board, Te Waka Toi and Pacific Arts Committee with a single governing board that would be responsible for policy, strategy and allocating funding.

The new 13-member board would include at least four members representing Māori arts and at least two representing Pacific Island arts. These members would each have knowledge of the artforms and cultural traditions of their respective communities.

These changes are not expected to significantly affect those in the arts sector who receive funding from us or who use our services.

## Arts Council

The Arts Council of New Zealand Toi Aotearoa is the governing board of Creative New Zealand.

Members of the Arts Council are appointed by the Minister for Arts, Culture and Heritage. The Minister must consult with the Minister of Māori Affairs before appointing Māori members.

The Arts Council is responsible for:

- setting Creative New Zealand's policy and strategic direction
- allocating funding to the arts boards for them to invest
- delivering funding in accordance with the allocation decisions of the arts boards
- undertaking specific initiatives aimed at achieving its goals.

The Arts Council is also responsible for, and monitors, the overall performance of Creative New Zealand and the arts boards.

### Functions of the Arts Council

The Act sets out the Arts Council's main functions in section 7. They are to:

- encourage, promote and support the arts in New Zealand for the benefit of all New Zealanders
- recognise in the arts the role of Māori as tāngata whenua
- promote the development of a New Zealand identity in the arts
- encourage, promote and support the arts of the Pacific Islands' peoples of New Zealand and the arts of New Zealand's diverse cultures
- determine the level of funding that should be available for each arts board to allocate

- deliver funding in accordance with the allocation decisions of the arts boards
- formulate policies for the direction of the arts boards
- ensure that the arts boards encourage, promote and support professional and community arts
- uphold and promote the rights of artists and the right to freedom in the practice of the arts
- maintain relationships with other agencies and organisations
- give advice to the Minister for Arts, Culture and Heritage on any matter relating to, or affecting, the Arts Council's functions.

The Council carries out its statutory functions with funds provided by the Government through Vote: Arts, Culture and Heritage and the New Zealand Lottery Grants Board, and it is accountable to the responsible Minister. It meets six times a year.

### Committees of the Arts Council

There are three committees of the Arts Council that undertake work on its behalf: the Finance, Risk and Audit Committee, Chief Executive Performance Review Committee and Chairs' Committee. Their roles are outlined below.

The **Finance, Risk and Audit Committee** meets six times a year to ensure Creative New Zealand meets accounting and financial reporting standards, monitors risk, receives advice from auditors and makes recommendations to the Arts Council on financial policy.

The **Chief Executive Performance Review Committee** meets as required to monitor the performance of the Chief Executive.

The **Chairs' Committee** is advisory only. It meets as required to advise the Arts Council Chair on the implementation of Council policy and delivery of organisational processes as they apply to the arts boards, and to ensure communication between the Arts Council and arts boards. In addition, the Chairs of the arts boards and Pacific Arts Committee attend meetings of the Arts Council.

## Arts boards

The Act establishes two funding boards: the Arts Board and Te Waka Toi. The Act also establishes the Pacific Arts Committee as a committee of the Arts Board.

The members of the two arts boards are appointed by the Minister for Arts, Culture and Heritage. The Minister consults with the Minister of Māori Affairs before appointing members to Te Waka Toi. Members of the Pacific Arts Committee are appointed by the Arts Board, and the committee is chaired by an Arts Board member.

Creative New Zealand's Strategic Plan 2010–13 provides direction for the arts boards.

### Functions of the arts boards

The general functions of the arts boards reflect those of the Arts Council. The boards are required to:

- encourage, promote and support the arts in New Zealand for the benefit of all New Zealanders
- recognise in the arts the role of Māori as tāngata whenua
- promote the development of a New Zealand identity in the arts.

In carrying out those general functions, the arts boards have these specific functions:

- to allocate available funding to arts projects for professional and community arts

(The Arts Board allocates funding for the arts in New Zealand generally but also specifically for the arts of the Pacific peoples (through the Pacific Arts Committee) and for the diverse cultures of New Zealand. Te Waka Toi allocates funding for Māori arts.)

- to establish mechanisms for peer assessment and guidelines for allocating funding
- to set guidelines for designated community arts providers
- to ratify and monitor funding decisions.

The arts boards also:

- make such inquiries, and provide the Arts Council with such reports, in connection with any matter referred by the Arts Council, as the Arts Council directs
- perform such functions as may be delegated under section 73 of the Crown Entities Act 2004
- keep the Arts Council fully informed of all activities in their area of responsibility
- co-operate fully with and help the Arts Council and each other in the carrying out of their functions.

## Membership of the Arts Council, arts boards and Pacific Arts Committee

Membership of the Arts Council, arts boards and Pacific Arts Committee as of 30 June 2013 is outlined below.

All of the members whose terms have officially expired have had their appointments rolled over under section 32 of the Crown Entities Act pending the passage of the Arts Council of New Zealand Toi Aotearoa Bill, which is, at the time of writing, before Parliament.

<b>ARTS COUNCIL</b>	<b>Appointed</b>	<b>Current Term Expires</b>
Dick Grant (Chair)	1 April 2013 as Chair	31 December 2013
(From 1 April replacing Alastair Carruthers)	(July 2012 as member)	
Erima Henare	1 July 2008	30 June 2011
Jimmy Wallace	1 July 2009	30 June 2012
Anne Rush	1 July 2009	30 June 2012
Helen Kedgley	1 November 2009	31 October 2012
Professor John Davidson	1 July 2010	30 June 2013
Vacancy		

<b>ARTS BOARD</b>	<b>Appointed</b>	<b>Current term expires</b>
Alan Sorrell (Chair)	1 July 2007	30 June 2011
Terry Snow	1 June 2005	30 June 2011
Michael Prentice	1 July 2006	30 June 2012
Nandor Tanczos	1 July 2009	30 June 2012
Jocelyn Afford	1 July 2010	30 June 2011
Anne Rush	1 July 2010	30 June 2011
Associate Professor Hon Luamanuvao Winnie Laban	1 March 2013	31 December 2013

<b>TE WAKA TOI</b>	<b>Appointed</b>	<b>Current term expires</b>
Darrin Haimona (Chair)	1 July 2006	30 June 2012
Marina Sciascia	1 June 2005	30 June 2011
Te Kāhautu Maxwell	1 July 2008	30 June 2011
John Huria	1 July 2008	30 June 2011
Kura Te Waru Rewiri	1 July 2008	30 June 2011
Matanuku Mahuika	1 July 2009	30 June 2012
Nathan Gray	1 July 2009	30 June 2012

<b>PACIFIC ARTS COMMITTEE</b>	<b>Island</b>	<b>Appointed</b>	<b>Current Term Expires</b>
Associate Professor Hon Luamanuvao Winnie Laban (Chair)	Samoa	February 2013	31 December 2013
Fuimaona Karl Pulotu-Endemann	Samoa	August 2009	August 2012
Marama Papau	Tuvalu	3 October 2011	3 October 2012
Kolokesa Mahina-Tuai	Tonga	1 October 2011	1 October 2012
Tigilau Ness	Niue	16 August 2011	16 August 2012
Caren Rangī	Cook Islands	February 2012	10 February 2013
Pandora Fulimalo Pereira	Tokelau	May 2013	May 2014 or until new legislation enacted
Vacancy	Fiji		

## Directions from the Minister

Creative New Zealand did not receive any directions from the Minister for Arts, Culture and Heritage in 2012/13.

## Acts in breach of statute

Creative New Zealand cannot act in a way that is contrary to, or outside the authority of, an Act of Parliament. Creative New Zealand has not performed any ultra vires transactions (section 19 of the Crown Entities Act 2004).

## Permission to act

Under the Crown Entities Act 2004, a member who is interested in a matter relating to a Crown entity must not vote or take part in any discussion or decision of the board or any committee relating to that matter. However, the Chair of a Crown entity may exempt one or more board members from this requirement if it is in the public interest to do so (section 68(6) of the Crown Entities Act 2004). No exemptions were granted in 2012/13.

## Governance and management

The Arts Council delegates to the Chief Executive authority to manage the operational performance of Creative New Zealand. These delegations are detailed in Creative New Zealand's Delegations Schedule, which is approved by the Arts Council.

The roles of governance and management are well defined and there is a successful working relationship between the governors and senior leadership team at Creative New Zealand. The senior leadership team comprises the following people.

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**Chief Executive:**

Stephen Wainwright

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**Arts Funding**Senior Manager:  
Gail Richards

The Arts Funding team manages the development and delivery of Creative New Zealand's suite of funding programmes, including the Tōtara and Kahikatea investment programmes, Quick Response Grants, Arts Grants, Toi Ake, the Creative Communities Scheme and special opportunities for artists.

Creative New Zealand's funding programmes are designed to support the development of a strong and dynamic arts sector in New Zealand and to provide New Zealanders with the opportunity to engage with the arts as participants and audience members.

Advisers work directly with artists, arts practitioners and arts organisations and combine their knowledge with the advice of external assessors to advise Creative New Zealand's Arts Council and funding bodies.

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**Arts Policy, Capability and International**Senior Manager:  
Cath Cardiff

The purpose of the team is to provide services to the arts sector that address ongoing capability and sustainability nationally and internationally. These services are proactive interventions, approved by the Arts Council, to enable and empower New Zealand artists and arts organisations to realise their potential. The team provides relevant and well-designed capability building initiatives, international opportunities and arts policy and research. The policy and research programme informs the Arts Council, its decision making bodies and the wider arts sector.

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**Business Services**Senior Manager:  
Angus Evison

Business Services provides administration, grants processing, accounting, information technology, records management and human resource services to the organisation.

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**Planning, Performance and Stakeholder Relations**Senior Manager:  
Sarah Tebbs

The Planning, Performance and Stakeholder Relations team manages communications with the media and other stakeholders, initiates and implements advocacy initiatives, produces publications and provides information to the arts sector and members of the public.

The team also manages government relations, including accountability documents, public and government requests for information, business planning and governance policy.

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**Māori Engagement**Senior Manager:  
Muriwai Ihakara

The Senior Manager, Māori Engagement provides strategic and cultural leadership for the organisation in delivering effectively to Māori, including building relationships with iwi and other stakeholders and contributing to key projects.

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