



ARTS COUNCIL OF NEW ZEALAND TOI AOTEAROA

2012

annual report

pūrongo ā tau

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

for the year ended 30 June

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Front cover: Karl Leonard, Tū mai tawhiti, 2008.

Artist selected for the 2012 Toi Sgwigwialtxw Residency in North America.

Photo courtesy of the artist.

In accordance with section 150(3) of the Crown Entities Act 2004, this annual report for 2011/12 of the Arts Council of New Zealand Toi Aotearoa (trading as Creative New Zealand) is presented to the House of Representatives.



Alastair Carruthers

Chair, Arts Council

31 October 2012



Erima Henare

Member, Arts
Council

31 October 2012

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Our Chair and Chief Executive Review the Year Ngā tirohanga mai tō mātou tiamana, me te tumuaki nō tenei tau

As a nation, we continue to place a high value on the arts. New Zealanders agree that the arts help to define us as a people and are vital to the health of our communities.

This was evidenced in the latest of Creative New Zealand's three-yearly surveys, *New Zealanders and the arts: attitudes, attendance and participation in 2011*.¹

Four out of five New Zealanders (80 percent) agree that the arts help to define who we are as New Zealanders and 69 percent agree that their community would be poorer without the arts.

Deprived of most arts venues, Christchurch people responded strongly that the arts need to be part of their city's future. Of those surveyed, 94 percent agreed it was important for the city to be recognised as supporting excellence in the arts and 90 percent agreed that arts and culture have a vital role to play in the rebuilding of Christchurch.

Increased investment in the sector

Responding to New Zealanders' and Christchurch's clear appetite for the arts, Creative New Zealand invested a record \$38.5 million in the sector in 2011/12, an increase of \$2.7 million on the previous year.

Creative New Zealand has deliberately stepped up its own investment, in part from reserves, to advance the arts in these difficult financial times. We have increased investment generally; from small grants in every community through the Creative Communities Scheme to increased investment in leading organisations such as Toi Māori Aotearoa, NBR NZ Opera, Playmarket and Tautai Contemporary Pacific Arts Trust.

This included 57 earthquake emergency response grants totalling almost \$1.2 million to Christchurch artists and arts organisations, including a single capital contribution of \$500,000 to the development of The Court Theatre's new venue, The Shed.

Collective action to achieve results

Creative New Zealand never works in isolation. This year, we were pleased to work alongside the Ministry for Culture and Heritage and arts advocacy group, Arts Voice, to advocate for the place of the arts in Christchurch's recovery. It is pleasing to see a performing arts precinct in the Christchurch Central Development Unit blueprint.

As part of our focus on capability building, we are also working with the Ministry, Philanthropy New Zealand and the Arts Foundation to put into effect the recommendations of the Cultural Philanthropy Taskforce that will increase private sector investment in the arts.

Our investment in the arts attracts resources from local authorities, trusts, sponsors and the community itself. So, for every one Creative New Zealand dollar, many more are attracted as well as significant voluntary input.

Our voice in the Pacific

Every four years Creative New Zealand is called upon to lead New Zealand's representation at the Festival of Pacific Arts, which was held in the Solomon Islands in July 2012. The festival is a showcase of Pacific arts, providing an opportunity for artists to share skills and knowledge and develop networks that will help to nurture and preserve the unique art practices of this region.

More than 100 Māori and Pacific artists represented Aotearoa as part of this government-to-government initiative. Invitations to the festival were offered to indigenous peoples of the Pacific, and Māori extended their invitation to New Zealand-based Pacific artists.

¹ Available from www.creativenz.govt.nz.

Creative New Zealand invested \$500,000 to support the delegation's presence at the festival and provided on the ground support in collaboration with the New Zealand High Commission.

New environment brings opportunity

At Creative New Zealand, we are continuing to manage our costs. Operating expenses are down compared with 2010/11 expenditure once the effect of gifting a work of art is removed from calculations. This is despite rising costs in several areas outside of our control, such as insurance, depreciation and KiwiSaver. We have reduced costs by looking for opportunities within the all of government contract programme, sharing services and making greater use of our in-house skills to deliver work, such as designing this year's annual report.

We look forward to the passing of new legislation that will streamline our governance structure into a single unitary board.

Creative New Zealand is also consulting with stakeholders and the sector to develop a new strategic plan, which will set our priorities for the future.

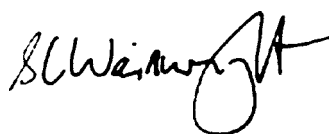
Again, we thank our primary investors – the Ministry for Culture and Heritage and New Zealand Lottery Grants Board. We are grateful for the ongoing support of our Minister, the Hon Christopher Finlayson, and the presiding Minister of Internal Affairs, the Hon Chris Tremain. We have also appreciated the support of the Minister for Māori Affairs, the Hon Dr Pita Sharples, who supported our Festival of Pacific Arts delegation in person, and former Minister of Pacific Island Affairs, the Hon Georgina te Heuheu.

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.



Alastair Carruthers

Chair, Arts Council



Stephen Wainwright

Chief Executive

Part One: Creative New Zealand's
Role and Operating Environment
Te Taiao Whakahaere Me Te Mahi a Toi Aotearoa

Creative New Zealand – Who We Are Toi Aotearoa – Ko wai mātou

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'.²

Information on our governance and management structure can be found in Appendix 1.

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 Statement of Intent 2011–14.³

We measure our performance against each outcome and report against our targets in Part Two of this annual report.

WHAT WE DO

To support our outcomes, Creative New Zealand provides three key 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 Statement of Intent 2011–14 and reported on in the Statement of Service Performance in Part Three 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 1.

² Section 4 of the Act.

³ Arts Council of New Zealand Toi Aotearoa Statement of Intent 2011–14, available at www.creativenz.govt.nz.

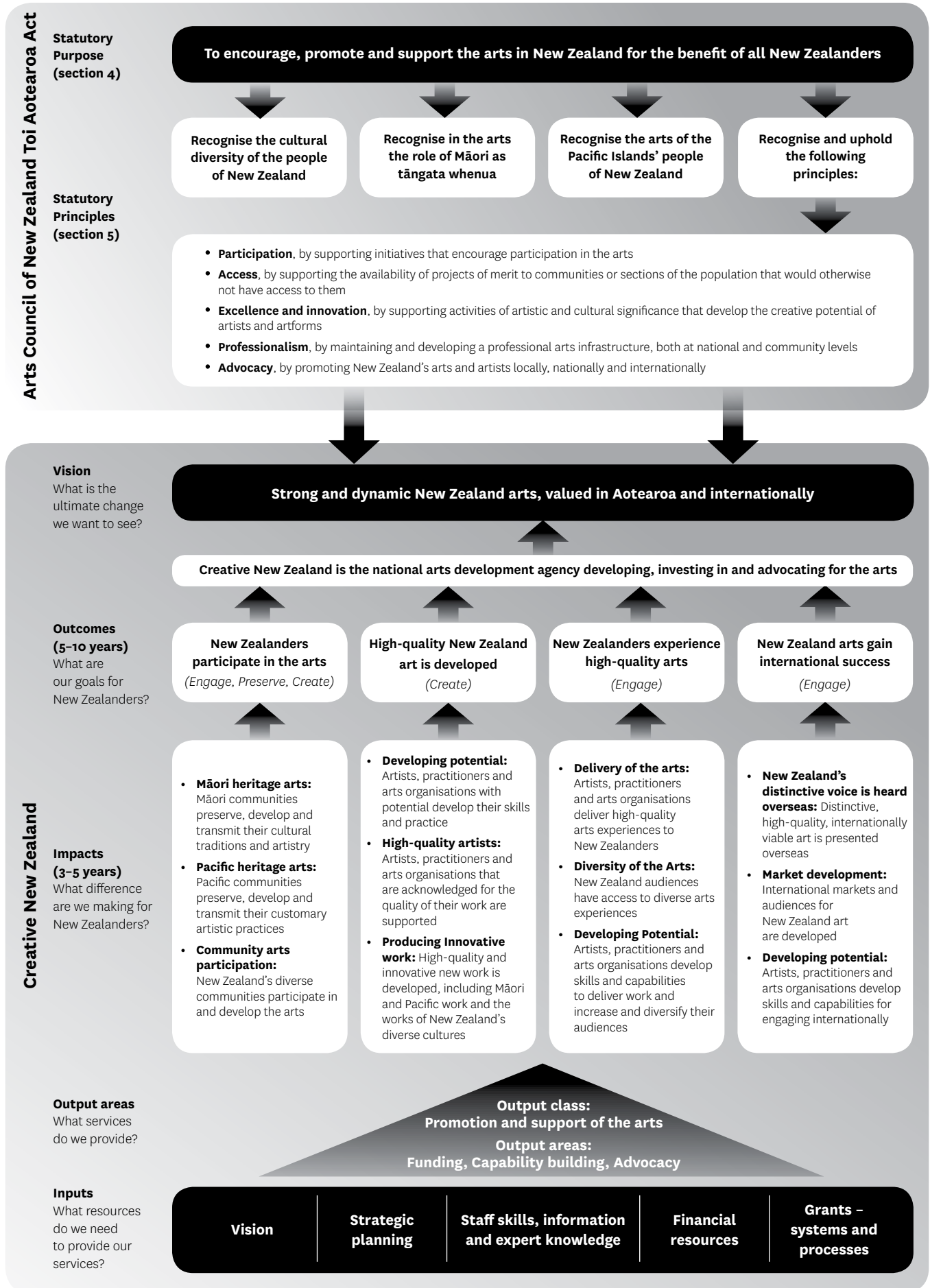


Figure 1: Linkages between legislative requirements and Creative New Zealand's vision, purpose, outcomes/impacts and services

Part Two: The Year in Review

Te Tirohanga o Tēnei Tau

Highlights and Achievements

Ngā Miramira me ngā whakatutukitanga

Creative New Zealand's investment in the arts achieved new records in 2011/12.

Key highlights

Delivering more than ever

- We invested \$38.5 million in the arts through our funding, capability building and advocacy programmes. This is the highest amount we have ever invested. Because of increased contributions from the New Zealand Lottery Grants Board, which have enabled us to build the reserves we are now using, our investment in 2011/12 was \$2.7 million higher than the previous year.

The arts matter to New Zealanders

- Our *New Zealanders and the arts* survey provides information on national trends in attendance, participation and attitudes to the arts since 2005.

Responding to changes in our environment

- Our new investment programmes – Arts Leadership Investment (Toi Tōtara Haemata) and Arts Development Investment (Toi Uru Kahikatea) – took effect from 1 January 2012.⁴
- To help the arts sector gain a better understanding of its audiences and their interest in the arts, we extended the regular *New Zealanders and the arts* survey with additional in-depth research on audiences.⁵
- We completed a review of our capability building programme and identified new types of initiatives designed to better meet the needs of the arts sector

⁴ The new programmes support more organisations than the previous Recurrent Funding programme (24 Tōtara and 49 Kahikatea organisations compared with 34 Recurrent organisations) at a significantly higher rate of investment (\$22.6 million compared with \$17.5 million in 2010/11).

⁵ *Audience Atlas New Zealand Report 2011* and *Culture Segments New Zealand*, both available from www.creativenz.govt.nz.

- In response to the recommendations of the Cultural Philanthropy Taskforce, we began a pilot programme to build capability within the cultural sector in promoting philanthropy and private giving.
- We began our series of rolling five-yearly reviews of the artforms we support by reviewing arts sector needs and our key roles and priorities for media arts and digital platforms and Māori arts.

Working with others

- We developed relationships with 26 iwi through our Māori engagement programme. This occurred through kanohi kitea hui and several gatherings such as iwi festivals, matariki events, tangihanga and wananga. Work in progress also includes exploring and developing opportunities for collaboration and partnership with six iwi.
- We worked closely with the Ministry for Culture and Heritage and the local arts sector on the role of the arts in supporting the Christchurch rebuild, providing input into the planning done by the Christchurch City Council and Canterbury Earthquake Recovery Authority.
- We also worked with NZ on Air, the New Zealand Music Commission and Te Māngai Pāho to clarify responsibilities for supporting contemporary popular music and identify areas for increased collaboration.
- In partnership with Arts Access Aotearoa, we:
 - undertook a survey of arts organisations to assess how accessible their services are to people with disabilities
 - made follow-up site visits
 - awarded 11 grants worth \$30,000 to help make the arts more accessible.
- We made 14 submissions and numerous presentations to local and central government, advocating for the arts.

- We began the process of reviewing our 2010–13 Strategic Plan by engaging with the arts sector via initial focus group meetings.

Improving our performance

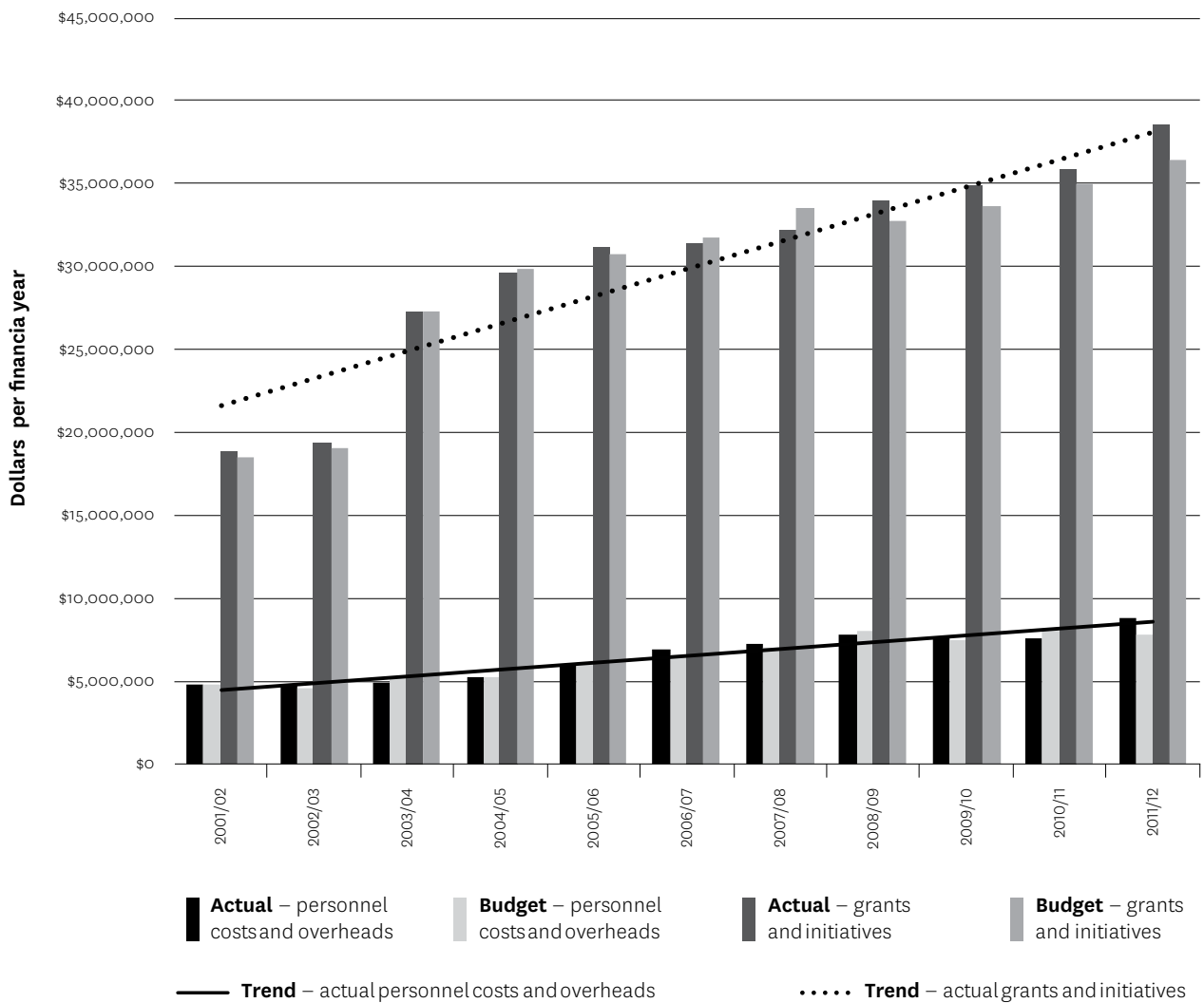


Figure 2: Comparison of total and budgeted grants and initiatives with personnel costs and overheads, 2001/02 to 2011/12⁶

⁶ Figures for grants and initiatives do not include any personnel costs or overheads. Personnel costs and overheads shown in the graph include the \$834,783 cost of gifting Colin McCahon's *Landscape Theme and Variation, Series B, 1963* to the Museum of New Zealand Te Papa Tongarewa.

- We reduced the percentage of total expenditure on personnel costs and overheads to 17.2 percent (compared with 17.5 percent in 2010/11 and 18.7 percent in 2008/09) once the effect of the McCahon gifting is excluded from calculations. The dollar value of personnel costs and overheads has been largely static since 2008/09 (\$7.6 million in 2008/09; \$8 million in 2011/12).
- We achieved the highest rating for performance and engagement of the 30 state sector organisations participating in the Kenexa JRA Best Workplaces survey over the past 18 months.
- We met or exceeded most of our performance targets for the year.

KEY INDICATORS OF OUR ACTIVITY IN 2011/12

73	organisations were funded through our new Tōtara and Kahikatea Investment programmes
4,862	public arts events/performances were run by our Tōtara and Kahikatea organisations, and
622,945	people attended these public arts events/performances.
1,257	applications for Grants funding were received and assessed in
6	funding rounds, from which
529	grants were awarded to individuals and organisations.
319	new works were developed through our Grants and Investments funding, and
443	New Zealand works were presented during the year.

2,624 applications for funding from the Creative Communities Scheme were assessed and considered by

67 local authorities, and

1,839 grants were awarded, with a

\$1,782 average grant value under the Creative Communities Scheme.

20 projects received funding to support their presentation internationally. The largest of these were the Venice Biennale and the Festival of Pacific Arts (both of which we administer on behalf of the New Zealand Government).

32 capability building initiatives were offered to the arts sector, and

778 people participated in them.

14 submissions were made to local and central government as part of our advocacy programme

NEW ZEALANDERS' APPETITE FOR THE ARTS

New Zealanders continue to enjoy and support the arts despite the difficult economic environment and the impact of the devastating Canterbury earthquakes.

In 2011, we repeated our three-yearly survey, *New Zealanders and the arts: attitudes, attendance and participation in 2011*.

The survey builds on previous research in 2005 and 2008 to provide a benchmark against which we can gauge the importance of the arts to New Zealanders and gain information that can be used to advocate for the arts in our

communities. The survey also helps the arts sector and its supporters to identify new trends and prepare for challenges ahead.

The news is encouraging. As a nation, we continue to value the arts highly and young New Zealanders, in particular, gain a strong sense of wellbeing from being creative.

Key findings from the research include the following.

- Most New Zealanders (80 percent) agree the arts help define who we are as a people and our engagement remains strong, with 85 percent of New Zealanders attending or being actively involved in the arts.
- Young New Zealanders are increasingly involved in the arts: four out of five young Kiwis (80 percent) like to do at least one creative arts activity in their spare time. The arts make them feel good about themselves, with nearly half (46 percent) saying they feel 'brilliant' when being creative and a further third (38 percent) saying they feel 'really good'.
- Young New Zealanders rate being creative as a favourite pastime (80 percent), ahead of playing computer or video games (77 percent) and alongside watching television and DVDs (80 percent).
- Online engagement with the arts has grown significantly. In 2011, 51 percent of New Zealanders watched a performance or looked at art online, compared with 38 percent in 2008. This had a flow-on effect for attendance at live events, with 23 percent of online arts viewers attending the live event as a result, compared with just 15 percent in 2008.
- Māori and Pacific arts events appeal to a broad range of New Zealanders. Almost three-quarters (74 percent) of those who attended a Māori arts event in the past 12 months did not identify as Māori and 88 percent of people who attended a Pacific arts event did not identify as being from a Pacific Island ethnic group.

This year, Creative New Zealand supplemented our *New Zealanders and the arts* research with research into New Zealanders' cultural spend and motivation for attending cultural and leisure events. The *Audience Atlas New Zealand Report 2011*⁷ found that New Zealanders spent \$2.31 billion on arts, culture and heritage in the past 12 months. The market for arts and culture in New Zealand is large, with 95 percent of adults having been to at least one cultural event or place in the past three years. This figure compares favourably with Australia (87 percent) and the United Kingdom (85 percent).

The report was commissioned because we are aware that understanding current and potential audiences is a key issue for arts organisations, so they can strengthen their audience development and marketing programmes.

Supplementing *Audience Atlas* is a new audience segmentation system developed especially for arts, culture and heritage organisations.⁸ *Culture Segments New Zealand* contains detailed profiles of New Zealanders' attitudes, motivations and behaviours, as well as ways to market to them.

RESPONSE TO THE CANTERBURY EARTHQUAKES

Creative New Zealand has continued to support artists, arts practitioners and arts organisations affected by the Canterbury earthquakes.

Our main interventions have been:

- continuing to deliver flexible support through grants from the Christchurch Earthquake Emergency Response Fund. A total of 57 grants, with a value of \$1,204,136, were made in 2011/12, including a single capital contribution of \$500,000 to the development of The Court Theatre's new venue, The Shed, at Addington
- working with the Tōtara and Kahikatea organisations in

⁷ *Audience Atlas New Zealand*, available from www.creativenz.govt.nz.

⁸ *Culture Segments New Zealand 2011*, available from www.creativenz.govt.nz.

Christchurch to enable them to continue to deliver their programmes

- supporting the local arts sector advocacy group, Arts Voice, to make submissions on the Christchurch Central City Plan and to establish itself as a legal entity
- working alongside Arts Voice and the Ministry for Culture and Heritage to contribute to planning processes run by the Christchurch City Council and Canterbury Earthquake Recovery Authority
- maintaining a specific Creative New Zealand web page to provide information on work being done to support the recovery, and writing and circulating a regular e-newsletter to help people stay in touch with developments.

Creative New Zealand's willingness to cast aside the established modus operandi was an inspirational demonstration of leadership in 2011 and facilitated a post-earthquake resurgence of the arts in Christchurch. Without Creative New Zealand's insightful support many artists and organisations would not have survived. The Court Theatre lives to tell the tale, and could not have done so without this support – as do a myriad of individual artists.

This support was shown in leadership, in advocacy, in facilitation and, of course in critical, targeted funding. The arts community in Christchurch lives on and with Creative New Zealand's support was able to achieve a significant role in the Blueprint the government has outlined for the rebuild of the inner city. We are all very grateful to Creative New Zealand.

*(Philip Aldridge, Chief Executive Officer,
The Court Theatre)*

AREAS OF SIGNIFICANT NON-ACHIEVEMENT

Areas where we have not met our targets fall into two groups: those where the targets set did not accurately reflect past performance, and those where other activities or events have impacted on our performance (for example, the Canterbury earthquakes and the review of capability building).

The following remedial actions will be taken in 2012/13.

- Targets for numbers of projects completed, grants awarded, capability building initiatives offered and attendances at performances that have not been met will be reviewed in the light of past performance, current and planned activity.
- Targets that have been significantly exceeded will be revised upwards with regard to current performance.

Information on the reasons for each area of variance from the Statement of Intent targets is included in the Proof of Performance tables in this section and in Part Three of this report.

Summary of achievements

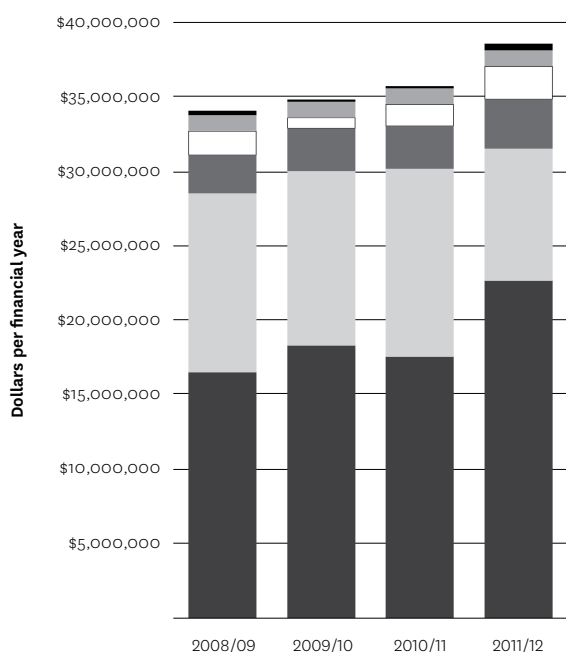
WHERE WE INVEST

The 2011/12 year saw record levels of investment in grants and initiatives. We have consistently increased our direct investment in artists, arts practitioners and arts organisations for the past decade. In 2003/04, we invested \$27.3 million; in 2011/12, it was \$38.5 million, of which \$2.3 million was drawn from our reserves.

Constraints on central government have meant that funding from Vote: Arts, Culture and Heritage has been held at the same level for several years. Increased distributions from the New Zealand Lottery Grants Board have allowed us to build reserves and increase our funding to the sector. We are now using these reserves to fund several significant projects and,

once reserves have been spent, we anticipate there will be limited ability to make further major one-off investments.

Figure 2 (page 11) shows the overall expenditure pattern for the past decade and Figure 3 shows the trend for the past four years broken down by funding programmes, capability building and advocacy.⁹



	2008/09	2009/10	2010/11	2011/12
Advocacy	\$179,825	\$54,737	\$60,526	\$363,278
Capability building	\$1,094,258	\$1,013,862	\$1,158,201	\$1,126,522
International funding	\$1,612,481	\$804,761	\$1,430,824	\$2,241,716
Creative Communities Scheme	\$2,613,656	\$2,800,450	\$2,818,992	\$3,310,725
Grants funding and special opportunities (was Contestable)	\$11,972,682	\$11,739,438	\$12,703,982	\$8,941,600
Investment programmes (was Recurrent funding)	\$16,566,591	\$18,320,001	\$17,529,930	\$22,591,958
Total	\$34,039,493	\$34,733,249	\$35,702,455	\$38,575,798

Figure 3: Total investment, 2008/09 to 2011/12

⁹ Note that the dollar figures presented in Figure 3 for previous years (and in all graphs throughout the report) do not necessarily contain the same figures as reported in the annual report for those years. Creative New Zealand has reviewed how it reports some items of expenditure that were previously excluded from 'grants and initiatives' and has amended its expenditure reporting for those years to match the pattern used for 2011/12.

Most of our investment in artists, arts practitioners and arts organisations (96 percent) is by way of grants made through our funding programmes. The balance is spent on capability building (3 percent) and advocacy (1 percent).

Funding is highly contested; we are able to provide only 38 percent of what is requested, so we carefully assess applications for grants and prioritise investment to obtain the best return.

HOW THOSE WE FUND PERFORM

We monitor the results achieved by the artists, arts practitioners and arts organisations that receive Creative New Zealand funding.

- Organisations in the Tōtara and Kahikatea investment programmes are assessed against the expectations of their funding agreements in four component areas (artistic, financial, organisation, audience) and across the board.
- Those who receive Grants or International presentation funding have their project completion reports evaluated against the expectations of their initial application and funding agreement.

Overall, 97 percent of the artists, arts practitioners and arts organisations funded met or exceeded the expectations of their funding agreements (compared with 98 percent in 2010/11). Results by funding programme are available in the Statement of Service Performance in Part Three of this report. Specific results for some groups of grants can be found in the Proof of Performance tables under each outcome in the pages that follow.

SNAPSHOTS OF HOW OUR INVESTMENT IS DISTRIBUTED

Figure 4 shows how our investment is distributed across the services we provide.

Funding – \$37 million

Our funding is delivered through four programmes.

- The Tōtara and Kahikatea investment programmes (formerly Recurrent Funding) support the development of a sustainable arts infrastructure by funding key arts organisations for a fixed term.
- Grants (formerly Contestable) funding supports individual artists, arts practitioners and arts organisations to deliver specific projects. It includes special opportunities and the Earthquake Emergency Assistance grants.
- The Creative Communities Scheme is a small-grants scheme administered by the 67 territorial authorities (local city or district councils) and designed to support community participation in the arts. Funding is allocated on a population basis.
- International funding supports artists, arts practitioners and arts organisations to present their work overseas.

Capability building – \$1.1 million

- Capability building supports the development of skills and improved understanding of audiences and markets.

Advocacy – \$0.4 million

- Advocacy aims to raise awareness of the role and contribution of the arts, highlight key issues affecting the sector and change the environment for the benefit of the arts.

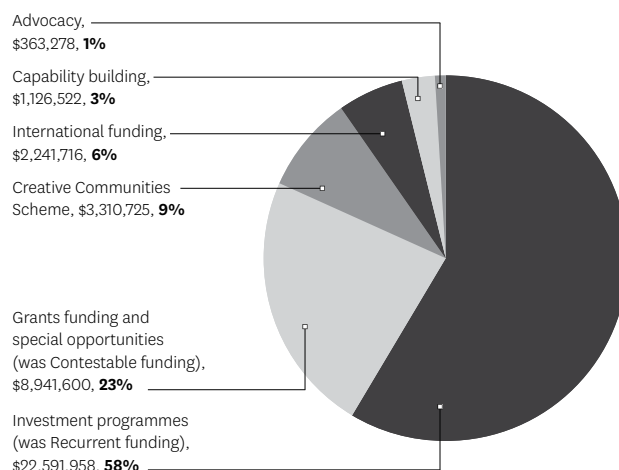


Figure 4: Distribution of total investment across services, 2011/12

Funding distribution between artforms

The distribution of our funding across artforms 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).

Figure 5 shows how all of our funding is distributed across the artforms we support.

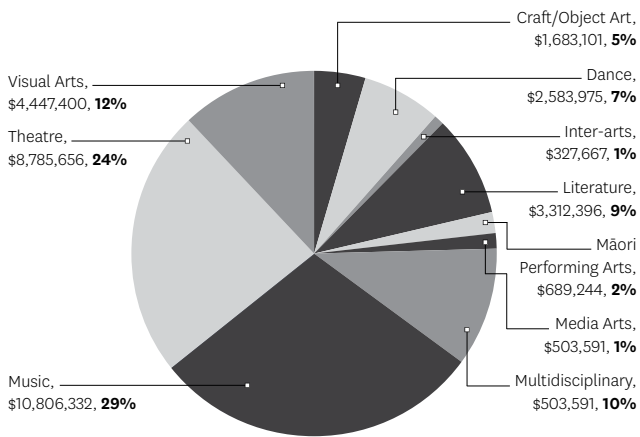


Figure 5: Distribution of funding across artforms, 2011/12¹⁰

Funding distribution across the country

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.

We fund artists, arts practitioners and arts organisations, that tend to cluster in larger population centres but often deliver services or activities more broadly.

Figure 6 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.¹¹

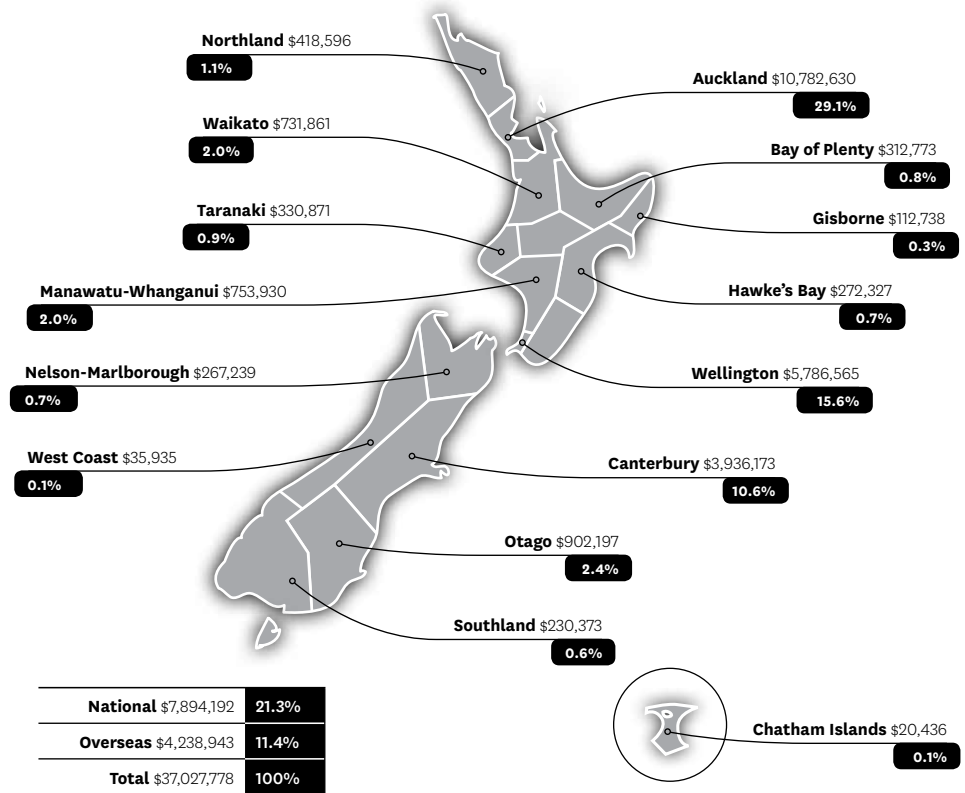


Figure 6: Distribution of funding across the regions, 2011/12

¹⁰ The values in figures 5 and 6 do not add up to the same amounts as figures 3, 4 and 7 because some expenditure cannot be allocated against locations or artforms.

¹¹ The organisations funded to tour work are recorded as 'national' and grants to individuals and organisations to work internationally are recorded as 'overseas'.

Distribution across outcomes

Creative New Zealand's activities support four outcomes.

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

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.

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 7 shows how the investment in funding, capability building and advocacy is distributed to our four strategic outcomes.

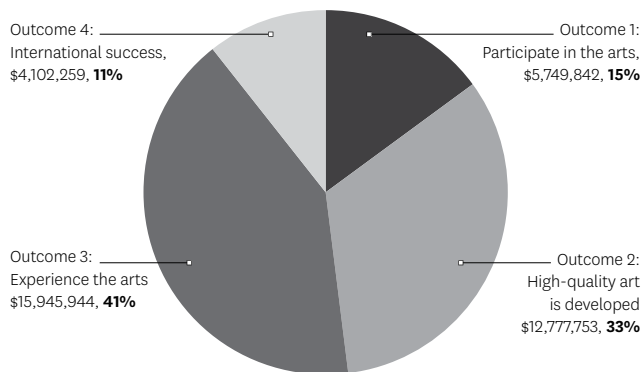


Figure 7: Distribution of total investment across outcomes, 2011/12

Performance against Strategic
Outcomes Ngā Tairitenga me ngā
Whakaritenga hua o te Rautaki

Outcome 1: New Zealanders participate in the arts

OUR STORIES FROM 2011/12

Creativity and community thriving

Through the Creative Communities Scheme, Creative New Zealand supports all 67 local authorities to fund community art projects.

In 2011/12, the scheme supported 1,839 projects including Whangarei's ArtBeat, a one-day multi-cultural arts festival celebrating local artists and providing the opportunity for members of the public to enjoy what their district has to offer. In its 15th year, the festival includes artist and food stalls, roaming street theatre and a stage programme running throughout the day.

Meanwhile, in the South Island, Ashburton's Multi Cultural Bite Festival is a way for all cultures to enjoy Waitangi Day. It features cultural performances and a variety of food stalls with bite-sized nibbles from different countries.

(Impact – community arts participation; Artform – interarts; Creative Communities Scheme)



Figure 8: Modelling traditional Nigerian wedding outfits at the Multi Cultural Bite Festival were Torika Patterson (left) from Presbyterian Support, Oldeinde George and his daughter Anuoluwapo, 3. Photo courtesy of the *Ashburton Guardian*.



Vaka (canoe) Tokelau building project

The Vaka project in Porirua, Wellington, was funded to support the maintenance of the heritage arts and culture of the Tokelau peoples in New Zealand. The project is led by the Atafu Tokelau Community Group where traditional knowledge in vaka making is passed on to a new generation, especially Pacific Islanders born in New Zealand.

The vaka project incorporates hands-on teaching of skills, customs, knowledge of tools, naming different parts of the vaka, stories of fishing, navigation, jokes and speaking the Tokelau language to encourage and inspire the next generations. The community group has an education space for the absolute beginners and wider community. The Vaka project is based at the Matauala Hall, Cannons Creek, Porirua.

(Impact – Pacific heritage arts; Artform – visual arts; Arts Grant)

Figure 9: Atafu Tokelau Community Group. Photo courtesy of Moses Viliamu.

Gap Filler

Urban artists Gap Filler began to develop creative projects in vacant spaces around Christchurch in response to the 2010–11 earthquakes. They work with community groups, artists, architects and others to temporarily activate these city spaces. Among their initiatives is a bicycle-powered cinema and Dance-O-Mat, a dance floor with coin-operated lighting and sound courtesy of a converted washing machine.

Dance-O-Mat was created in response to the loss of many of the dance studios and performance spaces around the city. Gap Filler plans to expand its innovative schemes for the city's regeneration over the next two years and further involve the community, with the help of a \$100,000 Earthquake Emergency Assistance grant. 'We really hope to demonstrate that temporary creative projects can enliven and regenerate the city and that by giving people the opportunity to contribute, you are connecting people with that recovery', says Gap Filler's director and co-founder, Coralie Winn.

(Impact – Community arts participation; Artform – multidisciplinary arts; Earthquake Emergency Assistance Grant)

WHAT WE WERE SEEKING TO ACHIEVE

Creative New Zealand is one of many funders of community arts. We aim to provide opportunities for all New Zealanders to have access to and participate in the arts for the benefit of their communities. By supporting a range of arts experiences throughout the country, we contribute to local communities' engagement with the arts.

In particular, we seek to make a difference through the following three impacts:

- **Māori heritage arts:** Māori communities preserve, develop and transmit their cultural traditions and artistry
- **Pacific heritage arts:** Pacific communities preserve, develop and transmit their customary artistic practices
- **Community arts participation:** New Zealand's diverse communities participate in and develop the arts.

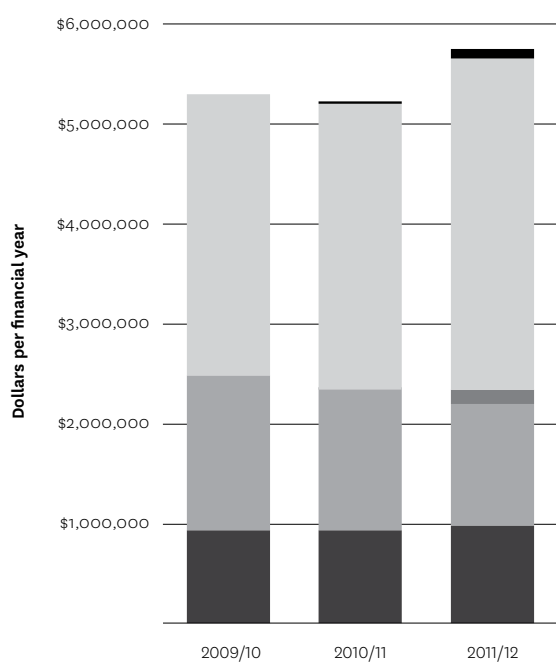
Figure 10: Dance-O-Mat coin-operated dance floor. Photo courtesy of Trent Hiles.



WHAT WE DID

In total, we invested \$5.7 million (\$5.2 million in 2010/11) in supporting opportunities for all New Zealanders to participate in the arts. In particular, the Creative Communities Scheme increased by \$450,000 compared with last year.

Trends in the total investment in Outcome 1 for the past three years are shown in Figure 11.



Category	2009/10	2010/11	2011/12
Advocacy	\$-	\$4,644	\$96,096
Creative Communities Scheme	\$2,800,450	\$2,862,181	\$3,310,725
Earthquake Emergency Response Fund	\$-	\$5,509	\$150,338
Grants funding and special opportunities	\$1,548,871	\$1,406,426	\$1,204,757
Investment programmes	\$944,831	\$929,537	\$987,926
Total invested	\$5,294,153	\$5,208,298	\$5,749,842

Figure 11: Total investment in Outcome 1, 2009/10 to 2011/12

Investment programmes

From our Investment programmes, 12 Tōtara and 5 Kahikatea organisations received \$1 million (\$0.9 million in 2010/11) to support this outcome through their work. Activities included dance and choral projects, workshops on developing writing and Māori games, exhibitions, arts festivals and improving the ability of people with disabilities to be able to participate in the arts.¹²

Grants funding

Through Grants funding, we invested \$1,355,095 in 82 grants in 2011/12 (76 grants worth \$1,377,980 in 2010/11). This includes 10 grants worth \$150,338 from the Earthquake Emergency Response Fund.

Grants funding under Outcome 1 includes:

- Quick Response and Arts Grants
- grants from the Earthquake Emergency Response Fund
- projects funded from the Toi Ake, Tohunga Tukunga and Māori Arts Development funds (9 projects, \$309,272)
- projects to support the improvement in the health of Pacific heritage arts following the review undertaken in 2009 (9 projects, \$38,500).

Creative Communities Scheme

Through this scheme, which is administered by New Zealand's 67 territorial authorities, we invested \$3,310,725. Local artists and community arts organisations received 1,839 grants through the scheme. These grants funded a range of arts activities and supported communities to preserve and develop their diverse arts.

In 2009/10, a funding cap on the scheme was removed. Territorial authorities now have the opportunity to fund fewer projects but at a higher rate than in previous years. As a

¹² Organisations in the Tōtara and Kahikatea programmes have their funding apportioned across multiple outcomes.

result, the average Creative Communities Scheme grant in 2011/12 was \$1,782 compared with \$1,209 in 2009/10.

Advocacy

The *New Zealanders and the arts* project looks at information concerning both participation in and attendance at the arts, and costs are shared between Outcomes 1 and 3.

HOW WE PERFORMED

Table 1 shows the actual performance for 2011/12 against the impact targets set in the Statement of Intent and trends from previous years.¹³

Table 1: Outcome 1 - Proof of performance against targets, 2008/09 to 2011/12

		PAST YEARS			CURRENT YEAR			
		2008/09 Actual	2009/10 Actual	2010/11 Actual	2011/12 Forecast	2011/12 Actual	Variance to forecast (+/- %)	Notes
Investment								
Total investment - all programmes		N/A	\$ 5,294,153	\$ 5,208,298	\$ 5,206,909	\$ 5,749,842	10%	
Impact								
	Measure							
Māori heritage arts	Number of Māori heritage arts projects/ Toi Ake projects successfully completed	25	35	38	≥ 35 projects	28	(26%)	Target not met. Target based on 2009/10 actual
	New measure				≥ 90% met or exceeded expectations	100%	11%	Target exceeded
Pacific heritage arts	Number of Pacific heritage arts projects successfully completed	45	25	20	≥ 25 projects	20	(20%)	Target not met. Target based on 2009/10 actual
	New measure				≥ 90% met or exceeded expectations	94% (of the 85% that were evaluated)	4%	On target
Community arts participation	Number of community arts projects successfully completed	0	7	16	≥ 12 projects	21	31%	Target exceeded
	New measure				≥ 90% met or exceeded expectations	95%	6%	Target exceeded
	Number of Creative Communities Scheme grants awarded	2,333	2,418	1,725	≥ 2,400 grants	1,839	(23%)	Target not met. Target was set before the full effect of the removal of the funding cap was realised
New Zealanders participate in the arts	Levels of participation (from the three-yearly New Zealanders and the arts survey)	48% (2008 survey)	No survey - done every three years		≥ 50% (2011 survey)	49%	(2%)	On target (Trend is one of maintenance)

¹³ For the purposes of analysing performance, 'On target' in this report has been defined as being within the range of 5 percent (plus or minus) from the forecasted target.

Outcome 2: High-quality New Zealand art is developed

OUR STORIES FROM 2011/12

Jumpboard Productions

Auckland-based Jumpboard Productions combines the roles of creative producer and arts manager, working with established theatre and dance artists and companies. The company produces new New Zealand works, including dance theatre by renowned New Zealand choreographer Douglas Wright, and a new concept in live entertainment, *Live Live Cinema*. An immersive blend of cinema, theatre, music and sound design, the first *Live Live Cinema* production, *Carnival of Souls*, has toured Australia and New Zealand. In October 2012, it was performed in Frankfurt as part of New Zealand's Guest Country of Honour programme at the Frankfurt Book Fair. A follow-up production is in development: Francis Ford Coppola's *Dementia 13*.

(Impact – developing potential; Artform – theatre, dance; Producer Pilot Programme)



Figure 12: 'Carnival of Souls', Jumpboard Productions.
Photo courtesy of Hans Edward Hammonds

Local artists explore art and memory

Three artists with connections to Dunedin were presented as part of Blue Oyster Art Project Space's series of exhibitions throughout 2011. Rose McLeod, Kate Fitzharris and Nicola Hansby delved into the connections between the process of art making and memory.

Auckland-based Rose McLeod completed her Bachelor and Master of Fine Arts at the Dunedin School of Art. In *Memory and Fabric* (pictured) she deconstructed and reassembled men's woollen and tweed jackets as a way to explore male identity and the emotional force of memories.

Kate Fitzharris's sculptural installation *Walk* documented the artist's journey on foot from the Blueskin Bay oyster beds (25 kilometres north of Dunedin) to the gallery, while Nicola Hansby's *A Collection of Still Life* is a series of paintings that play with the issues of repetition and recognition.

(Impact – High-quality artists; Artform – visual arts; Kahikatea Investment programme)



Figure 13: Rose McLeod, *Memory and Fabric*. Photo courtesy of Emily Hlavac Green.

OPPOSITE – Figure 14: Michael Parekowhai, *On First Looking into Chapman's Homer*. Photo courtesy of Michael Lett and the artist.



Bulls in Christchurch

Michael Parekowhai's Venice Biennale installation, *On First Looking into Chapman's Homer*, returned home in June for its first post-Biennale showing in New Zealand. The two bronze grand pianos, each supporting a life-sized bronze bull, were installed on a vacant roadside lot on Madras Street in Christchurch as part of a month-long exhibition by the Christchurch Art Gallery.

The bulls took their place amongst the earthquake debris, in stark contrast to their lush garden setting on the Grand Canal in Venice. The red carved Steinway piano was played throughout the exhibition in a room overlooking the red zone.

On First Looking into Chapman's Homer was first exhibited as New Zealand's entry in the Venice Biennale and subsequently toured to the renowned Musée du quai Branly in Paris. The work made its final stop at the Museum of New Zealand Te Papa Tongarewa (Te Papa).

(Impact – High-quality artists; Artform – visual arts, Flexible funding portfolio)

WHAT WE WERE SEEKING TO ACHIEVE

New Zealand arts depend on the creativity of artists. Creative New Zealand seeks to ensure that New Zealand artists have the opportunity to fulfil their potential by continually developing their artforms, the quality of their work and their skills and capability.

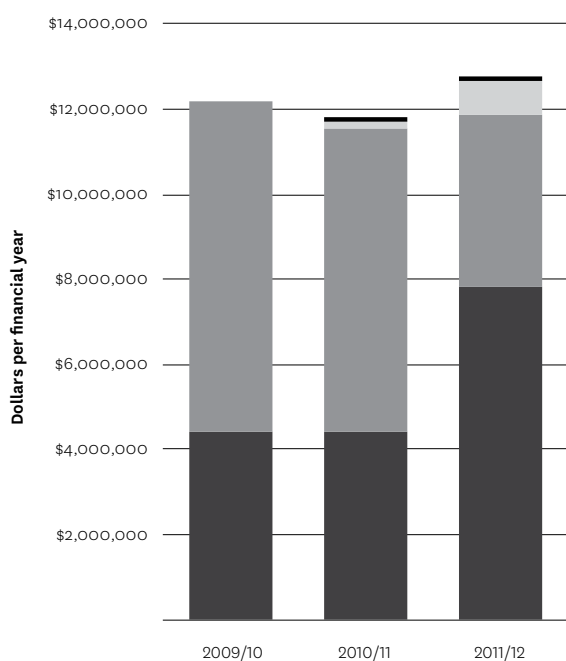
Creative New Zealand is committed to developing and strengthening the body of New Zealand artistic work through the following impacts:

- **High-quality artists:** Artists, arts practitioners and arts organisations that are acknowledged for the quality of their work are supported
- **Producing innovative work:** High-quality and innovative new work is developed, including Māori and Pacific work and the works of New Zealand's diverse cultures
- **Developing potential:** Artists, arts practitioners and arts organisations with potential develop their skills and practice.

Because we are the only national arts development organisation allocating funding across all artforms, this is a key role.

WHAT WE DID

In total, we invested \$12.8 million (\$11.8 million in 2010/11) in a range of activities and projects designed to support the development of high-quality arts. Figure 15 shows the trends in the total investment under this outcome for the past three years, particularly the shift in funding under this outcome from Grants funding to the new Investment programmes.



Category	2009/10	2010/11	2011/12
Advocacy	\$-	\$108,011	\$120,493
Earthquake Emergency Response Fund	\$-	\$128,241	\$768,485
Grants funding and special opportunities	\$7,745,793	\$7,148,037	\$4,059,484
Investment programmes	\$4,431,685	\$4,421,304	\$7,829,292
Total invested	\$12,177,477	\$11,805,593	\$12,777,753

Figure 15: Total investment in Outcome 2, 2009/10 to 2011/12

Investment programmes

From our Investment programmes, 21 Tōtara and 24 Kahikatea organisations received \$7.8 million (\$4.4 million in 2010/11) to support this outcome through their work. Activities included programmes for mentoring and supporting artistic

development, commissions, residencies and visiting artists' programmes.

Grants funding

Through Grants funding, we invested \$4,827,969 in 272 grants in 2011/12 (322 grants worth \$7,252,048 in 2010/11). This includes 29 grants worth \$768,485 from the Earthquake Emergency Response Fund. One single grant – a capital contribution to The Shed, the new home for The Court Theatre in Addington, Christchurch – amounted to \$500,000. This is the first time we have funded a capital contribution.

The reduction from the peak number and value of grants awarded in 2010/11 is attributable to the shift of funding from Grants funding to the new Kahikatea programme and to the ending, in 2010/11, of the Independent Filmmakers' and Smash Palace funds. Grants funding includes:

- Arts Grants, Quick Response Grants and remaining Sector Investment Grants
- grants from the Earthquake Emergency Response Fund
- special opportunities, such as:
 - bursaries and scholarships
 - residencies and awards, including prestigious awards such as the Prime Minister's Awards for Literary Achievement and the Creative New Zealand Michael King Writers' Fellowship
 - Te Waka Toi Awards and Pacific Arts Awards, Creative New Zealand's own awards recognising contributions to Māori and Pacific arts.

Advocacy

Creative New Zealand runs several prestigious annual awards ceremonies and their costs contribute to Advocacy under Outcome 2.¹⁴ Each awards ceremony is a showcase for the artforms involved as well as a celebration of the achievements of the award recipients.

¹⁴ Prime Minister's Awards for Literary Achievement, Te Waka Toi Awards, Creative New Zealand Arts Pasifika Awards. Information on the recipients of the 2011/12 awards is available from www.creativenz.govt.nz

HOW WE PERFORMED

Table 2 shows actual performance for 2011/12 against the targets set in the Statement of Intent and trends from previous years.

Table 2: Outcome 2 – Proof of performance against targets, 2008/09 to 2011/12

		PAST YEARS			CURRENT YEAR			
		2008/09	2009/10	2010/11	2011/12	2011/12	Variance to	Notes
		Actual	Actual	Actual	Forecast	Actual	forecast (+/- %)	
Investment								
Total investment – all programmes		N/A	\$12,177,477	\$11,805,593	\$12,325,549	\$12,777,753	4%	
Impact	Measure							
High-quality artists	Number of 'High-quality artists' projects and awards/residencies that are successfully completed	95	71	64	≥ 50 projects	46	(8%)	Target not met. Pattern of declining numbers is stronger than anticipated.
		New measure			≥ 90% met or exceeded expectations	100%	11%	Exceeded target
Producing innovative work	Number of projects for 'Producing innovative work' that are successfully completed	186	172	130	≥ 172 projects	112	(35%)	Target not met. Target was set based on 2009/10 actual results and did not take into account pattern of declining numbers
		New measure			≥ 90% met or exceeded expectations	97% (of the 99% that were evaluated)	8%	Exceeded target
	Number of Recurrently Funded Organisations (RFOs) or Tōtara organisations that are supported to develop high-quality work	28 RFOs	27 RFOs	27 RFOs	22–32 Tōtara	32	0%	On target
Developing potential	Number of 'Developing potential' projects and bursaries/scholarships that are successfully completed	1	42	77	≥ 90 projects	95	6%	Exceeded target
		New measure			≥ 90% met or exceeded expectations	99% (of the 98% that were evaluated)	10%	Exceeded target
High-quality New Zealand art is developed	Number of new works developed through Creative New Zealand funding	N/A	247	287	No target set	319	N/A	2011/12 is Grants funding plus six months (Jan–June 2012) Tōtara and Kahikatea investments. 2009/10 and 2010/11 figures are Grants funding only
		Number of New Zealand works funded by Creative New Zealand	N/A	330	563	No target set	443	N/A

Outcome 3: New Zealanders experience high-quality arts

OUR STORIES FROM 2011/12

2012 New Zealand International Arts Festival

The 2012 New Zealand International Arts Festival (24 February to 18 March) featured a strong contingent of local performances, including Ngākau Toa's *The Māori Troilus and Cressida*, *Toroihi rāua ko Kahira*, an acclaimed te reo version of Shakespeare's play that went on to be performed at London's Globe Theatre; Lemi Ponifasio's powerful environmental dance work, *Birds with Skymirrors*; and Taki Rua's *Michael James Manaia*, which attracted rave reviews. The festival opened with Michel Tuffery's projected digital artwork, *First Contact 2012*, creating a giant, moving canvas on the facade of Te Papa. Tuffery was inspired by Te Papa's collection of historical material recorded by the Polynesian ambassador Tupaia, and the scientists and artists from Captain James Cook's three epic voyages – transforming this with his own distinctive vision.

(Impact – Diversity of the arts; Artform – multidisciplinary arts; Tōtara programme)

Figure 16: *First Contact 2012* opens the 2012 New Zealand International Arts Festival. Photo courtesy of Gareth Moon, Nektar Films, Wellington.





Figure 17: New Zealand String Quartet performing Beethoven! at St Mary's of the Angels, Wellington. Photo courtesy of Megan Ward.

New Zealand String Quartet

The New Zealand String Quartet has a reputation for its energetic stance, imaginative programming and performances of fresh and unique New Zealand music. The Quartet regularly tours to North America, Europe, Asia and Australia. It celebrated its 25th anniversary in 2012 with a special project, **BEETHOVEN!**, a complete cycle of Beethoven's 16 string quartets in six concerts. The Quartet toured the country, beginning in February, with part one of the cycle, entitled, *The Age of Enlightenment*, followed by *Revolution*, the string quartets of Beethoven's 'middle' period, and finally *The Late Quartets*, regarded as some of the greatest and most spiritually profound music ever written. The complete Beethoven string quartets cycle was seen by audiences in New Zealand and around the world through the Quartet's live-streaming audience initiative, supported by Creative New Zealand.

(Impact – Delivery of the arts; Artform – music; Tōtara Investment programme)



Capital E National Theatre for Children

Formed in 1997, Capital E National Theatre for Children is an award-winning not for profit organisation that focuses on children and their creativity, attracting up to 200,000 visitors each year. It presents New Zealand theatre for audiences aged two to 14 and has developed into a major touring organisation, presenting works to more than 600,000 patrons in New Zealand, Australia and Singapore. From its Wellington base, Capital E tours two works each year to 20 New Zealand cities and also presents at regional festivals. Creative New Zealand supported the development of *Around the World and Buck Again*, a comic canine tale for two- to seven-year-olds by best-selling author Jenny Patrick, which toured the country.

(Impact – Delivery of the arts; Artform – theatre; Tōtara Investment programme)

Figure 18: Capital E's production of *Around the World and Buck Again*. Photo courtesy of Stephen A'Court.

WHAT WE WERE SEEKING TO ACHIEVE

Creative New Zealand aims to broaden the opportunities for New Zealanders to access the arts. We do this by supporting arts experiences across New Zealand and contributing to the organisations that provide them, including building organisations' skills in engaging with their audiences.

The availability of diverse arts experiences, particularly Māori and Pacific art, is a critical component of this outcome.

In particular, we seek to make a difference through the following three impacts:

- **Delivery of the arts:** Artists, arts practitioners and arts organisations deliver high-quality arts experiences to New Zealanders
- **Diversity of the arts:** New Zealand audiences have access to diverse arts experiences
- **Developing potential:** Artists, arts practitioners and arts organisations develop skills and capabilities to deliver work and increase and diversify their audiences.

Because Creative New Zealand is the only national arts development organisation allocating funding across all artforms, this is a key role.

WHAT WE DID

In total, we invested \$15.9 million (\$15.3 million in 2010/11) in a variety of activities designed to support the ability of New Zealanders to access a diverse range of arts. Figure 19 shows trends in the total investment in this outcome for the past three years, most of which has come from the Investment programmes (and the previous Recurrent Funding programme, which they replaced).

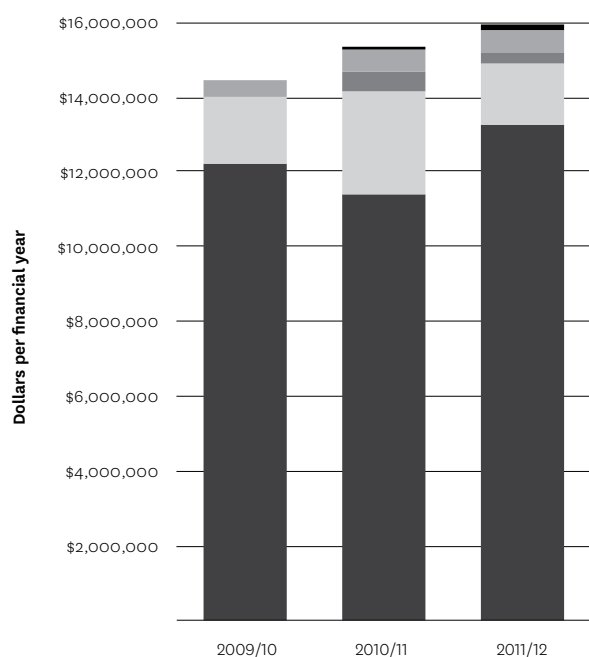


Figure 19: Total investment in Outcome 3, 2009/10 to 2011/12

Investments programme

From our Investment programmes, 22 Tōtara and 38 Kahikatea organisations received \$13.2 million (11.4 million in 2010/11) to support this outcome through their work. Activities included delivering orchestral concerts, dance, theatre and opera performances, both in the main centres and through regional tours; publishing a variety of New Zealand books and exhibiting work.

Grants funding

Through Grants funding, we invested \$1,969,673 in 100 grants in 2011/12 (116 grants worth \$3,298,204 in 2010/11). This includes 16 grants worth \$279,313 from the Earthquake Emergency Response Fund.

The decline in grant values and numbers is attributable to a shift of funding from Grants to the new Kahikatea programme.

Grants funding under Outcome 3 includes:

- Quick Response, Arts and Sector Investment Grants
- grants from the Earthquake Emergency Response Fund
- grants under the Distribution Strategy, which funds several groups of venues to support tours in the Northland, Nelson/Tasman/Marlborough and Hamilton/Hastings/New Plymouth areas.

Capability building

Creative New Zealand's capability building initiatives contribute to Outcomes 3 and 4. Our national skills building and audience and market development activities fall under this outcome.

Key activities in 2011/12 included a variety of workshops and webinars; mentoring programmes designed to increase organisational skills; a survey of arts organisations on how easily people with disabilities can access their services, followed up by site visits and 11 grants worth \$30,000 to help in improving accessibility; the ongoing collection of audience data from venues' booking systems (Audience 360°) and the annual 21st Century Arts Conference.

Advocacy

The balance of the costs of the *New Zealanders and the arts* project contributed to this outcome.

HOW WE PERFORMED

Table 3 shows actual performance for 2011/12 against the forecasts set in the Statement of Intent and previous years.

Table 3: Outcome 3 – Proof of performance against targets, 2008/09 to 2011/12

		PAST YEARS			CURRENT YEAR			Notes
		2008/09 Actual	2009/10 Actual	2010/11 Actual	2011/12 Forecast	2011/12 Actual	Variance to forecast (+/- %)	
Investment								
Total investment – all programmes		N/A	\$14,430,965	\$15,325,373	\$15,926,645	\$15,945,944	0%	
Impact								
	Measure							
Delivery of the arts	Distribution of arts experiences delivered by Investment programmes and Grants funding – Numbers of performances and dollar value of investment by region	New measure			Distribution across the regions	Figure 6 (page 17) shows the distribution of funding by region		
Diversity of the arts	Number of ‘Diversity of the arts’ projects that are successfully completed	New measure		0	≥ 5 projects	2	(60%)	Target not met. Only six projects were approved in 2009/10 and 2010/11. Of these, only two reached their completion due dates in 2011/12
		New measure			≥ 90% met or exceeded expectations	100%	11%	Exceeded target
Developing potential	Number of national capability building and audience and market development initiatives that have been run	22	31	57	≥ 31	32	3%	On target
New Zealanders experience high-quality arts	Levels of New Zealanders’ arts attendances (from New Zealanders and the arts survey)	83% (2008 survey)	N/A	N/A	≥ 83% (2011 survey)	80% (83% excluding Christchurch)	(4%)	On target
	Levels of New Zealanders’ arts attendances at events and performances funded by Creative New Zealand (run by organisations with continuous programmes of activity)	565,706 (2008 calendar year)	617,960 (2009 calendar year)	599,994 (2010 calendar year)	≥ 700,000	622,945	(11%)	Target not met. Target was set before the full effects of the February 2011 Canterbury earthquakes were known

Outcome 4: New Zealand arts gain international success

OUR STORIES FROM 2010/11

11th Festival of Pacific Arts, Solomon Islands

Over 100 artists were selected to present the best of Māori and Pacific art on behalf of Aotearoa, New Zealand at the 11th Festival of Pacific Arts, Solomon Islands. Up to 200,000 people shared in the festival, which is held every four years to celebrate, preserve and promote Pacific arts and culture.

As a result of connections made at the festival, 34 New Zealand artists, representing a range of artforms, have received offers of future artistic opportunities both domestically and overseas including in Hawaii, China, Guam, Australia and the United States of America.

(Impact – Market development; Artform – multidisciplinary arts; Government-to-government initiative)

Figure 20: Some of the artists in the New Zealand delegation to the 11th Festival of Pacific Arts demonstrate our arts and culture.





**The Māori Troilus and Cressida;
*Toroihi rāua ko Kahira***

Auckland-based theatre group Ngākau Toa opened the Globe to Globe Festival in London with *The Māori Troilus and Cressida; Toroihi rāua ko Kahira*.

The translation of Shakespeare's Trojan tragedy by Te Haumihiata Mason incorporated classical Māori language and aspects of Māori culture to present universal themes of love and war.

Part of the World Shakespeare Festival and London 2012 Festival, the Globe to Globe Festival staged 37 Shakespearian plays in 37 languages by companies from around the world. *The Māori Troilus and Cressida; Toroihi rāua ko Kahira* was also part of the New Zealand International Arts Festival programme.

(Impact – New Zealand's distinctive voice is heard overseas; Artform – theatre; Arts Grant)

Figure 21: Photo courtesy of Facundo Arrizabalaga/EPA.

‘Canterbury: the landscape of home’

Textile artist Rebekah Harman was one of three New Zealand artists selected to exhibit work at one of Europe’s most prestigious showcases for emerging talent: Talente, Germany. While in Munich, Rebekah established relationships with well-known European quilting artists and, on her return home, has given a series of talks on her experience at Talente.

The quilt in Figure 22 took over 500 hours to complete and was inspired by the landscape of the Canterbury Plains.

(Impact – Developing potential; Artform – craft/object art; International markets and fairs)



Figure 22: Size 184 x 148 centimetres. Quilt materials: silk, cotton, hemp, linen, wool batting. Photo courtesy of Rebekah Harman.

WHAT WE WERE SEEKING TO ACHIEVE

Creative New Zealand aims to position the best of New Zealand’s arts and artists internationally, working collaboratively with its partners to achieve lasting international success.

International exposure allows artists to develop their practice through observing and interacting with international colleagues. International success can also help develop New Zealand arts domestically by:

- increasing international awareness of, and expanding markets for, New Zealand’s distinctive art
- providing successful role models to inspire other New Zealand artists to raise their sights
- increasing local artists’ understanding of international expectations and standards
- providing New Zealand artists with additional income streams.

We seek to make a difference through the following three impacts:

- **New Zealand’s distinctive voice is heard overseas:** Distinctive, high-quality, internationally viable art is presented overseas
- **Market development:** International markets and audiences for New Zealand art are developed
- **Developing potential:** Artists, arts practitioners and arts organisations develop skills and capabilities for engaging internationally.

Creative New Zealand is one of several organisations involved in developing markets for New Zealand art and presenting it internationally.

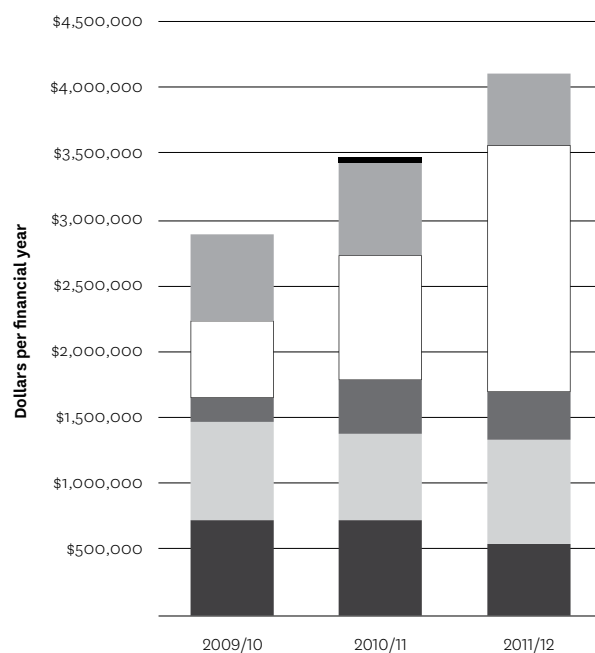
We also take responsibility for arts projects that result from government-to-government invitations. The two projects that have had the most impact in this year have been the Venice Biennale 2011 and Festival of Pacific Arts 2012.

WHAT WE DID

Most of the activity under Outcome 4 is substantially different from that under the other outcomes. Support often involves targeted interventions by Creative New Zealand rather than responding to contestable applications.

In total, we invested \$4.1 million in supporting New Zealand artists and arts organisations to either take their work to overseas audiences or to develop the skills to enable them to do so. Trends in the total investment in Outcome 4 for the past three years are shown in Figure 23.

The significant increase in major international events funding this year, as opposed to 2010/11, is attributable to investment in the Festival of Pacific Arts and Frankfurt Book Fair offsetting a decline in funding for the Venice Biennale in its 'off' year.



Advocacy	\$-	\$26,316	\$-
Capability building	\$652,629	\$699,223	\$529,993
Major international events	\$593,766	\$966,309	\$1,871,443
International presentation	\$164,214	\$402,331	\$370,273
Grants funding and special opportunities	\$743,043	\$642,108	\$788,862
Investment programmes	\$731,810	\$731,810	\$541,688
Total invested	\$2,885,462	\$3,468,097	\$4,102,259

Figure 23: Total investment, by funding source, in Outcome 4, 2009/10 to 2011/12

Investment programmes

From our Investment programmes, seven Tōtara and two Kahikatea organisations received \$0.5 million (\$0.7 million in 2010/11) to support this outcome through their work. Activities included international tours and exhibitions, and developing recognition of New Zealand arts branding.

Grants funding

Through Grants funding, we invested \$788,862 in 75 grants in 2011/12 (65 grants worth \$642,108 in 2010/11).

Grants funding under Outcome 4 includes:

- Quick Response and Arts Grants
- grants worth \$6,000 from the Earthquake Emergency Response Fund.

International presentation

Our International presentation fund (formerly the Touring fund) provides support for artists – including companies, bands and ensembles – to accept invitations to present their work internationally. These invitations come about following the artist's appearance at a market or fair or through relationships that arise from overseas experts visiting New Zealand through our Te Manu Ka Tau (Flying Friends International Visitors) programme.¹⁵ In 2011/12, the Touring fund supported 17 artists with grants and a range of activities such as indigenous and Pacific exchange projects.

Government-to-government invitations

Festival of Pacific Arts

Creative New Zealand led New Zealand's delegation to the four-yearly Festival of Pacific Arts, held in the Solomon Islands at the beginning of July 2012. The delegation comprised nearly 100 artists, with Māori extending an invitation to New Zealand-based Pasifika artists to join them in the delegation. Feedback from the artists shows that the festival was extremely successful in showcasing New Zealand art to the wider Pacific.¹⁶

Venice Biennale 2011

New Zealand's exhibition at the Venice Biennale closed on 23 October 2011, with Michael Parekowhai's installation

On First Looking into Chapman's Homer going on to be displayed at the Musée du Quai Branly in Paris, in Christchurch through the Christchurch City Art Gallery¹⁷ and in Wellington at Te Papa in August–September 2012. Te Papa has purchased the piano *He Kōrero Pūrākau mo Te Awanui o Te Motu: Story of a New Zealand river*.

Analysis of the visitor statistics shows that over 40,000 people viewed the exhibition, at an average of more than 300 per day. Of the 1,154 people who completed an online survey, 83 percent rated the exhibition as 'above average' or 'excellent'. The exhibition also garnered national print and radio interest, as well as positive international coverage in publications such as *The Independent*, *ArtReview Magazine*, the Tate blog and an issue of *Artscape* on ABC Television.

Planning for the 2013 Biennale is already well advanced, with the artist (Bill Culbert), the Commissioner (Jenny Harper) and the location (Istituto Santa Maria della Pietà – La Pietà) all confirmed. Te Papa is a key partner in this project.

Frankfurt Book Fair 2012

New Zealand has been invited to be Guest Country of Honour at the 2012 Frankfurt Book Fair, to be held in mid-October 2012. In 2011/12, Creative New Zealand has contributed just over \$1.1 million to the costs of this multi-agency project, which is being led by the Ministry for Culture and Heritage.

Capability building

As part of our capability building programme, we ran one workshop to help New Zealand artists to succeed on the world stage, supported 76 artists to attend 8 international fairs or markets and, through the Te Manu Ka Tau programme, brought groups of overseas curators, presenters and directors to New Zealand to see local art and artists in their home context.

¹⁵ See capability building under this outcome.

¹⁶ See Our Stories for 2011/12 for Outcome 4.

¹⁷ See Our Stories for 2011/12 for Outcome 2.

HOW WE PERFORMED

Table 4 shows actual performance for 2011/12 against the forecasts set in the Statement of Intent and previous years.

Table 4: Outcome 4 – Proof of performance against targets, 2008/09 to 2011/12

		PAST YEARS			CURRENT YEAR			
		2008/09 Actual	2009/10 Actual	2010/11 Actual	2011/12 Forecast	2011/12 Actual	Variance to forecast (+/- %)	Notes
Investment								
Total investment – all programmes		N/A	\$2,885,462	\$3,468,097	\$3,003,664	\$4,102,259	37%	
Impact	Measure							
New Zealand's distinctive voice is heard overseas	Number of 'Distinctive voices overseas' and touring projects that are successfully completed	22	25	57	≥ 65 projects	52	(20%)	Target not met
		New measure			≥ 90% met or exceeded expectations	100%	11%	Exceeded target
	Number of overseas presentations and performances by New Zealand artists funded by Creative New Zealand	New measure		80 (Recurrently Funded Organisations, 2010 calendar year)	≥ 80	100	25%	Exceeded target. Results from Investment programmes only
International market development	Number of markets and fairs attended and the number of artists and arts organisations attending	4 fairs/ markets	7 fairs/ markets	6 markets/ fairs	≥ 7 fairs/ markets	8	14%	Exceeded target
		56 attendees	56 attendees	58 attendees	≥ 56 attendees	76	36%	Exceeded target
	Number of international market development projects that are successfully completed	0	2	19	≥ 5 projects	11	120%	Exceeded target
		New measure			≥ 90% met or exceeded expectations	100%	11%	Exceeded target
Developing potential	Number of international capability building workshops run and the number of attendees	New measure	2 workshops	6 workshops	≥ 10 workshops	1	(90%)	Target not met. Review of capability building resulted in fewer offerings than forecast
		New measure	37 attendees	67 attendees	≥ 170 attendees	28	(84%)	Target not met. Review of capability building resulted in fewer offerings than forecast
New Zealand arts gain international success	Sample of works and projects supported by Creative New Zealand in the previous two years that have produced subsequent repeat international invitations	New measure				Case studies detailed below		

Case studies

The following short case studies illustrate the return on Creative New Zealand's investment in supporting artists, arts practitioners and arts organisations to achieve international success.

Red Leap Theatre: Supported to participate in the Australian Performing Arts Market (APAM) in 2010 and 2012. Was subsequently invited to perform *The Arrival* at the Busan International Performing Arts Festival in South Korea in May 2012, followed by the Kaohsiung Spring Arts Festival in Taiwan 2012 and a teaching residency in Singapore during 2013/14.

King Kapisi: Supported for a showcase performance at the Australasian World Music Expo in November 2010 and was invited to perform at the Glastonbury Festival in June 2011 as a result. Subsequent invitations include the Babel Festival in France, March 2012; a tour of Great Britain in August 2012, including appearance at the Beautiful Days festival; and the 2012 Reggae Sun Ska Festival in France.

Michael Parekowhai: Since featuring at the Venice Biennale, he has since received a major (\$1 million) commission funded by the Queensland government to mark the fifth anniversary of the opening of the Gallery of Modern Art in Brisbane, Queensland, and 20 years of the Asia Pacific Triennial of Contemporary Art.

Indian Ink: The work *Guru of Chai* was showcased at APAM and supported to perform in Sydney, Brisbane and Singapore in 2010. The APAM showcase resulted in American agent David Lieberman signing them to his books. Lieberman promoted the *Guru of Chai* at the Western Arts Alliance and arranged performances in the United States in 2011/12.

Managing organisational health

Te whakahaere i te ora o te tari

At Creative New Zealand 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. The key results are shown in Figure 24.

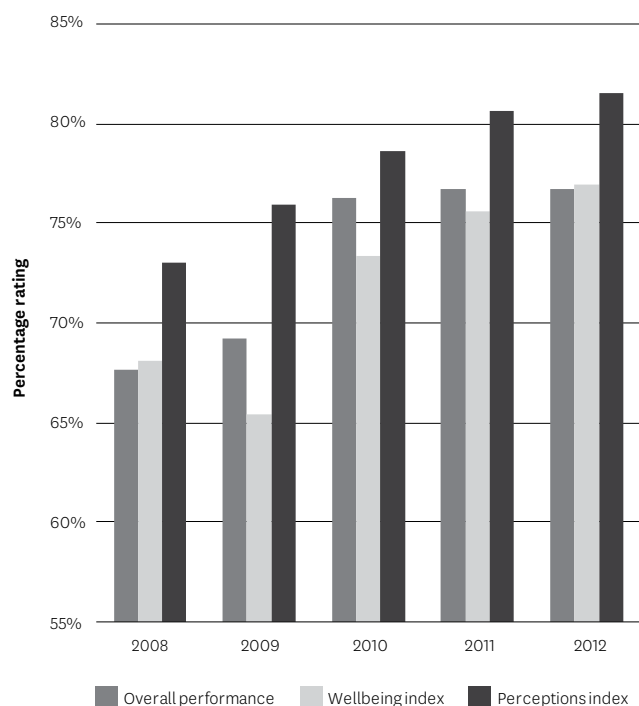


Figure 24: Key results from Creative New Zealand Best Workplaces survey, 2008 to 2012

- For the 2012 survey, we had a response rate of 100 percent for the third consecutive year. We also achieved the highest rating for performance and engagement of the 30 state sector organisations participating in the survey over the past 18 months.
- In the Best Workplaces survey, staff reported a greater than 80 percent satisfaction level with each of the following statements:
 - *The person I report to treats people with respect¹⁸*
 - *All employees in this organisation are treated fairly regardless of individual differences*
 - *This organisation cares about the wellbeing of its people*
 - *The person I report to behaves in a way that is consistent with the values of the organisation.*

PEOPLE

- After several years of relatively low staff turnover, the rate for the year to 30 June 2012 was 20 percent (see Figure 25).

¹⁸ This was the highest scoring question in the 2012 survey, at 87 percent.

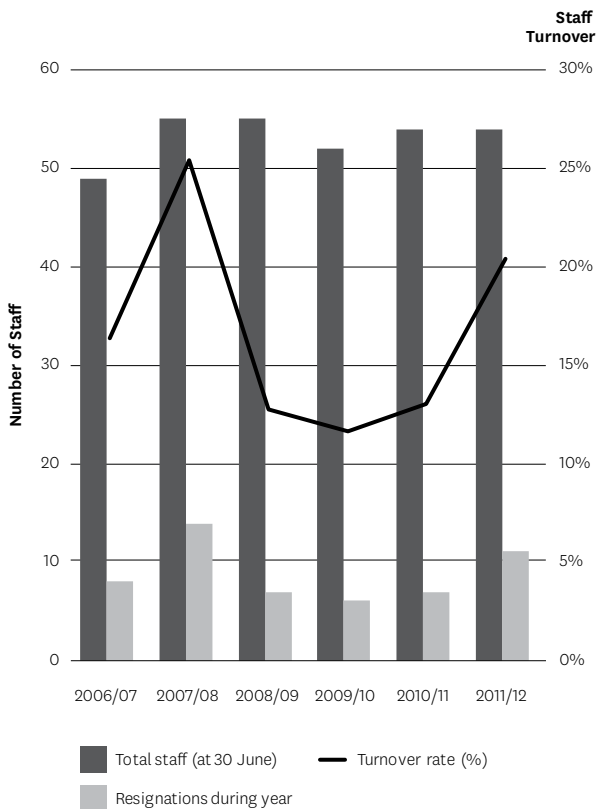


Figure 25: Staff numbers and turnover rate, 2006/07 to 2011/12

- At the time each vacancy occurred, the position and rationale for it was reviewed with regard to our desire to reduce personnel and operating costs. All advertised vacancies attracted good numbers of applications from people with appropriate skills, experience and qualifications.
- The training budget for the 2011/12 year was \$115,000 (nearly \$2,130 per full-time equivalent staff member or 2.3 percent of personnel costs). Training ranged from software user training, plain English writing, presentation skills development, weekly classes in te reo, coaching and mentoring, to leadership and management development. All staff received at least one development opportunity of some sort and most accessed multiple training initiatives.

RELATIONSHIPS

- In 2011/12, as part of its advocacy strategy, Creative New Zealand:
 - completed and published its three-yearly survey into attendance, participation and attitudes to the arts¹⁹ plus additional reports designed to provide the arts sector with extended information about audiences²⁰
 - made 14 submissions to central and local government agencies on issues affecting the arts in general or Creative New Zealand in particular
 - provided support to Christchurch arts advocacy group, Arts Voice, to make submissions and establish itself as a legal entity.
- We have met regularly with key local authority partners (refer Output Area 3) and other funders of the arts, worked closely with agencies involved in redeveloping the arts in Christchurch and collaborated with other government agencies on issues affecting professional orchestras and contemporary popular music.

THINKING AND DECISIONS

- In 2011/12, we began a five-year programme of rolling artform reviews, with reviews of media arts and digital platforms and Māori arts.
- We also began the process of reviewing our Strategic Plan 2010–13 by analysing the environment we operate in and consulting with focus groups from the arts sector about what the ‘big issues’ will be for Creative New Zealand over the next three to five years.
- We completed a review of our capability building initiatives and decided to prioritise:

¹⁹ *New Zealanders and the arts: Attitudes, attendance and participation in 2011*, available from www.creativenz.govt.nz.

²⁰ *Audience Atlas New Zealand 2011 and Culture Segments New Zealand*, both available from www.creativenz.govt.nz.

- identifying the needs of client organisations and meeting those that other suppliers cannot
- responding to changing artform needs, cultural and demographic drivers, audience interests and the specific needs of any at-risk organisations
- building on market and audience intelligence
- encouraging collaboration, drawing on the experience of successful organisations and individuals.

We will implement these decisions and the systems to support them from 2012/13 onwards.

- We also continued work to improve our output, outcome and impact performance measures for the Statement of Intent and the systems for data capture and analysis to support us in better telling our performance stories.

GOVERNANCE AND MANAGEMENT

- Creative New Zealand has in place a comprehensive governance manual and delegation schedule assigning responsibility to the Arts Council, arts boards and management. Delegations are reviewed at least annually.
- An annual meeting calendar is established for the Arts Council, arts boards and committees and a work plan is in place for each.
- 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.

STRUCTURES AND PROCESSES

- Creative New Zealand has developed an overarching information and communications technology strategy of making better use of 21st-century tools. In 2011/12, we:
 - developed a solutions architecture proposal for a new grants management system
 - continued to improve the functionality and reporting of existing legacy information systems as an interim measure while options for a replacement system are being considered.
- 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).

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.

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 supplied to every employee with their employment contract and is also readily available from our intranet.

Table 5: Staff profile as at 30 June 2012

	NUMBER	PERCENTAGE (%)
Staff full-time equivalent	52.5	
Headcount	54.0	
Permanent staff	44.5	85
Fixed-term contracts	8.0	15
Senior leadership team (Chief Executive and direct reports)		
Men	3	50
Women	3	50
All managers (incl senior leadership team)		
Men	7	33
Women	14	67
Māori	3	14
All staff		
Men	15	28
Women	39	72
Māori	9	17
Pacific Island	2	4
People with disabilities	1	2
Age groups		
20 – 29	3	6
30 – 39	16	30
40 – 49	20	37
50 – 59	9	17
60 +	6	11

Responsiveness to Māori

Creative New Zealand provides weekly tuition in te reo, and 31 staff have taken up the offer during the past year. Most staff attend waiata practice at least once per month, 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. Families are encouraged to participate in our Matariki celebrations.

Staff wellbeing

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

- actively monitoring sick and annual leave
- routinely featuring civil defence preparedness in monthly staff meetings, on the intranet and in the induction process for new staff. Staff are encouraged to maintain emergency supplies in organisation-provided back packs at their desks. Each desk is provided with a 10 litre container for emergency fresh water supplies.
- all managers holding emergency contact lists off site, which are regularly updated
- 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 work-station assessments to all new staff and anyone experiencing physical discomfort at their desk
- providing life and income protection insurance for all permanent staff.

In the latest Best Workplaces survey there was an 80 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 with families and with disabilities. Of our staff, 12 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 annual culture survey, staff had a more than 80 percent satisfaction level with the statements:

- *I am encouraged to develop my knowledge skills and abilities in this organisation*
- *The work I do provides me with interesting challenges.*

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.

Management accountability

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

- *The person I report to treats people with respect (87 percent satisfaction)*
- *The person I report to behaves in a way that is consistent with the values of this organisation (84.5 percent satisfaction).*

Managers are committed to modelling behaviours they expect of their teams and this is reflected in the high satisfaction levels as demonstrated through the survey. Managers maintain a strong awareness 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.

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 to ensure they are appropriately supported during their first weeks in the new role.

Part Three: Organisational Performance

Ngā Whakatutukitanga o Te Tari

Non-financial Performance: Statement of Service Performance

Ngā Kaupapa Utukore: Te Pūrongo Whakaritenga Ratonga

The Statement of Intent 2011–14 set out the forecast for Creative New Zealand’s outputs for 2011/12.

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.

Comparative figures for previous years

The structure of the outputs and performance measures in this Statement of Service Performance have been improved between each year and the one following. Consequently, some of the comparative performance information and figures for past years have not been audited in this format and therefore are presented for trend analysis only.

Table 6: Revenue and expenditure, 2010/11 to 2011/12

	2010/11 Actual	2011/12 Forecast	2011/12 Actual	Variance 2011/12
Revenue				
Promotion and Support of the Arts and Film	\$15,689,000	\$15,689,000	\$15,689,000	\$ -
New Zealand Lottery Grants Board	\$27,796,169	\$24,225,000	\$27,516,239	\$3,291,239
Other	\$1,704,947	\$1,011,762	\$981,969	(\$29,793)
Total revenue	\$45,190,116	\$40,925,762	\$44,187,208	\$3,261,446
Expenses				
Funding	\$34,291,908	\$34,419,776	\$37,039,048	\$2,619,272
Capability building	\$1,302,151	\$1,733,000	\$1,126,522	(\$606,478)
Advocacy	\$194,854	\$310,000	\$363,278	\$53,278
Total funding, capability building and advocacy	\$35,787,913	\$36,462,776	\$38,528,848	\$2,066,072
Personnel and other operating expenses	\$7,607,171	\$7,866,358	\$8,838,513	\$972,155
TOTAL EXPENDITURE	\$43,395,094	\$44,329,134	\$47,367,360	\$3,038,226
NET SURPLUS/(DEFICIT)	\$1,795,022	(\$3,403,372)	(\$3,180,152)	\$223,220

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 by the Arts Council, arts boards and Pacific Arts Committee in response to specific needs
- through devolving funds to partners for them to distribute.

Creative New Zealand's total expenditure for 2011/12 was \$47.4 million, of which \$37 million (78 percent) was distributed to the community through funding. Creative New Zealand is recognised as having expertise in running funding processes and using its knowledge and skills to make sound decisions.

The four key funding programmes are:

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

Detailed information on all of the funding programmes is available in the *Funding and Programmes Guide*, which is published annually.²¹

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.²²

Results from the 2011/12 year are a combination of both old and new programmes, except for the funding reported, which is a full year of the new programmes because of the way funding decisions are recognised in the accounts.

The Tōtara and Kahikatea programmes were established following an extensive review of the former Recurrent Funding programme. The new 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

²¹ Available from www.creativenz.govt.nz.

²² Funding from the former Arts and Sector Investment (Grants Funding) has also been incorporated into the new programmes.

the needs of the arts sector change. Creative New Zealand aims to review 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.

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

Table 7: Proof of performance, Investment programmes

	PAST PERFORMANCE			CURRENT PERFORMANCE			Notes
	2008/09 Actual	2009/10 Actual	2010/11 Actual	2011/12 Forecast	2011/12 Actual	Variance to forecast (+/- %)	
Expenditure							
Total expenditure	\$16,566,591	\$18,320,001	\$17,451,009	\$21,807,080	\$22,591,958	4%	On target
Quantity							
Number of organisations funded through Recurrent Funding (to 31 December 2011 only)	36	35	34	34	34	0%	On target
Number of organisations funded through the Tōtara programme (from 1 January 2012)	New measure	New measure	New measure	22–32	24	0%	On target
Number of organisations funded through the Kahikatea programme (from 1 January 2012)	New measure	New measure	New measure	No target set	49	N/A	No target set as the number of Kahikatea organisations was unknown at the time
Number of public activities by organisations funded by Creative New Zealand (run by organisations with continuous programmes)	New measure	New measure	3,776	≥ 10,000	4,862	(51%)	Target not met. The target was set before the actual result for 2010/11 was known
New Zealanders' attendances at arts events and performances funded by Creative New Zealand (run by organisations with continuous programmes)	New measure	New measure	566,180	≥ 700,000	622,945	(11%)	Target not met. Target was set before the full effects of the February 2011 Canterbury earthquakes were known
Quality							
Organisations meet or exceed the agreed expectations in their funding agreements (assessed six monthly)	New measure	51%	91%	≥ 90%	86%	(4%)	On target. Includes organisations affected by the Canterbury earthquakes, particularly during the first half of the year. If these results were omitted, the performance would be 91%
Creative New Zealand meets its obligations to customers under the funding contracts	100%	100%	96%	≥ 90%	100%	11%	Target exceeded. All organisations paid on time and all had their services assessed for quality

Figure 26 shows the changes in numbers of organisations in the programmes compared with increasing funding to the portfolio. The increase in funding shown for 2011/12 is partly attributable to the transfer of funds previously associated with the Arts and Sector Investment grants to the new Kahikatea programme.

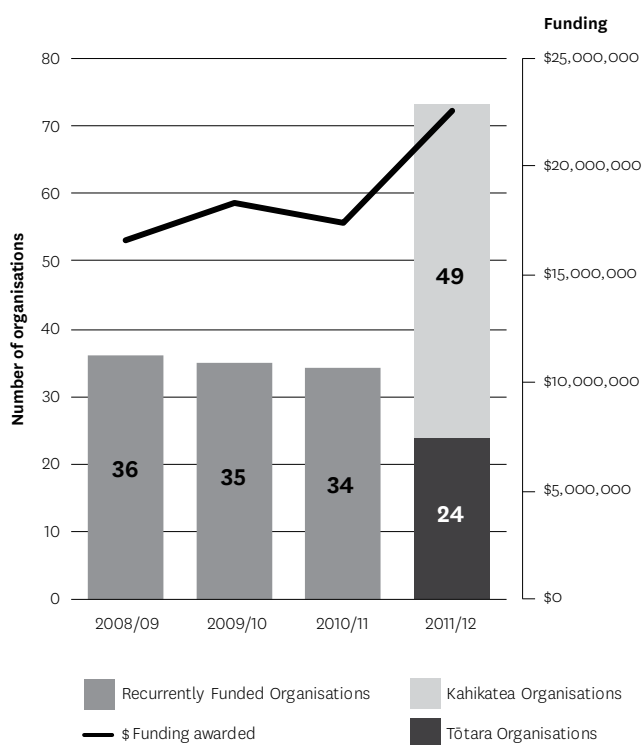


Figure 26: Number of organisations and total investment in Recurrent Funding and new Investment programmes, 2008/09 to 2011/12

GRANTS FUNDING

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 2011/12, 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 be incorporated into the final grants' decisions.

For reporting purposes, Grants funding 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.

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. Emergency assistance grants have been made (and continue to be made) from the fund, which has been budgeted for until 2013/14.

Applications for these grants are considered on a monthly basis to provide rapid responses to changing needs in Christchurch. The emergency assistance grants are reported under Grants funding.

Grants funding supports **all four outcomes**. For further information on the distribution of Grants funding to outcomes, please see Part Two of this report.

Table 8: Proof of performance, Grants funding²³

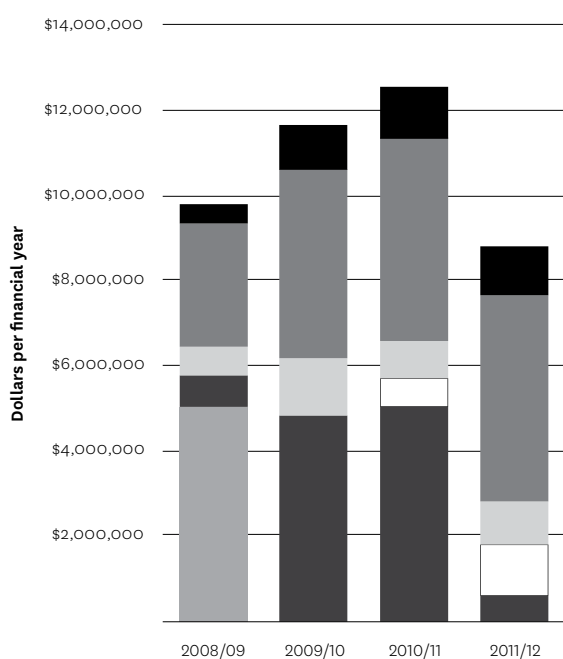
	PAST PERFORMANCE			CURRENT PERFORMANCE			Notes
	2008/09 Actual	2009/10 Actual	2010/11 Actual	2011/12 Forecast	2011/12 Actual	Variance to forecast (+/- %)	
Expenditure							
Total expenditure	\$9,810,901	\$11,739,438	\$12,628,525	\$8,908,196	\$8,941,600	0%	On target
Quantity							
Total Grants awarded	527	504	584	450-500	529	6%	Exceeded target
Quality							
Project completion rate	99%	99%	99%	99%	99%	0%	On target
Projects meet or exceed requirements of the approved application and the funding agreement	100%	98% (of the 98% of projects that were evaluated)	97% (of the 98% of projects that were evaluated)	≥ 95%	98% (of the 98% of projects that were evaluated)	3%	On target
Timeliness							
Grants are processed within published timeframes	100%	100%	100%	100%	100%	0%	On target

²³ The actual figures in Table 8 differ from the audited financial statements because of grants funded from special funds interest and/or purely external sources recorded as net amounts in the financial statements.

- The 2010/11 Actual includes \$18,447 of grants that are not recorded as funding in the financial statements.
- The 2011/12 Actual includes \$46,950 of grants that are not recorded as funding in the financial statements.

Figure 27 shows the changing pattern, over time, as old programmes have been phased out and new ones implemented.

The decline in funding shown for 2011/12 is attributable to the transfer of funds previously associated with the Arts and Sector Investment grants to the new Kahikatea programme, plus the end, in 2010/11, of the Independent Filmmakers' Fund and the Smash Palace Fund.



Grant Type	2008/09	2009/10	2010/11	2011/12
Quick Response Grants	\$466,073	\$1,107,756	\$1,334,009	\$1,277,810
Arts Grants and Toi Ake	\$2,908,388	\$4,463,018	\$4,781,757	\$4,827,733
Special Opportunities	\$649,208	\$1,318,714	\$917,939	\$1,017,596
Christchurch Earthquake Emergency Response Fund	\$-	\$-	\$667,532	\$1,204,136
Arts & Sector Investments, Independent Filmmakers' Fund	\$775,000	\$4,849,950	\$5,002,745	\$614,325
Pre-2009 Contestable programmes	\$5,012,232	\$-	\$-	\$-
Total \$ Awarded	\$9,810,901	\$11,739,438	\$12,628,525	\$8,941,600

Figure 27: Amounts of Grants funding, by grant type, 2008/09 to 2011/12

CREATIVE COMMUNITIES SCHEME

Established in 1995, 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.

In contrast with the Investment programmes and Grants funding, decisions under the Creative Communities 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

	PAST PERFORMANCE			CURRENT PERFORMANCE			Notes
	2008/09 Actual	2009/10 Actual	2010/11 Actual	2011/12 Forecast	2011/12 Actual	Variance to forecast (+/- %)	
Expenditure							
Creative New Zealand budget	\$2,613,656	\$2,800,450	\$2,862,181	\$2,789,500	\$3,310,725	19%	Exceeded target
Value of grants awarded	\$2,728,045	\$2,924,322	\$2,838,818	\$2,789,500	\$3,276,794	17%	Exceeded target
Quantity							
Number of territorial authorities contracted to manage the scheme in their area	73	73	67	67	67	0%	On target
Number of projects funded	2,333	2,418	1,725	≥ 2,400	1,839	(23%)	Target not met. Target was set before the full effect of the removal of the funding cap was realised
Quality							
Territorial authorities meet the requirements of their contracts as scheme administrators	91%	93%	93%	≥ 95%	99%	4%	On target

Figure 28 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 \$1,782 in 2011/12.

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.

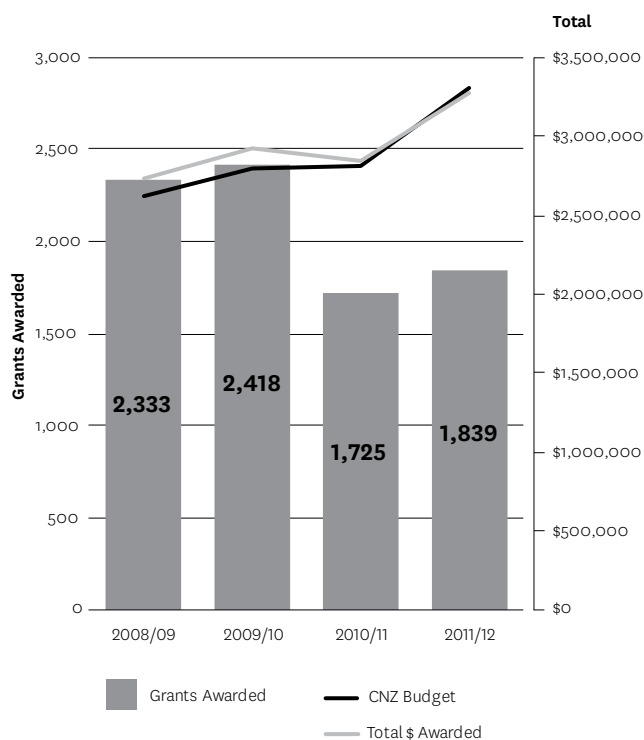


Figure 28: Number and value of grants, Creative Communities Scheme, 2008/09 to 2011/12

INTERNATIONAL FUNDING

Through International funding,²⁴ Creative New Zealand supports opportunities for individual artists, arts practitioners, arts organisations or clusters 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 funding is targeted, rather than being fully contestable. International projects are generally longer term and outcomes can take 6 to 18 months to be fully recognised.

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

Table 10: Proof of performance, International funding

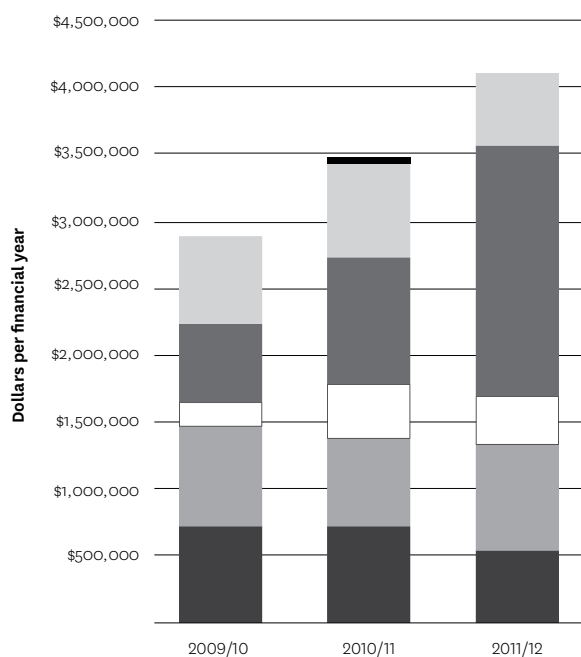
	PAST PERFORMANCE			CURRENT PERFORMANCE			Notes
	2008/09 Actual	2009/10 Actual	2010/11 Actual	2011/12 Forecast	2011/12 Actual	Variance to forecast (+/- %)	
Expenditure							
Total expenditure	\$1,612,481	\$804,761	\$1,368,640	\$915,000	\$2,241,716	145%	Target did not include budget for Frankfurt Book Fair – Guest Country of Honour project
Quantity							
Projects funded	20	25	20	≥ 20	20	0%	On target
Quality							
Project completion rate	99%	99%	99%	99%	99%	0%	On target
Projects meet or exceed the expectations in the approved application and the funding agreement	100% (of the 69% of projects that were evaluated)	98% (of the 87% of projects that were evaluated)	100% (of the 53% of projects that were evaluated)	≥ 80%	100%	25%	Exceeded target. (Target was set lower than Grants funding to reflect a perceived higher risk for overseas projects. Target will be reviewed for the future)

²⁴ International funding 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 29 shows the effect on International funding 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).

Further information on these events is found under **Outcome 4: New Zealand arts gain international success** in Part Two of this report.



Advocacy	\$-	\$26,316	\$-
Capability Building	\$652,629	\$699,223	\$529,993
Major international events	\$593,766	\$966,309	\$1,871,443
International presentation	\$164,214	\$402,331	\$370,273
Grants funding and special opportunities	\$743,043	\$642,108	\$788,862
Investment programmes	\$731,810	\$731,810	\$541,688
Total invested	\$2,885,462	\$3,468,097	\$4,102,259

Figure 29: International funding, by type, 2008/09 to 2011/12

Output Area 2: Capability building for artists, arts practitioners and arts organisations

In addition to funding, Creative New Zealand offers a range of services designed to help artists, arts practitioners and arts organisations to enhance their capabilities.

During 2011/12, we reviewed our capability building programmes. The purpose of this review was to assess how effective our capability building initiatives are in meeting the needs of the arts sector, and to identify any additional capability building needs for which initiatives should be developed. As a result, we will be implementing new initiatives from July 2012.

The expenditure on capability building was \$1.13 million, 2.4 percent of the total expenditure for 2011/12.

There are two key aspects of capability building.

SKILL BUILDING

The national aspect of skill building²⁵ delivers capability building initiatives aimed at increasing the skills of arts organisations and arts practitioners, including arts leadership, governance, finance, human resources and specific targeted interventions.

The international aspect delivers strategic initiatives that aim to build the skills of artists, arts practitioners and arts organisations to produce and/or curate, plan, promote, negotiate, market, sell and manage international engagements.

AUDIENCE AND MARKET DEVELOPMENT

The national aspect of audience and market development delivers strategic initiatives that aim to encourage arts organisations and individuals to build dynamic and

sustainable audience relationships. Key initiatives for 2011/12 were:

- 21st Century Arts Conference (an annual conference attended by more than 250 leaders in New Zealand's arts sector)
- Audience 360° (vital statistics audience data programme incorporating 25 venues across the country)
- Move On Up coaching programme (providing intensive coaching to selected arts organisations)
- Optimise²⁶ (a programme of coaching, workshops and webinars to help arts organisations and arts practitioners use digital technology to connect with their markets)
- Spotlight on Diversity programme (in partnership with Arts Access Aotearoa, helping organisations to make their art accessible).

The initiatives offer advice, insight and audience intelligence through research, capability building initiatives and coaching consultancies. Experts work alongside arts practitioners and arts organisations to develop strategies for attracting new and retaining existing audiences, and to gather data to help organisations benchmark their performance.

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.

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.

²⁵ Previously the Arts Organisations' Development programme.

²⁶ Previously Getting On-line.

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

	PAST PERFORMANCE			CURRENT PERFORMANCE			Notes
	2008/09 Actual	2009/10 Actual	2010/11 Actual	2011/12 Forecast	2011/12 Actual	Variance to forecast (+/- %)	
Expenditure							
Total expenditure	\$1,094,258	\$1,013,862	\$1,302,151	\$1,733,000	\$1,126,522	(35%)	Target not met because of review of capability building
Quantity							
Total number of capability building initiatives delivered to the sector	22	31	57	≥ 31	32	3%	On target
Number of person days of workshop-based capability building initiatives delivered	New measure	New measure	500	≥ 600	218	(64%)	Target not met. Only 9 workshops and 4 webinars offered in 2011/12 compared with 37 workshops in 2010/11
Number of participants in experiential capability building initiatives	New measure	New measure	New measure	≥ 94	128	36%	Exceeded target
Quality							
Proportion of participants who find the workshop-based capability building initiatives to be relevant and effective	90%	90%	88%	≥ 90%	94%	4%	On target. (Results from 10 workshops and webinars only. Not every participant responded)
Proportion of participants in international markets and fairs and overseas experts to view programmes who find the initiatives to be relevant and effective	90%	90%	92%	≥ 75%	100%	33%	Exceeded target. (Target was set lower than for workshops to reflect a perceived higher risk and will be reviewed for the future)

Figure 30 shows the effect of the capability building review, with fewer initiatives offered in 2011/12.

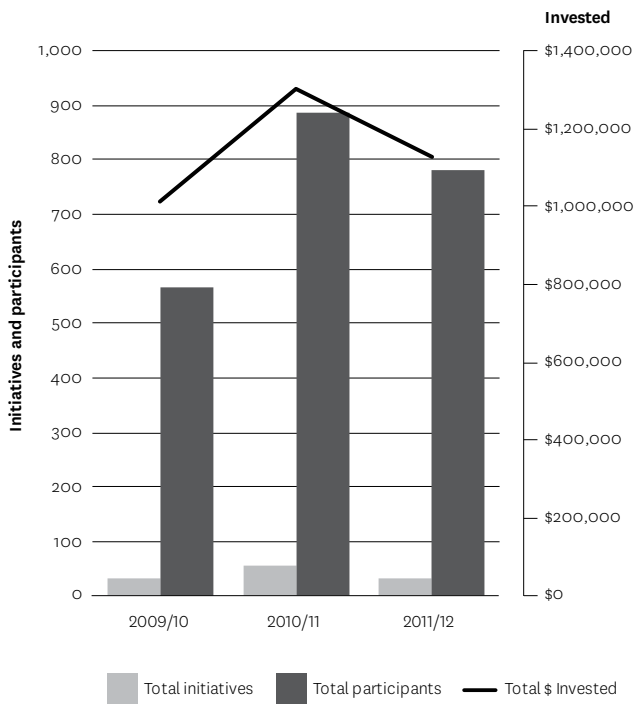


Figure 30: Capability building – initiatives, participation and investment, 2009/10 to 2011/12

Output Area 3: Advocacy for the arts

The advocacy programme aims to raise awareness of the role and contribution of the arts, highlight key 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 2011/12, we published the third *New Zealanders and the arts* survey and developed new research (*Culture Segments New Zealand* and the *Audience Atlas New Zealand*). We also published an analysis of results from our Audience 360° programme and discussion papers on media arts and digital platforms and Māori arts.²⁷
- developing strategic partnerships to increase support for the arts. Our key partners in 2011/12 were Auckland Council, the ASB Community Trust, Wellington and Christchurch City Councils.
- participating in cross-government initiatives. In 2011/12, we worked with the Canterbury Earthquake Recovery Authority, 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 2011/12, Creative New Zealand made 11 submissions to territorial authorities on draft plans or policies and 3 submissions to central government about proposed legislative changes.

²⁷ All reports and papers are available from www.creativenz.govt.nz.

Table 12: Proof of performance, Advocacy

	PAST PERFORMANCE			CURRENT PERFORMANCE			Notes
	2008/09 Actual	2009/10 Actual	2010/11 Actual	2011/12 Forecast	2011/12 Actual	Variance to forecast (+/- %)	
Expenditure							
Total expenditure	\$175,825	\$54,737	\$194,854	\$310,000	\$363,278	17%	Exceeded target
Quantity							
Research							
Total number of research projects and other resources delivered to the sector	1	2	2	3	6	100%	Exceeded target. Additional projects – Audience Atlas and Culture Segments – were not included in the target
Strategic partnerships							
Total number of meetings per key partner	2	2	3	3	2	(33%)	Target not met. (Formal meetings, especially with Christchurch City Council, have been replaced by more frequent informal contact, plus formal submissions to planning processes)
Quality							
The arts sector is using available resources as indicated by the website usage	New measure	New measure	446,344	≥ 400,000 unique page views	419,549	5%	On target

Financial Performance

Ngā Whakaritenga Pūtea

Independent Auditor's Report

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 2012

The Auditor-General is the auditor of the Arts Council of New Zealand Toi Aotearoa (Creative New Zealand). The Auditor-General has appointed me, JR Smail, 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 65 to 96 that comprise the statement of financial position as at 30 June 2012, the 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 48 to 61 and the performance against strategic outcomes report on pages 20 to 41.

Opinion

In our opinion:

- the financial statements of Creative New Zealand on pages 65 to 96:
 - comply with generally accepted accounting practice in New Zealand; and
 - fairly reflect Creative New Zealand's:
 - financial position as at 30 June 2012; and
 - financial performance and cash flows for the year ended on that date.

- the non-financial performance information of Creative New Zealand on pages 48 to 61 and 20 to 41:
 - 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 2012, 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 2012. 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 would affect a reader's 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. 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.

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'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 New Zealand Institute of Chartered Accountants.

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



JR Smail

Audit New Zealand
On behalf of the Auditor-General
Wellington, New Zealand

MATTERS RELATING TO THE ELECTRONIC PRESENTATION OF THE AUDITED FINANCIAL STATEMENTS AND NON-FINANCIAL PERFORMANCE INFORMATION

This audit report relates to the financial statements and non-financial performance information of the Arts Council of New Zealand Toi Aotearoa (Creative New Zealand) for the year ended 30 June 2012 included on Creative New Zealand's website. The Arts Council is responsible for the maintenance and integrity of Creative New Zealand's website. We have not been engaged to report on the integrity of Creative New Zealand's website. We accept no responsibility for any changes that may have occurred to the financial statements and non-financial performance information since they were initially presented on the website.

The audit report refers only to the financial statements and non-financial performance information named above. It does not provide an opinion on any other information which may have been hyperlinked to or from the financial statements and non-financial performance information. If readers of this report are concerned with the inherent risks arising from electronic data communication they should refer to the published hard copy of the audited financial statements and non-financial performance information as well as the related audit report dated 31 October 2012 to confirm the information included in the audited financial statements and non-financial performance information presented on this website.

Legislation in New Zealand governing the preparation and dissemination of financial information may differ from legislation in other jurisdictions.

Statement of Responsibility

FOR THE YEAR ENDED 30 JUNE 2012

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 2012 fairly reflect the financial position and operations of Creative New Zealand.

Signed on behalf of the Arts Council:



Alastair Carruthers

Chair, Arts Council
31 October 2012



Erima Henare

Member, Arts Council
31 October 2012

Statement of Financial Performance

FOR THE YEAR ENDED 30 JUNE 2012

BUDGET 2012 \$000		NOTE	ACTUAL 2012 \$000	ACTUAL 2011 \$000
INCOME				
15,689	Revenue from the Crown	2	15,689	15,689
24,225	Revenue from New Zealand Lottery Grants Board	3	27,516	27,796
550	Interest income		613	609
262	Other revenue	4	94	702
200	Grant retirements and gains	5	275	394
40,926	TOTAL INCOME		44,187	45,190
EXPENDITURE				
36,463	Funding, capability building and advocacy	10	38,529	35,788
4,568	Personnel	6	4,546	4,433
420	Depreciation and amortisation	7	440	489
268	Council, board and committee fees	8	269	266
-	Loss on gifting of work of art	15	835	-
-	Loss on revaluation of investment property	16	228	10
-	Loss on revaluation of land and building	14	69	-
-	Net loss on disposal of property, plant and equipment	14	46	2
-	Net foreign exchange loss		10	-
2,610	Other operating expenses	9	2,395	2,407
44,329	TOTAL EXPENDITURE		47,367	43,395
(3,403)	NET OPERATING SURPLUS / (DEFICIT)		(3,180)	1,795

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

Statement of Comprehensive Income

FOR THE YEAR ENDED 30 JUNE 2012

BUDGET 2012 \$000		NOTE	ACTUAL 2012 \$000	ACTUAL 2011 \$000
(3,403)	Net operating surplus/(deficit) for the year		(3,180)	1,795
	Other comprehensive income			
	- Revaluation of land and buildings	14	(1,010)	(1,163)
	- Revaluation of works of art	15	(48)	(201)
	- Total other comprehensive income/(loss)		(1,058)	(1,364)
(3,403)	Total comprehensive income/(loss)		(4,238)	431

Statement of Changes in Equity

FOR THE YEAR ENDED 30 JUNE 2012

BUDGET 2012 \$000		NOTE	ACTUAL 2012 \$000	ACTUAL 2011 \$000
12,648	Total public equity as at 1 July		13,803	13,372
(3,403)	Net operating surplus/(deficit) for the year		(3,180)	1,795
-	Other comprehensive income/(loss)		(1,058)	(1,364)
(3,403)	Total comprehensive income/(loss)		(4,238)	431
9,245	TOTAL PUBLIC EQUITY AS AT 30 JUNE		9,565	13,803
8,240	Accumulated funds as at 1 July		10,759	8,964
-	Gifting of work of art	15	834	-
(3,403)	Net operating surplus/(deficit) for the year		(3,180)	1,795
4,837	Accumulated funds as at 30 June		8,413	10,759
4,408	Revaluation reserve as at 1 July		3,044	4,408
-	Revaluation of land and buildings	14	(1,010)	(1,163)
-	Gifting of work of art	15	(834)	-
-	Revaluation of works of art	15	(48)	(201)
4,408	Revaluation reserve as at 30 June		1,152	3,044
9,245	TOTAL PUBLIC EQUITY AS AT 30 JUNE		9,565	13,803

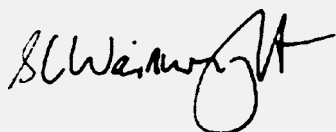
The accompanying accounting policies and notes form an integral part of these financial statements.

Statement of Financial Position

AS AT 30 JUNE 2012

BUDGET 2012 \$000		NOTE	ACTUAL 2012 \$000	ACTUAL 2011 \$000
PUBLIC EQUITY				
4,408	Revaluation reserves	11	1,152	3,044
4,837	Accumulated funds		8,413	10,759
9,245	TOTAL PUBLIC EQUITY		9,565	13,803
<i>Represented by:</i>				
ASSETS				
Current assets				
15,143	Cash and cash equivalents	12	12,697	21,483
78	Debtors and other receivables	13	7,009	203
116	Prepayments		279	171
15,337	Total current assets		19,985	21,857
Non-current assets				
4,721	Property, plant and equipment	14	2,109	3,275
2,237	Works of art	15	1,163	2,046
550	Investment property	16	312	540
549	Intangible assets	17	558	492
8,057	Total non-current assets		4,142	6,353
23,394	TOTAL ASSETS		24,127	28,210
LIABILITIES				
Current liabilities				
2,214	Creditors and other payables	18	1,994	2,495
235	Employee entitlements	20	344	321
11,700	Grants payable		12,193	11,550
14,149	Total current liabilities		14,531	14,366
Non-current liabilities				
-	Employee entitlements	20	31	41
-	Total non-current liabilities		31	41
14,149	TOTAL LIABILITIES		14,562	14,407
9,245	NET ASSETS		9,565	13,803

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



Stephen Wainwright

Chief Executive
31 October 2012



Alastair Carruthers

Chair, Arts Council
31 October 2012

Statement of Cash Flows

FOR THE YEAR ENDED 30 JUNE 2012

BUDGET 2012 \$000		ACTUAL 2012 \$000	ACTUAL 2011 \$000
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash was provided from:			
15,689	Crown revenue	15,689	15,689
24,225	New Zealand Lottery Grants Board	21,006	27,796
262	Other revenue	193	663
-	Retirement of grants	140	103
550	Interest received	546	600
20	Net Goods and Services Tax	-	1,206
40,746		37,574	46,057
Cash was applied to:			
35,356	Payments of grants	37,751	34,570
4,568	Payments to employees	4,533	4,436
3,043	Payments of operating expenses	2,258	3,017
-	Net Goods and Services Tax	1,321	-
42,967		45,863	42,023
(2,221)	NET CASH FLOWS FROM OPERATING ACTIVITIES	(8,289)	4,034
CASH FLOWS FROM INVESTING ACTIVITIES			
Cash was provided from:			
-	Sale of property, plant and equipment	2	1
Cash was applied to:			
223	Purchase of property, plant, equipment and intangible assets	499	248
(223)	NET CASH FLOWS FROM INVESTING ACTIVITIES	(497)	(247)
(2,444)	NET INCREASE (DECREASE) IN CASH HELD	(8,786)	3,787
Add opening cash brought forward:			
80	Cash on hand and at bank	29	142
17,507	Short-term deposits	21,454	17,554
15,143	BALANCE AT END OF YEAR	12,697	21,483
Represented by closing cash carried forward:			
80	Cash on hand and at bank	43	29
15,063	Short-term deposits	12,654	21,454
15,143		12,697	21,483

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.

RECONCILIATION OF THE NET OPERATING SURPLUS WITH THE NET CASH FLOWS FROM OPERATING ACTIVITIES

FOR THE YEAR ENDED 30 JUNE 2012

	ACTUAL 2012 \$000	ACTUAL 2011 \$000
Net surplus/(deficit) from operations	(3,180)	1,795
Add/(less) non-cash items:		
Depreciation and amortisation	440	489
Loss on gifting of work of art	835	
Loss on disposal of property, plant and equipment	46	2
Loss/(Gain) on revaluation of investment property	228	10
Loss/(Gain) on revaluation of land and building	69	-
(Gain)/loss on foreign exchange	10	(3)
Retirement of grants	(135)	(291)
	1,493	207
Add/(less) movements in working capital items:		
Decrease (increase) in prepayments	(108)	(57)
Decrease (increase) in accounts receivable	(6,409)	(35)
Decrease (increase) in interest receivable	(67)	(9)
Increase (decrease) in GST payable/receivable	(1,321)	1,206
Increase (decrease) in accounts payable	514	(287)
Increase (decrease) in provision for employee entitlements	13	(3)
Increase (decrease) in current grants committed	778	1,218
	(6,600)	2,033
Add/(less) items classified as an investing activity		
Net loss/(gain) on the sale of property, plant and equipment	(2)	(1)
NET CASH FLOW FROM OPERATING ACTIVITIES	(8,289)	4,034

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

Statement of Commitments

AS AT 30 JUNE 2012

	2012 \$000	2011 \$000
Capital commitments approved and contracted	53	-
Non-cancellable operating lease commitments (as lessee) payable:		
Not later than one year	145	142
Later than one year and not later than two years	88	127
Later than two years and not later than five years	86	138
Later than five years	-	-
	319	407
Grant commitments, payable:		
Not later than one year	20,243	614
Later than one year and not later than two years	8,095	400
	28,338	1,014
TOTAL COMMITMENTS PAYABLE	28,710	1,421

Operating lease commitments

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

Grant commitments

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 variation in grant commitments between 2012 and 2011 is caused by the timing of the multi-year funding contracts. All multi-year contracts ended on 31 December 2011. The new multi-year funding contracts began on 1 January 2012. These were ratified in August 2011.

	2012 \$000	2011 \$000
Non-cancellable operating lease commitments (as lessor) receivable:		
Creative New Zealand leases out part of the Old Public Trust Building under operating leases. The future minimum lease payments under the terms of the non-cancellable leases are as follows:		
Not later than one year	21	3
Later than one year and not later than two years	3	3
Later than two years and not later than five years	8	9
Later than five years	-	2
TOTAL COMMITMENTS RECEIVABLE	32	17

Statement of Contingent Liabilities

AS AT 30 JUNE 2012

Old Public Trust Building strengthening

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 has been classified as earthquake prone.

The Building Act 2004 and associated Wellington City Council Earthquake Prone Buildings policy 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.

At the Annual General Meeting of the Old Public Trust Building Body Corporate held on 2 August 2011, it was agreed to commission a seismic strengthening feasibility design

report on the building. The outcomes of this report will give a clear indication of what needs to be done to bring the building up to an agreed level of compliance with the 2004 Building Act, costs associated with this work and timeframes of when it could occur. The work is being undertaken by Dunning Thornton (who completed the seismic assessment report stage 1 as part of the conservation management plan completed in 2009).

The results of this report were not finalised as at 30 June 2012. However, the report was received in September 2012. The costs of the strengthening, facade restoration, temporary relocation of staff 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 is 65 percent, ranging between \$3.0 million and \$6.1 million, with the other members of the body corporate liable for the balance.

Bank guarantees

	ACTUAL 2012 \$000	ACTUAL 2011 \$000
Bank of New Zealand - Datacom Employer Services Limited	150	150
Bank of New Zealand - Wellington Regional Chamber of Commerce	597	974
	747	1,124

The bank guarantees to Wellington Regional Chamber of Commerce of \$0.597 million (2011: \$0.974 million) relate to an ATA Carnet bank indemnity. This carnet relates to the exhibition items shipped to the Venice Biennale 2011 and subsequently to Musée du Quai Branly in Paris.

Statement of Contingent Assets

AS AT 30 JUNE 2012

As a result of a review of policy relating to grant defaults, Creative New Zealand invoices grantees who are in default of their grant terms and conditions. The issuance of these invoices could result in either the grantee producing a satisfactory acquittal report or the repayment of 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 2012 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 2012, the total invoiced to grantees in a default position was as follows.

Granting board or committee	2012 \$000	2011 \$000
Arts Board	17	16
Te Waka Toi	42	32
Pacific Arts Committee	65	42
	124	90

Notes to the Financial Statements

1. STATEMENT OF ACCOUNTING POLICIES

FOR THE YEAR ENDED 30 JUNE 2012

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 2012 and were authorised for issue by Creative New Zealand on 31 October 2012.

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 New Zealand generally accepted accounting practice (NZ GAAP).

These financial statements have been prepared in accordance with NZ GAAP, as appropriate for public benefit entities, and 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, other than the impact of changes in NZ IFRS. These policies have been applied on a basis consistent with previous years. If errors are detected that have a material impact on prior periods these are applied retrospectively and comparatives are restated.

Creative New Zealand has adopted the following revisions to accounting standards during the financial year, which have only a presentational or disclosure effect:

- FRS-44 New Zealand Additional Disclosures and Amendments to NZ IFRS to harmonise with IFRS and Australian Accounting Standards (Harmonisation Amendments). The purpose of the new standard and amendments is to harmonise Australian and New Zealand accounting standards with source IFRS and to eliminate many of the differences between the accounting standards in each jurisdiction. The main effect of the amendments on Creative New Zealand is that certain information about property valuations is no longer required to be disclosed.

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 and Phase 3 Hedge Accounting.

Phase 1 on the classification and measurement of financial assets has been completed and has been 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 and/or deficit. The new standard is required to be adopted for the year ended 30 June 2016. However, because 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.

- *NZ IFRS 13 Fair Value Measurement* centralises all requirements for the measurement of fair value. *NZ IFRS 13* is effective for annual periods beginning on or after 1 January 2013. Creative New Zealand is currently investigating the impact of *NZ IFRS 13* in conjunction with *NZ IFRS 9*.

- 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 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 expected to be for reporting periods beginning on or after 1 July 2014. This means Creative New Zealand expects to transition to the new standards in preparing its 30 June 2015 financial statements. Because the PAS are still under development, we are unable to assess the implications of the new Accounting Standards Framework at this time.

Because of 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 Statement of Intent.

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

Other grants

Creative New Zealand receives 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 obligation 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 uplifted 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.

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.

1.3.6 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.

1.3.7 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.

Land	Not depreciated	
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

The useful life of furniture, equipment and fittings has been changed from 5 years to 10 years. This change has been applied from 1 July 2011 prospectively, therefore it does not affect the comparative period shown in these financial statements.

1.3.8 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 they do not differ materially from the assets' fair values.

1.3.9 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.

1.3.10 Intangible assets

Software acquisition and development

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

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

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

Amortisation

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

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

Web portal	4 years	25 percent straight line
Acquired computer software	4 years	25 percent straight line

1.3.11 Impairment of non-financial assets

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

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

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

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

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

1.3.12 Financial instruments

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

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

Creative New Zealand does not use derivative financial instruments.

1.3.13 Creditors and other payables

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

1.3.14 Employee entitlements

Short-term employee entitlements

Employee entitlements expected to be settled within 12 months of balance date are measured at undiscounted nominal values based on accrued entitlements at current rates of pay. These include salaries and wages accrued up to balance date, annual leave earned but not yet taken at balance date, 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.

1.3.15 Superannuation scheme

Defined contribution scheme

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

1.3.16 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, Inland Revenue is included as part of receivables or payables in the Statement of Financial Position.

The net GST paid to, or received from Inland Revenue, 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.

1.3.17 Income tax

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

1.3.18 Equity

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

- accumulated funds
- revaluation reserve.

Revaluation reserve

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

1.4 Budgeted figures

The budget figures are derived from the Statement of Intent 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 result 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

The Council 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 (2011: nil).

The funding provided from the Crown amounted to \$15.689 million (2011: \$15.689 million).

3. REVENUE FROM NEW ZEALAND LOTTERY GRANTS BOARD

	2012 \$000	2011 \$000
Base funding	24,510	23,250
Additional profit allocation	3,006	975
One-off funding allocations from reserves	-	3,571
	27,516	27,796

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. OTHER REVENUE

	2012 \$000	2011 \$000
Revenue from Ministry of Science and Innovation	-	178
Venice Biennale Patrons	-	312
Venice Biennale Te Papa contribution	-	80
Rental income	73	69
The Todd Trust	10	10
Other	11	53
	94	702

5. GRANT RETIREMENTS AND GAINS

	2012 \$000	2011 \$000
Retirement of grants	275	391
Net foreign exchange gain	-	3
	275	394

6. PERSONNEL EXPENSES

	2012 \$000	2011 \$000
Salaries and wages	4,294	4,106
Other staff-related costs	224	315
Employer contributions to defined contribution plans	32	33
Increase/(decrease) in employee entitlements	(4)	(21)
Termination benefits	-	-
	4,546	4,433

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

During the year ended 30 June 2012, no employees received compensation relating to the cessation of their employment with Creative New Zealand (2011: nil).

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

Total remuneration and benefits	Number of employees	
	2012	2011
\$100,000 – 109,999	2	2
\$110,000 – 119,999	2	1
\$120,000 – 129,999	2	3
\$130,000 – 139,999	1	1
\$140,000 – 149,999	Nil	Nil
\$150,000 – 159,999	Nil	Nil
\$160,000 – 169,999	Nil	Nil
\$170,000 – 179,999	Nil	Nil
\$180,000 – 189,999	Nil	Nil
\$190,000 – 199,999	Nil	Nil
\$200,000 – 209,999	Nil	Nil
\$210,000 – 219,999	Nil	Nil
\$220,000 – 229,999	Nil	Nil
\$230,000 – 239,999	Nil	1
\$240,000 – 249,999	1	Nil

The Chief Executive's remuneration and benefits is in the \$240,000 to \$249,999 band.

7. DEPRECIATION AND AMORTISATION

	2012 \$000	2011 \$000
Depreciation		
Building	43	77
Building improvements	56	69
Furniture, equipment and fittings	13	28
Computer equipment	85	102
Amortisation		
Computer software	100	77
Web portal	143	136
	440	489

8. 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	2012	2011
	\$	\$
A Carruthers (Chair, Arts Council)	32,000	32,000
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)	14,300	14,300
A Rush (Arts Council and Arts Board member)	15,280	11,040
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	11,500	11,500
M Sciascia	11,500	11,500
S Iosefa	350	2,140
T Vao	350	2,140
F Hartnell	940	2,140
F Endermann	1,680	1,790
J Puka	590	740
T Ness	2,380	–
M Papau	2,030	–
K Mahina-Tu'ai	1,650	–
K Rangī	1,440	–
S Elliot	1,440	–
E Tavola	–	2,140
M Smith	–	1,790
J Binney	–	332
	269,430	265,552

9. OTHER OPERATING EXPENSES

	2012 \$000	2011 \$000
Auditors' remuneration – Audit New Zealand		
for financial statement audit	52	52
Operating lease payments	164	168
Other operating expenses	2,179	2,187
	2,395	2,407

Other operating expenditure comparative figures have been restated to align the presentation in the financial statements with the true nature of expenditure incurred. As a result, \$66,000 of expenses was reclassified from 'other operating expenses' to 'funding, capability building and advocacy' (note 10) in the comparative figures.

10. FUNDING, CAPABILITY BUILDING AND ADVOCACY

	ACTUAL 2012 \$000	ACTUAL 2011 \$000
Investment Programmes		
Arts Leadership Investments (Tōtara)	14,062	–
Arts Development Investments (Kahikatea)	8,227	–
Recurrently Funded Organisations	303	17,451
	22,592	17,451
Grants Funding		
Arts Grants	4,422	4,610
Quick Response Grants	1,274	1,329
Sector Investments Grants	214	3,320
Arts Investments Grants	–	972
Christchurch Earthquake Emergency Response Fund	1,204	668
Other Grants Funding	1,780	1,711
	8,894	12,610
International Funding		
Frankfurt Book Fair (2012 Guest Country of Honour)	997	–
Venice Biennale*	335	898
11th Festival of Pacific Arts	471	68
Presentation of Art	439	403
	2,242	1,369

	ACTUAL 2012 \$000	ACTUAL 2011 \$000
Creative Communities Scheme	3,311	2,862
Funding**	37,039	34,292
Capability Building		
National programmes	597	602
International programmes	530	699
	1,127	1,301
Advocacy	363	195
Total Funding, Capability Building and Advocacy	38,529	35,788

Expenditure comparative figures have been restated to better reflect the true nature and comparison of the expenditure incurred (note 9).

* Venice Biennale expenditure in 2011 is partly off-set by income of \$392,000 disclosed in note 4. The project runs over two years with the larger part of expenditure being incurred in the first year.

	2012 \$000	2011 \$000
** Total funding by the funding body was as follows:		
Arts Board	30,143	28,529
Te Waka Toi	3,468	3,402
Pacific Arts Committee	644	591
Council and Other Funding	2,784	1,770
Total Funding	37,039	34,292

11. REVALUATION RESERVES

	2012 \$000	2011 \$000
Revaluation reserves at 30 June consisted of:		
Land and building revaluation reserve	–	1,010
Works of art revaluation reserve	1,152	2,034
	1,152	3,044

12. CASH AND CASH EQUIVALENTS

	2012 \$000	2011 \$000
Cash at bank and on hand	43	29
Cash equivalents – short-term deposits	12,654	21,454
Total cash and cash equivalents	12,697	21,483

The carrying value of 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 3.66 percent (2011: 3.94 percent).

13. DEBTORS AND OTHER RECEIVABLES

	2012 \$000	2011 \$000
New Zealand Lottery Grants Board	6,510	–
GST receivable	330	–
Interest receivable	98	31
Sundry receivables	71	172
	7,009	203

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. The ageing profile of receivables at year end is detailed below.

	2012			2011		
	Gross \$000	Impairment \$000	Net \$000	Gross \$000	Impairment \$000	Net \$000
Not past due	6,925	–	6,925	196	–	196
Past due 1 – 30 days	81	–	81	6	–	6
Past due 31 – 60 days	–	–	–	1	–	1
Past due 61 – 90 days	–	–	–	–	–	–
Past due over 90 days	3	–	3	–	–	–
	7,009	–	7,009	203	–	203

14. PROPERTY, PLANT AND EQUIPMENT

	Land \$000	Building \$000	Building improvements \$000	Furniture, equipment and fittings \$000	Computer equipment \$000	Work in progress \$000	Total \$000
Cost or valuation							
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)
Balance at 30 June 2012	1,164	374	1,117	565	514	-	3,734
Accumulated depreciation							
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)
Balance at 30 June 2012	-	-	760	487	378	-	1,625
Carrying amount at 30 June 2012	1,164	374	357	78	136	-	2,109
Cost or valuation							
Balance at 1 July 2010	1,248	2,652	1,058	574	818	-	6,350
Additions	-	-	3	42	31	61	137
Reclassification	-	-	-	-	-	-	-
Revaluation increase/(decrease)	(84)	(1,156)	-	-	-	-	(1,240)
Disposals	-	-	-	(20)	(4)	-	(24)
Balance at 30 June 2011	1,164	1,496	1,061	596	845	61	5,223
Accumulated depreciation							
Balance at 1 July 2010	-	-	694	516	561	-	1,771
Depreciation expense	-	77	69	28	102	-	276
Eliminated on disposal/reclassification	-	-	-	(20)	(2)	-	(22)
Eliminated on revaluation	-	(77)	-	-	-	-	(77)
Balance at 30 June 2011	-	-	763	524	661	-	1,948
Carrying amount at 30 June 2011	1,164	1,496	298	72	184	61	3,275

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 2012.

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.

	2012 \$000	2011 \$000
Fair value of the Old Public Trust Building and associated land at 30 June per valuation	1,850	3,200
Apportioned as follows:		
Land	1,164	1,164
Building	374	1,496
Investment property (note 16)	312	540
	1,850	3,200
The change in fair value of land and building has been reflected as follows:		
Accumulated depreciation eliminated on revaluation	43	77
Revaluation loss through revaluation reserve (note 11)	1,010	1,163
Revaluation loss through net operating surplus/ (deficit)	69	-
	1,122	1,240

15. WORKS OF ART

	2012 \$000	2011 \$000
Valuation		
Balance at 1 July	2,046	2,237
Additions	-	10
Revaluation increase/(decrease)	(48)	(201)
Disposals – gifting	(835)	-
Impairment losses	-	-
Carrying amount at 30 June	1,163	2,046

The works of art are stated at fair value as determined by Christopher Moore of Chris Moore Gallery. The valuation was completed on 30 July 2012, effective as at 30 June 2012. Christopher Moore is an art dealer and an experienced 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 Te Papa. The artwork is made up of eight canvas panels each being nearly 1706 x 930 millimetres. 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
- 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

	2012 \$000	2011 \$000
Balance at 1 July	540	550
Acquisitions	-	-
Transfer from property, plant and equipment	-	-
Change in fair value	(228)	(10)
Balance at 30 June	312	540

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 2012, see note 14 for further details.

17. INTANGIBLE ASSETS

	2012 \$000	2011 \$000
Cost		
Balance at 1 July	1,577	1,411
Additions – work in progress	213	–
Additions – other	98	166
Reclassification	–	–
Revaluation increase	–	–
Disposals	(131)	–
Balance at 30 June	1,757	1,577
Accumulated amortisation		
Balance at 1 July	1,085	872
Amortisation expense	243	213
Reclassification	–	–
Eliminated on disposal	(129)	–
Eliminated on revaluation	–	–
Balance at 30 June	1,199	1,085
Carrying amount 30 June	558	492

Intangible assets consist of a web portal and computer software. The work in progress additions in 2012 mainly relate to the implementation costs of a Pivotal Client Relationship Management System and Grants Management System.

18. CREDITORS AND OTHER PAYABLES

	NOTE	2012 \$000	2011 \$000
Trade payables		1,053	697
Accrued expenses		151	188
GST payable	13	–	991
Special purpose funds	19	790	619
		1,994	2,495

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.

19. SPECIAL PURPOSE FUNDS

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

	Opening balance \$000	Third party income \$000	Expenditure \$000	Closing balance \$000
2012				
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
	619	446	275	790

	Opening balance \$000	Third party income \$000	Expenditure \$000	Closing balance \$000
2011				
Edwin Carr Foundation	417	16	9	424
Tup Lang bequest	79	2	5	76
Louis Johnson bequest	53	2	1	54
Butland Music Foundation	40	1	2	39
Old Public Trust Body Corporate	13	147	138	22
Mataora Royalties	4	–	–	4
The Todd Trust	–	10	10	–
Screen Innovation Production Fund/ Independent Filmmakers' Fund	59	1	60	–
	665	179	225	619

- 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.
- The Screen Innovation Production Fund/Independent Filmmakers' Fund was a joint venture with the New Zealand Film Commission.

20. EMPLOYEE ENTITLEMENTS

	2012 \$000	2011 \$000
Current employee entitlements are represented by:		
Accrued salaries and wages	84	66
Annual leave	216	220
Time in lieu	6	11
Long service leave	38	24
Total current portion	344	321
Non-current employee entitlements are represented by:		
Long service leave	31	41
Total non-current portion	31	41
	375	362

21. 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.

21.1 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 \$1.183 million to the Ministry for Culture and Heritage, out of which \$1.105 million has been provided in support of the 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 \$27.516

million (2011: \$27.796 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.

21.2 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 2012 totalled \$0.415 million (2011: \$0.504 million). These purchases include the purchase of electricity from Genesis Energy, air travel from Air New Zealand and postal services from New Zealand Post.

21.3 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 that 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 that they have control or significant influence over were as follows.

		Transaction value – year ended 30 June		Balance outstanding – year ended 30 June	
		2012	2011	2012	2011
Te Kāhautu Maxwell (Te Waka Toi)	Te Matatini Society Incorporated – Trustee	–	30,000	–	30,000

The decision to contribute towards Te Matatini O Te Ra 2011 was made by Te Waka Toi. Te Kāhautu Maxwell declared his conflict of interest and, therefore, did not take part in any stage of the grant decision making process.

		Transaction value – year ended 30 June		Balance outstanding – year ended 30 June	
		2012	2011	2012	2011
Pele Walker (Arts Board and Pacific Arts Committee)	St James Theatre Limited – Director	–	5,330	–	–

The transactions with St James Theatre Limited relate to venue hire and were carried out on a normal arm's length basis. Pele Walker resigned from the director role at St James Theatre Limited during the 2012 financial year.

		Transaction value – year ended 30 June		Balance outstanding – year ended 30 June	
		2012	2011	2012	2011
Cath Cardiff (senior leadership team)	Silo Theatre (Jessica Smith, Executive Director) – family member	320,000	335,293	170,000	162,265

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.

21.4 Key management personnel compensation

	2012 \$000	2011 \$000
Salaries and other short-term employee benefits	1,132	1,156
Post-employment benefits	37	41
Other long-term benefits (long service leave)	2	4
	1,171	1,201

Key management personnel includes 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.

22. FINANCIAL INSTRUMENTS

22.1 Financial instrument categories

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

	2012 \$000	2011 \$000
Financial assets		
Loans and receivables		
Cash and cash equivalents	12,697	21,483
Debtors and other receivables	7,009	203
Total financial assets	19,706	21,686
Financial liabilities		
Financial liabilities at amortised cost		
Creditors and other payables	1,994	2,495
Grants payable	12,193	11,550
Total financial liabilities	14,187	14,045

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

22.2 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.

22.2.1 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. Creative New Zealand does not actively manage its exposure to fair value interest rate risk.

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 2012 were 4.0 percent and 4.1 percent (2011: 3.6 percent and 3.8 percent). Call deposits are invested at the interest rate of 3.1 percent at 30 June 2012 (2011: 3.1 percent).

22.3 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.

	2012 \$000	2011 \$000
Counterparties with credit ratings		
Cash and cash equivalents		
AA (AA refers to the counterparties' Standard and Poor's credit rating)	12,697	21,483
Total cash and cash equivalents	12,697	21,483
Counterparties without credit ratings		
Debtors and other receivables		
Existing counterparty with no defaults in the past	7,009	203
Existing counterparty with defaults in the past	-	-
Total debtors and other receivables	7,009	203

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

Contractual maturity analysis

The table opposite 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.

	Carrying amount	Contractual Cash flows	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
2012						
Creditors and other payables	1,994	1,994	1,994	-	-	-
Grants payable	12,193	12,193	12,193	-	-	-
2011						
Creditors and other payables	2,495	2,495	2,495	-	-	-
Grants payable	11,550	11,550	11,550	-	-	-

22.5 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 Service Performance.

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.

24. SIGNIFICANT BUDGET VARIANCES

Creative New Zealand's budget figures are derived from the Statement of Intent 2011-14 published in June 2011.

These forecast figures have been based on several 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 2011 financial year, as the actual funding was not confirmed until July 2011.
- 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.

24.1 Statement of financial performance

Total income was greater than budgeted by \$3.261 million mainly due to the way New Zealand Lottery Grants Board funding is calculated and allocated to Creative New Zealand, as disclosed in note 3.

Total expenditure was greater than budgeted by \$3.038 million due to the factors outlined below.

- Creative New Zealand invested \$1.105 million in the Frankfurt Book Fair (2012 Guest Country of Honour). This investment is to support New Zealand's role as Guest Country of Honour at the Frankfurt Book Fair in 2012 through the delivery of significant literary and arts programmes in Germany in 2011 and 2012.
- The Creative Communities Scheme budget was increased by \$0.374 million as a result of the Community Arts Policy review.
- Creative New Zealand invested \$0.362 million in opportunities that arose during the year. A separate fund was set up of \$0.600 million to cover these areas of need.
- Creative New Zealand gifted Colin McCahon's *Landscape Theme and Variation, Series B, 1963* to Te Papa. The loss on gifting the work of art was the carrying value of the asset of \$0.835 million, as disclosed in note 15.
- The impact of the revaluation of the Old Public Trust Building to the Statement of Financial Performance is a loss of \$0.297 million.
- Savings of \$0.215 million were made in Other Operating Expenses. Management is aware of maintaining operating costs at appropriate levels and looking for ways to deliver services as efficiently as possible. Some savings are also driven from participating in all of government contracting.

24.2 Statement of financial position

- A decrease in the revaluation reserve by \$1.892 million reflects the land and building and works of art valuations as at 30 June 2012, which reflect the market conditions, as well as gifting of a work of art to Te Papa. Further details are disclosed in the Statement of Changes in Equity and notes 14 and 15.
- The movements in the non-current assets balances mainly reflect the impact of the valuations and gifting of the work of art, as noted above.
- The cash and cash equivalents balance has decreased due to the timing of funding from the New Zealand Lottery Grants Board. This decrease is off-set by an increase in debtors and other receivables.
- The movement in grants payable is due to the increased spending on funding attributable to the receipt of the higher than expected funding.

24.3 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.

25. EVENTS SUBSEQUENT TO BALANCE DATE

There have been no events subsequent to 30 June 2012 that materially affect these financial statements.

Part Four: Appendices

Wāhanga tuawha: Ngā tāpiritanga

Appendix 1: Creative New Zealand's governance structure

Ngā tikanga whakahaere a Toi Aotearoa

Creative New Zealand's structure is determined by the Arts Council of New Zealand Toi Aotearoa Act 1994 (the Act). At present, the structure consists 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.

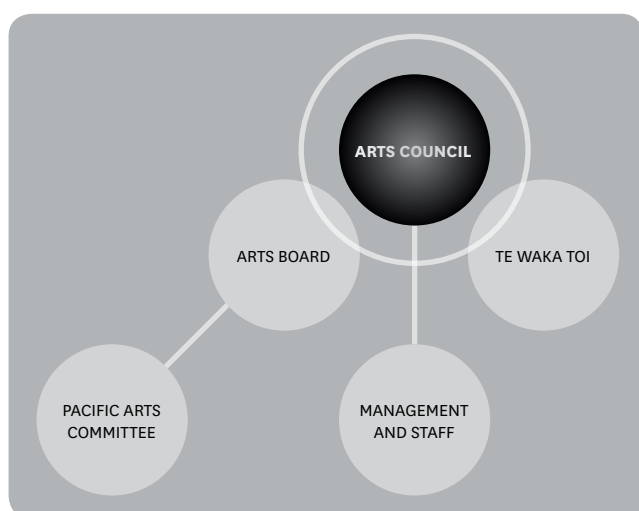


Figure 31: Creative New Zealand structure, 2011/12

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 2012 is outlined below.

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

ARTS COUNCIL	Appointed	Current term expires
Alastair Carruthers (Chair)	1 July 2007	30 June 2011
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
John Davidson	1 July 2010	30 June 2013
Vacancy		

ARTS BOARD	Appointed	Current term expires
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
Pele Walker	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

TE WAKA TOI	Appointed	Current term expires
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

PACIFIC ARTS COMMITTEE	Island	Appointed	Current term expires
Pele Walker (Chair)		July 2006	July 2012
Marama Papau	Tuvalu	3 October 2011	3 October 2012
Kolokesa Mahina-Tuai	Tonga	1 October 2011	1 October 2012
Susan Elliot	Fiji	20 February 2012	20 February 2013
Tigilau Ness	Niue	16 August 2011	16 August 2012
Caren Rangī	Cook Islands	February 2012	10 February 2013
John Puka	Tokelau	December 2008	December 2011
Fuimaona Karl Pulotu-Endemann	Samoa	August 2009	August 2012

DIRECTIONS FROM THE MINISTER

Creative New Zealand did not receive any directions from the Minister for Arts, Culture and Heritage in 2011/12.

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 2011/12.

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:

Chief Executive: Stephen Wainwright	
Arts Funding Senior Manager: Gail Richards	<p>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.</p> <p>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.</p> <p>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.</p>
Arts Policy, Capability and International Senior Manager: Cath Cardiff	<p>The Arts Policy, International and Capability Building team leads the development of Creative New Zealand's arts policy in line with the strategic plan and ensures that staff are aware of developments in the arts and are able to respond to these.</p> <p>The team promotes New Zealand art internationally; helping artists and arts organisations to access international audiences and markets by showcasing them in key international arts markets, introducing international presenters to the work of New Zealand artists in New Zealand and supporting those who obtain opportunities as a result.</p> <p>The team also provides skills development opportunities for individuals and organisations to improve their performance in finance, governance, and audience and market development, through targeted initiatives.</p>
Business Services Senior Manager: Angus Evison	<p>Business Services provides administration, grants processing, accounting, information technology, records management and human resource services to the organisation.</p>
Planning Performance and Stakeholder Relations Senior Manager: Sarah Tebbs	<p>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.</p> <p>The team also manages government relations, including accountability documents, public and government requests for information, business planning and governance policy.</p>
Māori Engagement Senior Manager: Muriwai Ihakara	<p>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.</p>

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