



2014

for the year ended 30 June

ANNUAL REPORT

PŪRONGO Ā TAU

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

In accordance with section 150(3) of the Crown Entities Act 2004, this annual report for 2013/14 of the Arts Council of New Zealand Toi Aotearoa (trading as Creative New Zealand) is presented to the House of Representatives.



R S Grant

Chairman, Arts Council

29 October 2014



James Wallace

Member, Arts Council

29 October 2014

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Our Chair and Chief Executive review the year

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

A year of change

The 2013/14 year was one of change for Creative New Zealand. We are proud to report a successful year given the challenging nature of some of the changes. The Wellington earthquakes in July and August 2013 resulted in a period of homelessness for the Wellington office, with staff working from temporary locations or at home through a busy funding decision period. Moving into our new accommodation at Aorangi House, with approximately one third of the floor space of the previous office, has resulted in a new, more flexible way of working in the Wellington office. We acknowledge the resilience of all of our staff during the period of uncertainty and thank them for their ongoing commitment to the work and vision of Creative New Zealand.

We also undertook significant governance changes in this financial year. The new unitary Arts Council met for the first time in May 2014. The new governance structure is a positive move for the Council. It significantly reduces governance complexity while retaining the strength of highly experienced members with varied outlooks that was a feature of the former structure.

Improving our services to create a better public service

Creative New Zealand was in the fortunate position of receiving a record high level of funding of \$54.178 million in 2013/14. The New Zealand Lottery Grants Board profits drove record revenue and record Creative New Zealand investment in the arts this year. We engaged with the Minister for Arts, Culture and Heritage and his officials to set shared priorities for the additional available funding, contributing to the ongoing health and strength of New Zealand's arts sector and enabling further delivery against our key outcomes:

- New Zealanders participate in the arts
- High-quality art is developed
- New Zealanders experience high-quality arts

- New Zealand arts gain international success

Creative New Zealand has worked hard to maintain its operating costs, in dollar terms, since 2008. As a result, operating costs as a percentage of expenditure were significantly lower in 2014 than in 2008, with a reduction from 18% to 15% (see Figure 28).

Investment in the sector

Creative New Zealand's increasing investment in the arts sector has helped to support record high paid attendance at public events and performances funded through Creative New Zealand. In the 2013/14 period, attendances increased by 15% over the previous year to 815,148 attendances. We have also seen a significant increase in the number of New Zealand works delivered by organisations funded by Creative New Zealand, from 563 in 2012/13 to 825 in 2013/14. Seventy nine arts organisations were funded through our Tōtara and Kahikatea Investment programmes and 487 grants were awarded to individuals and organisations. Another positive trend from the 2013/14 year is the increase in audience numbers in Christchurch, which were higher in 2013-14 than pre-earthquake levels (see Figure 2).

Looking forward

While acknowledging and celebrating the successes of the past year, we look forward to what we can achieve in the year ahead.

The new Arts Council approved a number of initiatives in May 2014 that will directly contribute to the delivery of our key outcomes, including:

- a two year regional pilot programme that aims to improve delivery of support to artists and increase participation in the arts in Waikato and Southland
- new National Performing Arts Touring initiatives
- a new international strategy for Asia.

Creative New Zealand expects to deliver on several key milestones in its 2013–16 Strategic Plan in the coming year, including:

- further reducing the time for decision-making cycles across our funding programmes
- migrating our core funding services from paper to online
- continuing to reduce the complexity for users as a result of streamlining application forms, processes and reporting
- enhancing transparency and information sharing with the sector, including sharing data analysis reports and feedback on performance with our Investment programme clients
- developing research and advocacy tools and building online advocacy resources
- ongoing involvement in planning and support for the arts in Auckland and Christchurch.

Acknowledgments

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

We thank the members of the former Council, Te Waka Toi, the Arts Board and the Pacific Arts Committee, who served the arts with such dedication during a time of significant uncertainty surrounding the passing of the Arts Council Act 2014. As kaitiaki of the new arrangement, we are mindful that we stand on the shoulders of those who have come before us.

*Ko tau hoe, ko taku hoe, ka maungu te waka –
With your oar, and my oar, the waka will remain afloat.*

We also thank the many companies and agencies that provided practical and much-appreciated support for

Creative New Zealand Wellington staff following our move out of the Old Public Trust Building. In particular we thank the Ministry for Culture and Heritage, and the Ministry for Primary Industries, Fusion5 and Fujitsu who generously provided temporary office space for staff, and our colleagues in the other arts, culture and heritage agencies who offered us use of meeting rooms and other facilities.

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



R S Grant

Chairman, Arts Council



Stephen Wainwright

Chief Executive,
Creative New Zealand

THE YEAR IN REVIEW

TE TIROHANGA O TĒNEI TAU

Highlights and achievements

Ngā miramira me ngā whakatutukitanga

In 2013/14, Creative New Zealand again increased its record level of support to the arts sector maintaining the trend since 2011/12. A total of \$41.7 million was directly invested in the sector through our funding, capability building and advocacy programmes.

Summary of our activity in 2013/14

79 organisations were funded through our Tōtara and Kahikatea Investment programmes

5,884 public arts events/performances were presented by our Tōtara and Kahikatea organisations with continuous programmes, and

815,148 people attended these public arts events/performances.

1,250 applications for Grants and special opportunities funding were received and assessed in

5 Arts Grant and Quick Response funding rounds, from which

487 grants were awarded to individuals and organisations.

473 new works were developed through our Grants and Investments funding, and

825 New Zealand works were presented during the year.

2,396 applications for funding by the Creative Communities Scheme were assessed and considered by

67 local authorities, and

1,655 grants were awarded, with a

\$1,938 average grant value.

39 projects were supported to present internationally by funding from our International presentation and events budgets. The largest of these were the New Zealand appearances at the Edinburgh festivals and the 2013 Venice Biennale.

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

510 people and organisations participated in them.

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

Summary of our key achievements

During 2013/14, Creative New Zealand delivered a range of initiatives, policy work and activities designed to meet both our commitments to the arts sector and government priorities.

Major changes

Following the earthquakes in July and August 2013 Creative New Zealand had to leave its Wellington office in the Old Public Trust Building. Staff continued to work remotely from various temporary city locations and their homes for several months. Despite the challenges and the period of uncertainty and change, staff continued to effectively deliver Creative New Zealand's 2013/14 work programme.

The earthquake damage meant it was unsafe to continue to occupy the Old Public Trust Building. Continued ownership confronted the Arts Council with the prospect of restoring a grade 1 heritage building, which is not one of our core competency areas. The Council and the other owners of the building were delighted to sell it to a developer with strong experience in restoring heritage buildings on 23 December 2013. Creative New Zealand's Wellington staff transferred to a new location in Aorangi House, Molesworth Street in November 2013.

Further change continued in 2014 with the transition to a new unitary Arts Council, which was established from 1 May 2014. This transition was an important focus for Creative New Zealand in 2013/14. See below for further detail on the new Arts Council.

Shared initiatives

We engaged with the Minister for Arts, Culture and Heritage and his officials to set funding priorities for New Zealand Lottery Grants Board income in 2013/14. As well as the initiatives highlighted below, additional funding was targeted to the shared priorities of the Creative Communities Scheme

and the continuation of the Christchurch Earthquake Recovery Grants Fund.

ADDITIONAL SUPPORT FOR CHRISTCHURCH

In 2013/14 the Arts Council allocated an additional one-off amount of \$1 million to targeted initiatives in Christchurch. Of this amount, \$300,000 went to subsidising the hire of the Horncastle Arena by Creative New Zealand clients, national touring performing arts companies and other arts events. Key transitional projects Artbox and Beatbox were allocated \$250,000 towards completing gallery, teaching, rehearsal and workshop spaces for visual artists and musicians; providing vital central city spaces for community engagement with the arts. Additional funding of \$250,000 was allocated to support for community arts projects in collaboration with Christchurch City Council and matched funding of \$200,000 was allocated to the Christchurch Symphony Orchestra.

AUCKLAND THEATRE COMPANY WATERFRONT THEATRE PROJECT

Creative New Zealand has agreed to provide \$4.5 million from unanticipated Lottery Grants Board income towards the Auckland Theatre Company's (ATC's) Waterfront Theatre project.¹ In supporting this project we have partnered with other key funders – the Auckland Council and the ASB Community Trust – to fill a gap in performing arts venues in Auckland and to provide a new permanent home for the ATC. The funding was to be spread evenly over the 2012/13 and 2013/14 financial years. However, payment has been delayed because the ATC needs to raise all the capital for the project and have plans approved by key funders to trigger the payment.

¹ The project involves building a new theatre complex in the Wynyard Quarter on Auckland's waterfront. The complex will house a 600-seat theatre, built specifically to showcase theatre and dance, along with a 200-seat flexible studio space, an 80-seat meeting room and gallery, courtyard, bar and café.

CREATIVE GIVING PILOT

This three-year pilot programme to build capability in fundraising within the arts, culture and heritage sector completed its second year of operation in 2013/14. During the year, workshops were run on a variety of fundraising topics, attended by over 150 people.

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

In addition, \$273,000 was awarded in 22 grants to match new funding raised from private donations.

MAJOR INTERNATIONAL INITIATIVES

During 2013/14, Creative New Zealand funded three major international initiatives: the 2013 Venice Biennale, New Zealand's presence at the 2014 Edinburgh festivals and the inaugural commissions under the First World War Centenary (WW100) Co-commissioning Fund. More information on these initiatives is included under Outcome 4: New Zealand arts gain international success, later in this section of the report.

SISTEMA AOTEAROA

Funding of \$400,000 a year has been provided for each of the 2012/13 and 2013/14 financial years to support the Sistema Aotearoa programme, which is run in schools in South Auckland by the Auckland Philharmonia Orchestra.

Strategic Plan improvement priorities

In 2013/14, Creative New Zealand completed its new Strategic Plan following public consultation on a draft plan. The new plan took effect from January 2014. In addition to our ongoing priorities, the Strategic Plan identified a number of 'improvement priorities' with milestones for the 2013/14 financial year, and these are reported on below.

Improving our internal operations

TRANSITION TO ONE BOARD

The Arts Council of New Zealand Toi Aotearoa Act 2014 took effect from 1 May 2014 with the appointment of a new 13-member unitary Arts Council to replace the previous four-board governance structure (Arts Council, Arts Board, Te Waka Toi, Pacific Arts Committee).

The transition to the new unitary structure and the related changes to decision making and other delegations were effectively implemented and communicated to our clients and stakeholders over the January to June 2014 period.

An important aspect of the new structure is that the whole Council has responsibility for delivery to Pacific Island and Māori arts, the latter with the assistance of the Māori Committee. Our legislative mandate remains the same, as do the principles under which we operate. The new Council is committed to continuing the good work of Te Waka Toi and the Pacific Arts Board and to implementing the results of the significant Māori and Pacific art form reviews. Existing programmes to support Māori and Pacific arts will continue to be delivered. Funding continues to be delivered via dedicated Māori and Pacific pathways, and the Māori and Pacific funding assessment panels will remain integral to the assessment process.

A report on the transition to the new structure will be provided to the Minister for Arts, Culture and Heritage by November 2014.

CONTEMPORARY SYSTEMS

Creative New Zealand's new Grants Management System (GMS) and Customer Relationship Management (CRM) System will enable it to more effectively manage its application, assessment, and monitoring and evaluation processes; and its client relationships.

In 2013/14, the web portal for the system was delivered and business and user acceptance testing began. Half of the GMS

modules required to operate our funding programmes were delivered, with training, data migration, business and user acceptance undertaken. The remaining modules for the GMS were in development during the year, with delivery of these anticipated by the end of 2014 calendar year.

We plan for applicants to be able to apply online to our funding programmes from the end of 2014 calendar year. The new system will automate processes that are currently manual and provide for online applications and assessments.² Benefits of the new system will include:

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

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

STREAMLINING APPLICATION AND REPORTING PROCESSES

During 2013/14, improvements were made to funding applications and processes to improve the timeliness, efficiency and effectiveness of assessing applications, making decisions and administering funding agreements. Improvements included:

- speeding up the decision-making cycle across our funding programmes by:
 - removing duplication at the initial processing stage

- internal and external assessment happening concurrently for Arts Grants and Tōtara and Kahikatea Investment programmes
- e-mailing receipt of applications and the notification of decisions for Quick Response Grants
- reducing the complexity for users as a result of streamlining forms, processes and reporting by:
 - simplifying application forms and guidelines for Quick Response Grants, Arts Grants and the Toi Uru Kahikatea Investment programme
 - receiving submission of proposals via e-mail for both the Tōtara and Kahikatea Investment programmes as opposed to hard copy
 - distributing and collecting external assessment material electronically for Arts Grants and Tōtara and Kahikatea Investment programmes

Influencing agenda

BUILDING THE EVIDENCE BASE FOR THE VALUE OF THE ARTS

We are building the evidence base for the social, cultural and economic value of the arts by commissioning, sourcing, assessing and distributing relevant research.

In 2013/14, we began developing an online advocacy toolkit for use by the arts sector. This will be finalised and added to our website in the first quarter of 2014/15. The toolkit will include case studies and research we commissioned on the economic characteristics of the arts sector.

AUCKLAND – ARTS AND CULTURE STRATEGIC ACTION PLAN

We have identified Auckland as a priority focus in our current Strategic Plan and as one of two priority areas (the other is Christchurch) for Council's advocacy work in the plan. Currently, approximately one third of Creative New Zealand's total investment in the arts is in Auckland.

² Provision for artists who are not connected to the internet will be made in the new system.

In 2013/14 Creative New Zealand worked closely with the Auckland Council on its Arts and Culture Strategic Action Plan. An integrated action plan for Auckland's arts and culture will be an important contributor to ensuring accessible and diverse arts experiences to Aucklanders.

Creative New Zealand is also looking at how it can best support the rapidly growing and increasingly diverse Auckland population, arts practitioners, producers and audiences.

CHRISTCHURCH

In 2013/14, Creative New Zealand continued to provide ongoing support for the recovery of arts and culture in Christchurch, in collaboration with key government and funding agencies. In addition to funding, Creative New Zealand continued to provide a range of advice and support to clients and the wider arts sector, including targeted capability building initiatives to strengthen the arts infrastructure. See also the section on additional support for Christchurch above.

The art sector in Christchurch continues to develop and deliver extraordinary art in exceptional circumstances. The artwork on the front cover was created with wood from demolished buildings and is an example of new ways of delivering the arts that reflect the experiences of Cantabrians.

Policy development

Artform reviews

During the 2013/14 year, we completed reviews of Pacific arts, music and dance (all started in 2012/13) and undertook reviews of visual arts and craft/object arts. We have now completed six reviews of a planned programme of 11. These regular reviews ensure our funding priorities and policies remain relevant and effective in a changing sector.

Each review results in the introduction of new priorities and programmes to meet identified needs. At its first meeting in May 2014, the new Arts Council agreed to a number of initiatives resulting from policy reviews including the regional pilot scheme, the Focus on Asia and the National Performing Arts Touring initiatives. These are discussed further in the 'Looking forward' section below.

Government priorities

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

Overarching priorities	Creative New Zealand response
Responsibly managing the Government's finances	Audit New Zealand has issued an unqualified opinion on this Annual Report. We have maintained our rating of 'Very Good' for both our financial management control environment and financial information systems since 2011/12. A rating of 'Very Good' means that no improvements are necessary.
Developing better public services within tight financial constraints	See the section on 'Improving our internal operations' above
Rebuilding Christchurch	In addition to the one-off support above, in 2013/14 we continued to provide support to the recovery of the arts in Christchurch. Eighteen grants, worth \$488,631, were awarded through the Earthquake Recovery Grants Fund. In addition, we continued to work closely with the Ministry for Culture and Heritage, Canterbury Earthquake Recovery Authority (CERA), Christchurch City Council and local arts organisations to support the arts in Christchurch and keep the arts at the centre of the rebuild.

Specific priorities for Creative New Zealand	Our response
Lottery funding	We engaged with the Minister for Arts, Culture and Heritage and officials to set spending intentions for New Zealand Lottery Grants Board funds in 2013/14, as discussed in 'Shared initiatives' above.
Transition to new governance structure	See the section on the transition to the new governance structure above.
Funding model	See the section on 'Improving our internal operations' above.
First World War Centenary	We established a fund to support commissioning of artworks to commemorate the centenary. See later in this section for details.
Delivering better public services	Year on year our operating costs, including all personnel costs and overheads, are reduced, with a reduction of 0.8 % to 15% of total expenditure in 2013/14.
Performance measurement and reporting	We have continued to develop our performance reporting, improving line of sight between our services and outcomes, supported by reporting on trends over time. Following on from completing our new Strategic Plan in 2013/14, we have taken advantage of the 2013 amendments to the Crown Entities Act 2004 to redesign our performance measures to better reflect the work we do. The new performance measures apply from the 2014/15 financial year and are shown in the Proof of performance tables in Part Two of this report.
Annual board self-assessments	Because of the timing of the transition to a unitary governance structure (1 May 2014), it was agreed this expectation would be waived for 2013/14.
Compliance with enduring letters of expectations	We have placed our non-sensitive performance information (six monthly performance reports) onto our website as required. ³
Official Information Act requests	The Minister's Office has been advised of all requests and provided with copies of the proposed response before release.

³ As required by Cabinet Minute (12) 16/10.

Old Public Trust Building

The sale of the Old Public Trust Building took effect on 23 December 2013 and removed the contingent liability previously provisioned for proposed strengthening of the building.

Health of arts sector infrastructure

Results from our Kahikatea and Tōtara Investment programmes indicate the arts sector in New Zealand is fundamentally healthy. Although the sector requires ongoing public funding to thrive, especially in times of stress – such as the effects of the economic downturn and the Canterbury earthquakes – it has shown it is able to recover.

Figure 1 shows that the pattern of reduced national audience numbers in calendar years 2010 and 2011 reversed in 2012 and 2013, with audience numbers increasing well beyond the 2009 benchmark. Equally encouraging is the decrease in the level of average subsidy per head to close to 2009 levels.⁴ This data differs from the audience numbers noted elsewhere in the report largely because it is based on the 2013 calendar year, which included major festivals such as the Auckland Festival of the Arts, Capital E National Children's Festival, Taranaki Festival and Christchurch Arts Festival.

Figure 1: Investment clients, Creative New Zealand subsidy/per head and total paid audience numbers, 2009 to 2013 (calendar years)



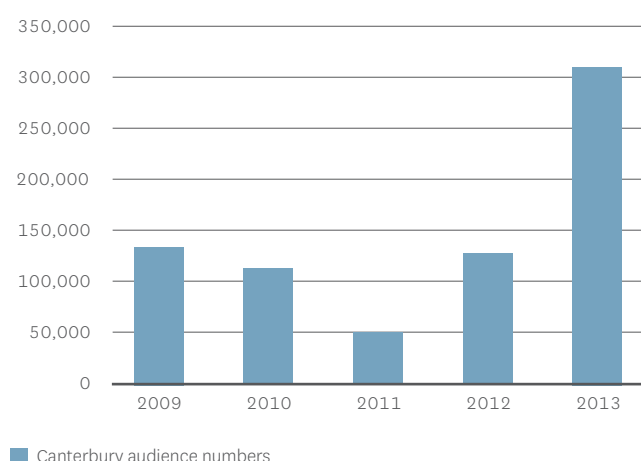
The significant increase in audience numbers for Investment clients between 2011 and 2013 can be attributed in large part to the increasing number of organisations funded through the Kahikatea and Tōtara Investment programmes.

Audience figures for the Investment programmes indicate that Canterbury arts audience numbers have rebounded to significantly higher than pre-earthquake levels, reflecting an increase in the number and variety of events offered (see Figure 2).⁵

⁴ Figures in this graph include all self-presented activities by our Investment clients on a calendar year basis. Audience figures in the Statement of Performance and the highlights and achievements overview table include only performances and are based on financial year data.

⁵ In 2012/13, 12 arts organisations funded from our Investment programmes offered 161 events in Canterbury; in 2013/14, 18 organisations offered 188 events (including the return of the Christchurch Arts Festival).

Figure 2: Canterbury paid audience numbers, Investment clients, 2009 to 2013 (calendar years)

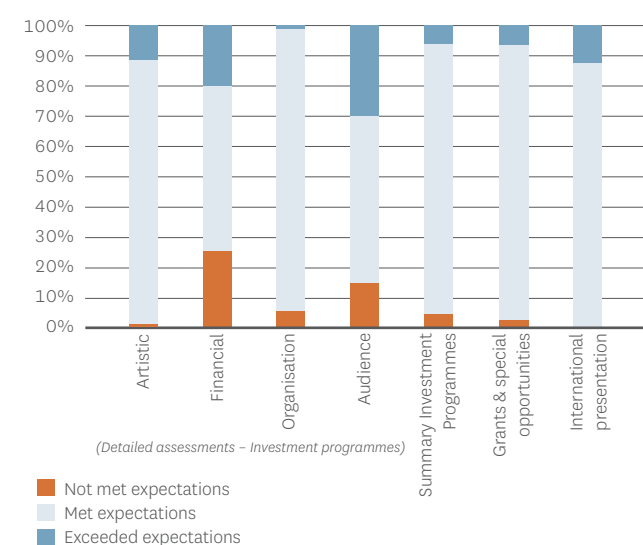


All artists, arts practitioners and arts organisations receiving funding from Creative New Zealand have their performance assessed against criteria set in their funding agreements. Overall, 97% of the recipients of Creative New Zealand funding met or exceeded the expectations of their funding agreements,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

Clients funded on a project basis (Grants and special opportunities and International presentation) are assessed against the individual criteria specific to the project.

For Investment clients, ongoing performance was monitored in four areas: artistic, financial, organisational and audience, as well as an overall evaluation. Results show the weakest areas of performance are financial operations and understanding the needs of audiences (see four left bars of Figure 3). Our capability building initiatives are designed to help clients build their skills in fundraising and improve their understanding of audiences.

Figure 3: 2013/14 performance against expectations (investments, Grants and special opportunities, International presentation)



Trends in our funding delivery

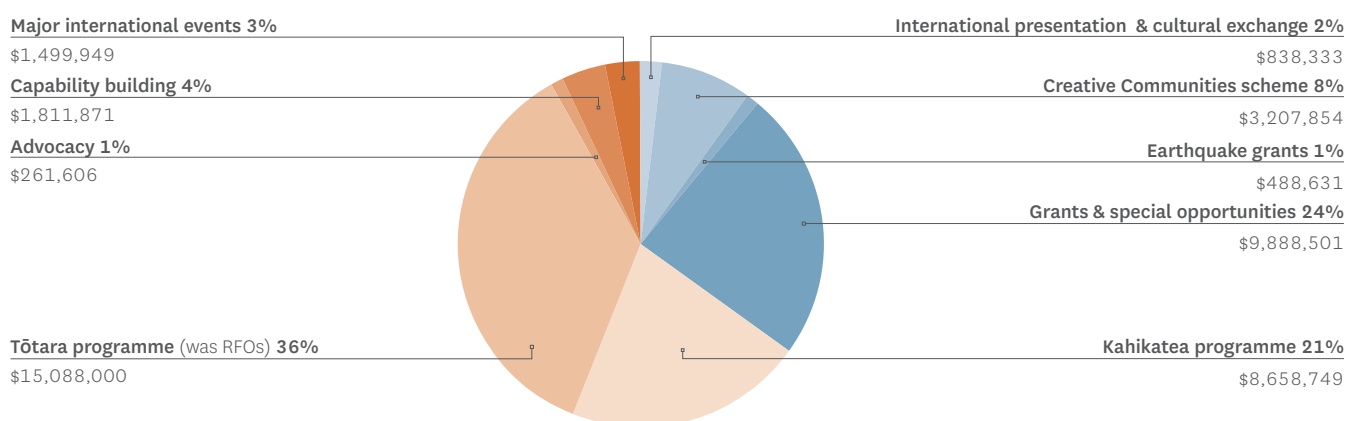
Over the past four years, we have increased the support given to the arts sector by around \$6 million.⁶ During that time, the distribution of our funding has changed substantially as we have chosen to invest more resources targeted to organisations via the Kahikatea and Tōtara Investment programmes.

Funding across Programmes

Figure 4 shows levels of Creative New Zealand support by programme.

⁶ Excludes the budget to support the Auckland Theatre Company Waterfront project.

Figure 4: Distribution of 2013/14 expenditure (excluding personnel costs and overheads) by programme



Note: RFO = recurrently funded organisations

In 2010/11, our investment in multi-year funding was 51% of \$34.3 million; in 2013/14, investment in the Tōtara and Kahikatea programmes increased to 60% of \$39.7 million, while funding to individual projects through Grants and special opportunities declined from 37% to 26%. The increase in the Kahikatea funding, in particular, reflects the growing maturity of the arts sector in New Zealand, with artists seeking support for bigger programmes and collaborations rather than project-based funding.

Small increases have occurred in funding for International presentation and exchange, and the capability building programme and advocacy programme.

Table 1 shows the effect of the shift in focus from project-based funding to multi-year support through the Tōtara and Kahikatea Investment programmes.

Table 1: Comparison of funding distribution 2010/11 and 2013/14

Types of funding	2010/11		2013/14	
	\$		\$	
Investment programmes	\$17,451,009	51%	\$23,746,749	60%
Project-based funding (Grants and special opportunities)	\$12,628,525	37%	\$10,377,132	26%
Creative Communities Scheme	\$2,862,181	8%	\$3,207,854	8%
International presentation and exchange	\$1,368,640	4%	\$2,427,772	6%
Total funding	\$34,310,355		\$39,759,507	

Locations

With the exception of the Creative Communities Scheme, where funding is allocated to the territorial authorities on a population basis, Creative New Zealand does not allocate funding on a regional basis through its funding programmes. However, we do monitor the geographic spread of funding.

Figure 5 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. Nearly one in four dollars goes to national delivery.⁷

Figure 5: Distribution of funding by region, 2013/14⁸

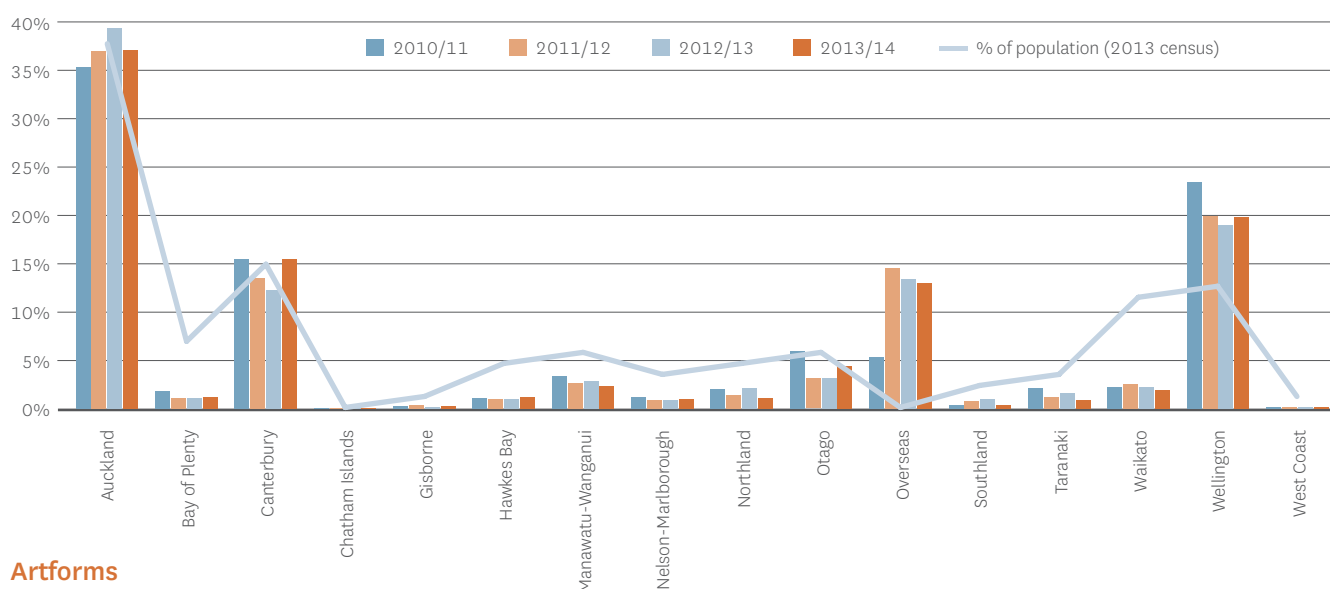


⁷ The organisations funded to tour work are recorded as 'national' and grants to individuals and organisations to work internationally are recorded as 'overseas'.

⁸ Note that the dollar values given in figures 5, 6 and 7 exclude capability building and advocacy.

Figure 6 compares the distribution of our funding with the distribution of the population from the 2013 Census figures and shows the extent to which funding tends to reflect significant population bases. The proportionally higher funding rates in Wellington can be explained by the presence of a large number of national organisations in Wellington and the propensity for artists to congregate disproportionately in larger urban centres. Overseas (or international) funding included in the figure is associated with a zero population base and is included as part of total funding.

Figure 6: Distribution of funding 2010/11 to 2013/14 compared with population



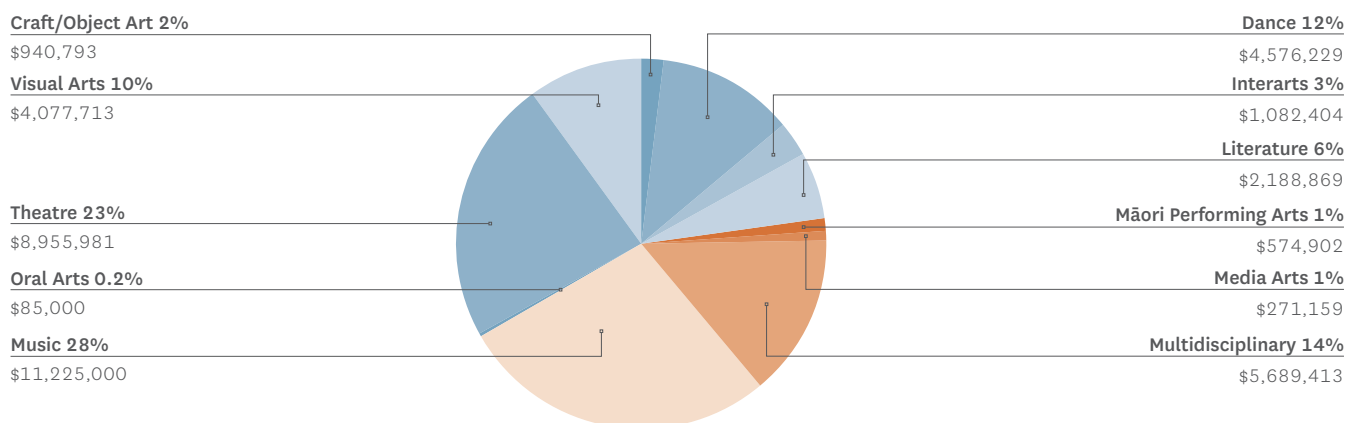
Artsforms

We are the only agency to fund nationally across all artforms.⁹ In Figure 7, the distribution of our funding reflects several factors, including:

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

⁹ Excluding film.

Figure 7: Distribution of funding by artform, 2013/14

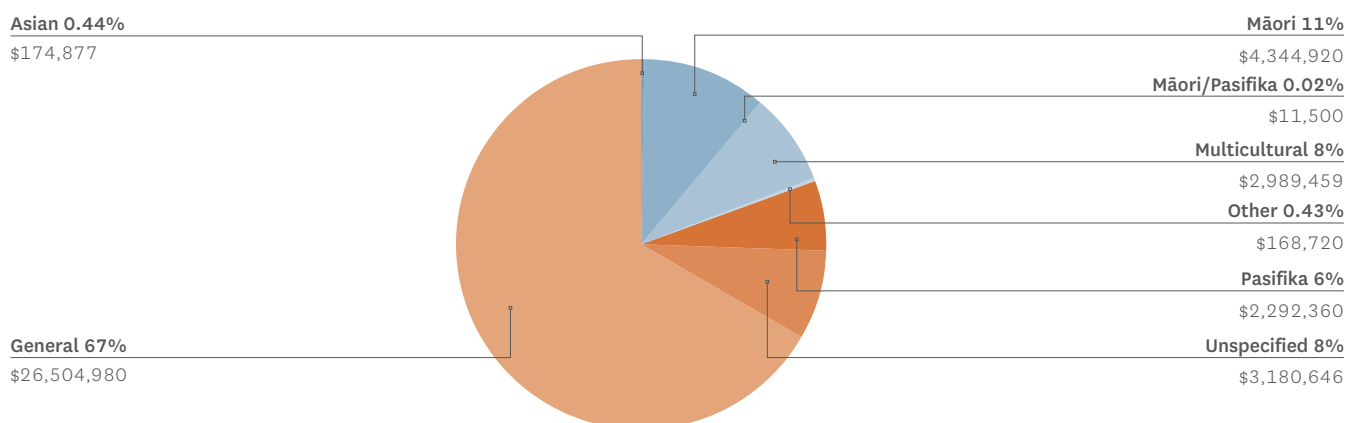


Cultural focus

Each funded project or work programme can be categorised by cultural focus. This is defined as the culture of the art being produced rather than the ethnicity of the artist or of the target audience.

Figure 8 shows the distribution of our funding by the cultural focus of the art produced.

Figure 8: 2013/14 funding by cultural focus¹⁰



¹⁰ Cultural focus is self-nominated by funded artists

Looking forward

Te titiro whakamua

Strategic Plan milestones

Creative New Zealand has already delivered on several Strategic Plan milestones and will continue to deliver on a number of milestones in 2014/15 including speeding up decision-making cycles, migrating core services online, reducing the complexity for users, better transparency, information sharing and analysis, developing and extending research and advocacy tools and ongoing involvement in planning and support for the arts in Auckland and Christchurch.

Māori Committee

The Māori Committee is made up of Māori members of the Arts Council as prescribed by the *Arts Council Act 2014*. The Committee met for the first time in June 2014 and Darrin Haimona was selected as Chair of the Committee for the next year. The Committee provides advice to the Arts Council on matters related to Māori arts. It will take a leadership role in relevant key initiatives, including:

- the Festival of Pacific
- Te Waka Toi Awards
- implementation of the Māori arts review
- provision of advice to the Māori Arts Panel.

Policy development

Regional pilot addressing regions' needs

A two-year regional pilot has been confirmed for 2014/15 and 2015/16. The pilot aims to improve delivery of support to artists and increase participation in the arts in two selected regions (Waikato and Southland) that currently receive low levels of funding support from Creative New Zealand (beyond the Creative Communities Scheme). Among other outcomes the pilot intends to identify and harness the interest of local agencies (such as territorial authorities and community trusts) with the aim of establishing a sound base for development of the arts within these regions beyond the life of this pilot programme.

National Performing Arts Touring initiatives

Three new touring initiatives will be rolled out in 2014/15:

- funding of professional touring management and audience development services for the performing arts,
- continuation of the Māori Arts Presentation Fund,
- establishment of a Performing Arts Touring Fund.

These initiatives will replace the existing Producer Pilot after June 2015 and Regional Touring Consortia initiatives after December 2014. Touring is essential for performing arts work to grow and develop artistically and is an economic imperative for many professional performing artists and companies. It sustains the life of a work beyond its initial season, which in New Zealand is mainly very brief. Touring is also an important means of delivering Creative New Zealand's Outcome 3: New Zealanders experience high-quality arts.

New Zealanders and the Arts research

In 2014/15 we will again commission the three-yearly *New Zealanders and the Arts* survey. This research explores New Zealanders' attitudes to, attendances at and participation in the arts and was last carried out in 2011. The research is a useful advocacy tool for the arts sector as well as for building information about audience trends.

International initiatives

New Zealand at Edinburgh 2014

Following their performances at the Edinburgh festivals in August 2014 several New Zealand artists and companies are in discussion with overseas festivals and venues about onward touring opportunities. Over 200 New Zealand performers and artists presented in Edinburgh and the New Zealand showcase received significant international media exposure with coverage on BBC News and BBC Radio, and in *The Guardian*, *The Evening Standard*, *The Independent*, *The Financial Times*, and *The Scotland Herald* to name a few. Shows received excellent reviews with the majority being 4 out of 5 star reviews. Two performances received awards – **Black Grace** was awarded the prestigious Herald Angel Award and **Duck, Death & The Tulip** received the Fringe Review Outstanding Theatre Award.

Focus on Asia initiatives

The Arts Council approved the inclusion of a Focus on Asia component to Creative New Zealand's international programme including arts development and presentation at major international events, cultural exchange and market development initiatives. Over three years from 2014/15 to 2016/17, \$1.5million will be allocated to Focus on Asia initiatives. This work builds on Creative New Zealand's international programme activity in Asia, including the support of presentations by performing arts companies at Asian festivals, and the invitation for New Zealand to be Guest of Honour at the Taipei International Book Exhibition in 2015.

Links have already been established into arts markets and arts events for visual arts, performing arts and literature, including Māori and Pacific arts, in South Korea, China (Beijing, Shanghai and Hong Kong) and Taiwan.

Venice 2015

In early August 2014 Creative New Zealand announced New Zealand's exhibition for the 56th Venice Biennale 2015 will be housed in the grand salon of the Biblioteca Nazionale Marciana, one of the finest buildings in Venice and home to priceless works of cartography, art and literature. It is located in the Piazzetta San Marco in the heart of Venice, a significant visitor destination in its own right. The Marciana Library holds many treasures including an exemplary early map of the world (dated to 1448–53) by Fra Mauro, which artist Simon Denny's project takes into consideration as it offers a parallel mapping of world power. The exhibition will address the intersection of geography and power, and the ownership of knowledge. Creative New Zealand has also announced additional team members to assist with New Zealand's Biennale presentation; curator Robert Leonard (Chief Curator, City Gallery Wellington), investigative journalist and author Nicky Hager in the role as specialist project adviser and assistant curator Alex Davidson, a role generously supported by Dame Jenny Gibbs.

Delivering to our strategic outcomes

Te whakatutuki ki o tātou hua o te rautaki

Summary

The Statement of Intent (SOI) 2013–16 sets out the forecast for Creative New Zealand's outcomes.¹¹ In 2013/14 support was provided to the arts sector through funding, capability building and advocacy programmes across all four outcomes, in a similar pattern to that since 2009/10.

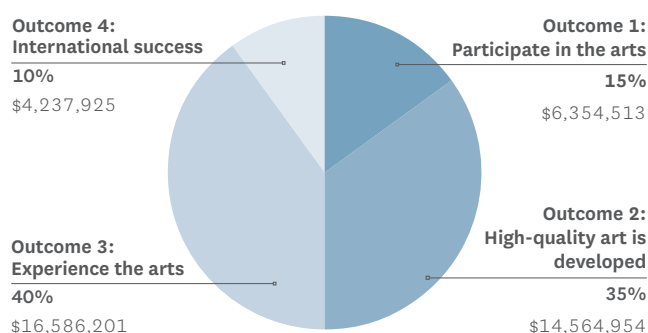
We are one of many agencies contributing to **Outcome 1: New Zealanders participate in the arts**. Others include gaming and community trusts, local government, iwi, local businesses, other parts of central government, and individual artists and arts organisations, including arts festivals.

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 (excluding film). As a result, these two outcomes are our largest areas of investment, comprising nearly three-quarters of expenditure.

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

Figure 9 shows the distribution of expenditure by outcome for 2013/14.

Figure 9: Distribution of 2013/14 expenditure (excluding personnel costs and overheads) by outcome



¹¹ See the Proof of performance tables for each outcome in Part Two of this report.



Figure 10: ACCESS – Summer 2013–14
(photograph courtesy Mixit).

Outcome 1: New Zealanders participate in the arts

Our stories from 2013/14

Mixit – ACCESS Project

The Mixit project has been running successfully for over eight years and has developed a unique model of practice in creative community development.

The programme brings together highly skilled professional artists and a mix of refugee, migrant and local youth to develop innovative interdisciplinary projects.

Workshops, performances and a youth leadership programme help young people develop confidence, self-expression and resilience. The Mixit initiative also contributes to fostering positive inter-cultural understanding and communication across barriers of difference.

In 2013 Mixit received funding to create ACCESS. The intensive project, based around the theme of ‘access’, explored a range of sites around Auckland and devised an inter-disciplinary performance based on the young people’s response to the sites and the deeper issues around the ‘access’ theme.

*(Artform – Interarts; location – Auckland;
funding – Creative Communities Scheme, \$10,646)*



Canterbury Tales at FESTA 2013

In October 2013, Free Theatre's Canterbury Tales took a carnival-like procession of masked performers and gigantic puppets through the night and along the banks of the Avon River, flanked by a sea of spectators. Ngai Tahu performers, the Christchurch Symphony Orchestra and a night market greeted the procession as it arrived in Cathedral Square, where an extravaganza of light, colour and interactivity delighted the audience.

A year in the making, this was the key event for the Festival of Transitional Architecture (FESTA) in 2013. Attracting an estimated 15,000 people over Labour Weekend, it took participants on a journey back into the previously inaccessible heart of the city and was praised for bringing together people of all ages and communities.

Free Theatre's Canterbury Tales was supported with a Christchurch Earthquake Recovery Grant from Creative New Zealand.

*(Artform – Inter-arts; location – Christchurch;
funding – Christchurch Earthquake Recovery Grant – \$23,500)*

Figure 11: *Free Theatre's Canterbury Tales*, major event for FESTA 2013
(photographer Jonny Knopp, courtesy FESTA)

What we were seeking to achieve

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

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

We know from our three yearly *New Zealanders and the Arts survey* that overall engagement in the arts is positive for the majority of New Zealanders, with 85% having either attended or participated in the arts in the 12 months prior to the latest survey in 2011.

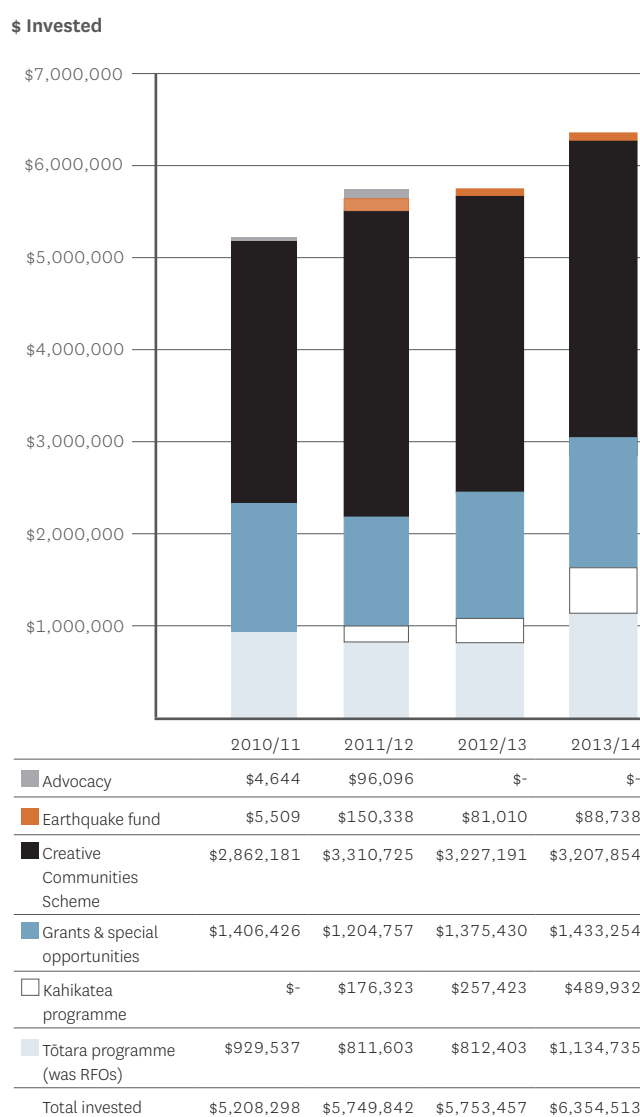
What we did

To achieve Outcome 1, we provided opportunities for communities throughout New Zealand to participate in a diverse range of artforms and arts practices.

The Creative Communities Scheme is an important means by which we support New Zealanders' participation in the arts. It is a small grants scheme, devolved to all territorial authorities for delivery, which funds community arts projects and activities within the local area of each authority. The scheme funded 1,655 projects worth \$3.2 million in 2013/14. Through our Grants and special opportunities and Earthquake Recovery Grants fund, we funded 59 projects focused on community arts and participation, worth \$1.52 million. Organisations in the Tōtara and Kahikatea Investment programmes undertook projects and activities aimed at encouraging people to participate in the arts worth a further \$1.6 million.

Figure 12 shows the investment in Outcome 1 over the past four years. Also see the Statement of Non-Financial Performance for further detailed information.

Figure 12: Outcome 1, investment by programme, 2010/11 to 2013/14¹²



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



Outcome 2: High-quality New Zealand art is developed

Our stories from 2013/14

Dark Cloud/White Light

Dark Cloud/White Light was an immersive, multi-media art installation, combining Joseph Michael's time-lapse footage, photography, 3D film and landscape art with sound to create an intimate and absorbing experience at the Silo 6 Gallery in Auckland.

Ten New Zealand landscapes and starscapes were captured by Michael and his crew as they travelled the length of the country and into remote locations to film from the best vantage points, using timelapse technology to capture natural transitions in the topography and light.

An original music soundtrack was composed specifically for each looping landscape. Artists who developed the audio included electronic ambient guru Rhian Sheehan, Mike Hodgeson of Pitch Black, Claire Cowan of the New Zealand Symphony Orchestra, veteran film composer Keith Ballantyne,

Figure 13: *Spirits Bay* from *Dark Cloud/White Light*,
(courtesy Joseph Michael)

Tristan Dingemans, former front man of cult New Zealand psychedelic rock band HDU and avant-garde sound artist William Basinski from the United States of America.

A behind-the-scenes documentary (exhibiting alongside the artworks) showed the development of the music, the post-production and Michael's two-year epic journey to capture the images.

(Artform – Multi-art; location – Auckland;
funding – Quick Response Grant – \$5,000)



Figure 14: Composer Gareth Farr

Collaborative arts projects mark 100 years since World War One

This year Creative New Zealand supported a new fund focused on the effect of the Great War on the nation and its place in the world.

The first round of grants from the First World War Centenary (WW100) Co-commissioning Fund supported exciting new works by director/choreographer Lemi Ponifasio, composer Gareth Farr and the Ake Ake Theatre Company.

The fund targets national and international organisations to commission new, large-scale, collaborative work with New Zealand artists as part of the wider government programme to mark the First World War centenary.

The Fund is unique in offering support for creative development (artist fees, rehearsal and material costs), with presentation costs covered by the other commissioning partners.

It also offers artists an opportunity to create and present new work both nationally and internationally, to further develop their audiences, and to explore possibilities for future cultural and artistic exchanges.

(Artform – Dance, Music, Theatre; location – international; funding – WW100 Co-commissioning fund – \$383,355)

What we were seeking to achieve

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

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

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

What we did

Creative New Zealand made a substantial investment towards Outcome 2 through the Tōtara and Kahikatea Investment programmes, \$9.1 million in total. Our Tōtara organisations played a vital role in supporting this outcome, through providing leadership, developing talent, and supporting innovation and artistic risk. In addition, our Grants and special opportunities and Earthquake Recovery grants funded individual artists, arts practitioners and arts organisations to create new works and develop their artistic skills through 241 grants worth \$4.9 million.

Figure 15 shows investment in Outcome 2 over the past four years and further information can be found in the Statement of Non-Financial Performance below.

Figure 15: Outcome 2, investment by programme, 2010/11 to 2013/14

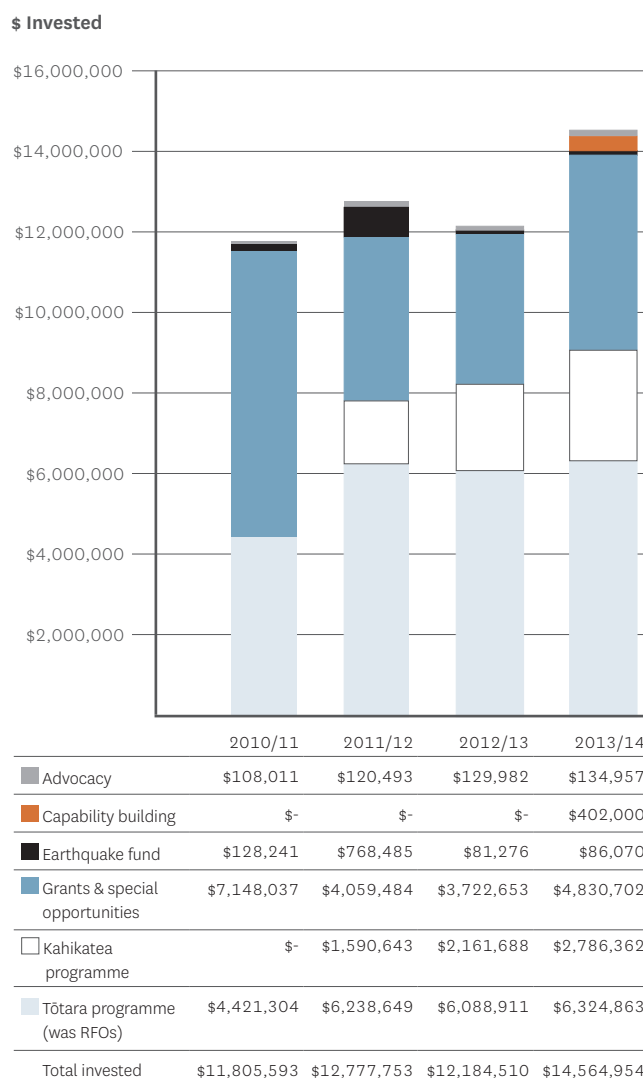




Figure 16: *Once on Chunuk Bair*
(courtesy Auckland Theatre Company)

Outcome 3: New Zealanders experience high-quality arts

Our stories from 2013/14

Audio describing for the blind

Blind and vision impaired arts patrons can expect more access to narrated commentary at live performances and arts exhibitions.

In a theatrical performance, audio description narrates what is happening on stage in between the dialogue or songs. An audio describer talks into a microphone to provide the commentary and this is transmitted to wireless receivers and headsets worn by the audience members.

In early 2014 nine people completed Arts Access Aotearoa's three-day audio describer training course in Wellington and American Joel Snyder, one of the first audio describers in the world, spoke to arts and cultural organisations in Auckland and Wellington about techniques to provide audio description to blind and vision impaired people.

Meanwhile Auckland Theatre Company launched its Accessible Theatre programme in June with an audio described performance of the Maurice Shadbolt classic *Once on Chunuk Bair*, delivered by Audio Described Aotearoa.

This was the first time the company had presented a sign-interpreted and audio-described performance of one of its productions.

(Artform – Theatre; location – Auckland and Wellington; funding – Toi Tōtara Haemata – total funding \$930,000)



Writers in Schools

For more than 40 years the New Zealand Book Council's Writers in Schools programme has been a cornerstone of its work to help keep New Zealand's vibrant and diverse literary voice alive. It gives young New Zealanders the opportunity to meet with and be inspired by our leading writers and illustrators.

More than 25,000 children from more than 250 schools take part in the programme each year, participating in workshops, masterclasses, readings and talks. Writers in Schools successfully encourages young writers to develop their own creative talents and young readers to read more books, more often. It fosters a new generation of passionate New Zealand readers and writers.

*(Artform – Literature; location – nationally;
funding – Toi Tōtara Haemata – total funding \$256,000)*

Figure 17: Margaret Tolland at Adventure School, Whitby
(courtesy the New Zealand Book Council)

What we were seeking to achieve

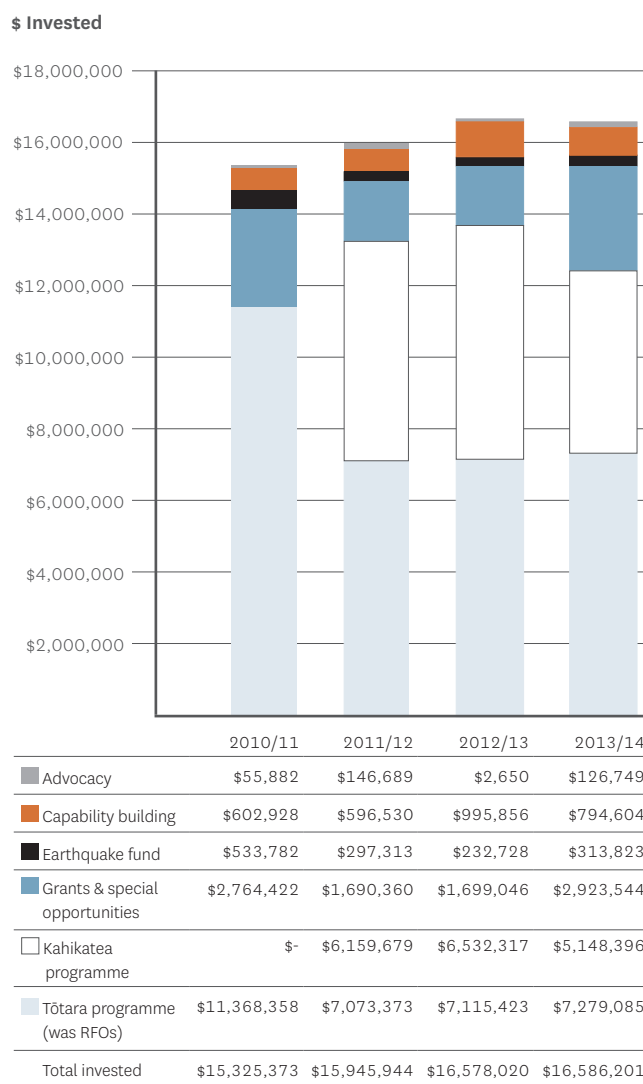
Audiences are vital to a vibrant arts sector. Creative New Zealand aims to broaden the opportunities for all New Zealanders to experience the arts, providing them with access to a diverse range of artistic experiences.

What we did

We supported arts organisations to provide high-quality arts experiences across the country and across all artforms through the Tōtara and Kahikatea Investment programmes (\$12.4 million) and through the Grants and special opportunities and Christchurch Earthquake Recovery Grants fund (112 grants worth \$3.2 million). We provided targeted capability building initiatives to help artists, arts practitioners and arts organisations to address identified development needs.

Figure 18 shows the investment in Outcome 3 over the past four years. Also see the Statement of Non-financial Performance for further information.

Figure 18: Outcome 3, investment by programme, 2010/11 to 2013/14





Outcome 4: New Zealand arts gain international success

Our stories from 2013/14

New Zealand jewellery and taonga in Munich

From enamelled flies to typography to decorating the streets in lei, New Zealand's most promising young designers and world-renowned jewellers made their mark in three major exhibitions in Germany this year.

Eleven New Zealanders were selected to showcase their work over 12 to 18 March at Schmuck and Talente – two long-standing exhibitions that are part of the annual International Trade Fair for the Skilled Trades held at Gallery Handwerk in Munich. Schmuck and Talente attract the world's top makers, curators, gallerists and collectors.

Creative New Zealand supported the 11 craft artists and designers to travel to the exhibitions and enlisted Auckland-based contemporary jeweller Renee Bevan to act as mentor for the artists selected for Talente.

Munich was also host to Wunderrūma – the largest exhibition of New Zealand contemporary jewellery ever to travel to

Europe. Curated by New Zealand jewellers Warwick Freeman and Karl Fritsch with the assistance of Fran Allison, the exhibition brought together over 200 pieces by more than 75 contemporary New Zealand jewellers and artists.

The Wunderrūma exhibition opened at the Dowse Art Gallery in Lower Hutt during 2014.

(Artform – Craft/object; location – Munich; funding – Arts Board Arts Grants and Quick Response Grants – \$25,300)

Figure 19: *Wunderrūma: New Zealand Jewellery* (photographer Mark Tantrum, courtesy of the Dowse Art Museum)



Figure 20: Taane Mete and Taiaroa Royal of the Okareka Dance Company (photographer John McDermott courtesy Okareka Dance Company)

New Zealand companies get international exposure at Holland Dance Festival 2014

Okareka Dance Company, acclaimed for its diversity and fusion of Māori themes, performed its work *Tama Ma* at the Holland Dance Festival, one of Europe's most prestigious dance festivals, in 2014.

The piece was performed by Okareka's artistic directors and renowned dance duo Taane Mete and Taiaroa Royal. A Dutch television company filmed a documentary about Okareka and *Tama Ma* while they were in the Netherlands. This was a timely opportunity for Okareka as the company focused on increasing its presence in Europe.

Okareka Dance Company and The New Zealand Dance Company were invited to perform at the Holland Dance Festival after showcasing their work to the festival's Artistic Director Samuel Wuersten in New Zealand in 2013. The showcase was one of a series organised for international producers and buyers as part of Creative New Zealand's programme to develop international markets for New Zealand artists and work.

Creative New Zealand contributed towards travel, freight and remounting costs for both companies through its

International Presentation Fund, which supports touring of high-quality New Zealand work.

*(Art form – Dance; location – international;
funding – International Presentation Fund – \$84,855)*

What we were seeking to achieve

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

What we did

Creative New Zealand's international networks and targeted programmes meant that it was able to bring 28 international buyers to New Zealand through the *Te Manu Ka Tau* programme to experience New Zealand art in its local context. We took 102 New Zealand artists and representatives to designated, receptive international markets to display their works and introduce them to potential buyers or distributors.

We provided capability building for those wanting to develop skills to engage with international markets and audiences.

We also supported 75 artists and organisations wanting to undertake international projects through the Grants and special opportunities programme and a further 14 artists and organisations that have previously appeared at a market or fair and that subsequently received invitations to tour work overseas.

During 2013/14, Creative New Zealand provided support to three major arts events.

Venice 2013

The highly successful 2013 Venice Biennale, featuring artist Bill Culbert's installation *Front Door Out Back* held at the Istituto Santa Maria della Pietà, welcomed a record 218,000 visitors to the New Zealand pavilion from 29 May to 24 November 2013. La Biennale di Venezia also announced it exceeded 475,000 visitors to the 55th International Art Exhibition, an increase of 8% on the total of 440,000 in 2011.

Two works created by Bill Culbert for the 2013 Venice Biennale, *Daylight Flotsam Venice* and *Drop*, have been acquired by The Museum of New Zealand Te Papa Tongarewa (Te Papa). The works were recently exhibited in the spring season of Ngā Toi | Arts Te Papa. Christchurch Art Gallery also purchased Culbert's *Bebop* which will be featured in an exhibition for the reopening of the gallery in late 2015.

New Zealand at Edinburgh 2014

During the 2013/14 financial year, we planned New Zealand's presence at the Edinburgh festivals in August 2014. The New Zealand showcase of arts and culture was made possible with support from the Ministry for Culture and Heritage's Cultural Diplomacy International Programme and partners British Council NZ and British Council UK, Dunedin Public Art Gallery and Auckland Arts Festival.

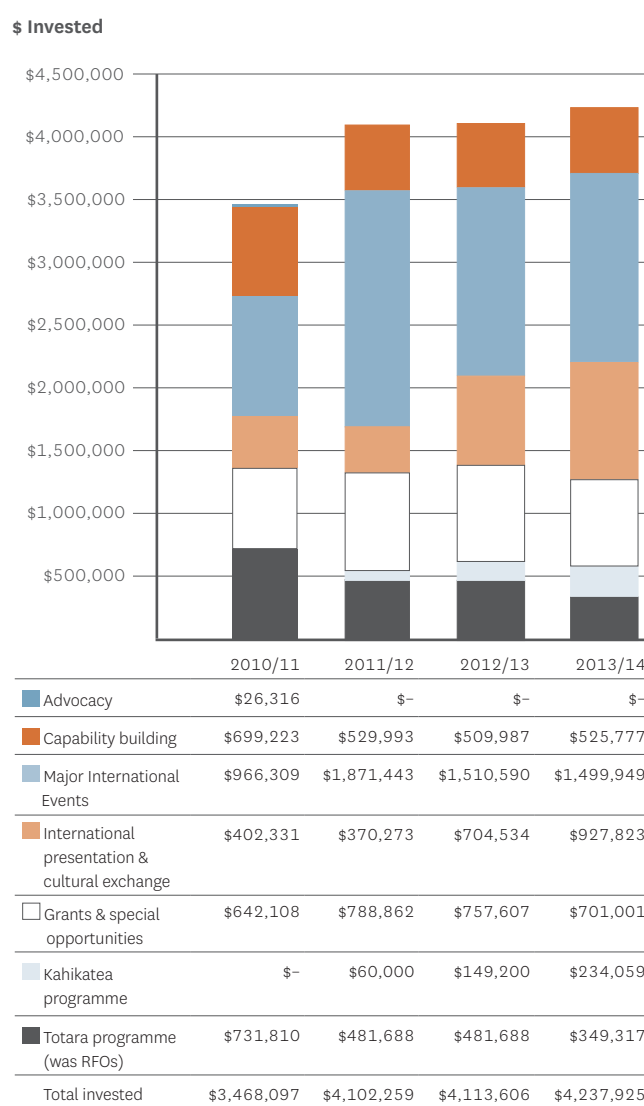
First World War (WW100) Co-commissioning Fund

The fund targets national and international organisations to commission new, large-scale, collaborative work with New Zealand artists as part of the wider government programme to mark the First World War centenary.

Creative New Zealand received eight Expressions of Interest to the second round of the WW100 Co-commissioning Fund. Projects span several art forms across a number of New Zealand and international destinations. Funding decisions will be advised on 10 October 2014.

Figure 21 shows investment in outcome 4 over the past four years. Also see the Statement of Non-financial Performance for further information.

Figure 21: Outcome 4, investment by programme, 2010/11 to 2013/14



Organisational health and capability measures

Te whakahaere i to tātou ora me ngā here āheitanga

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

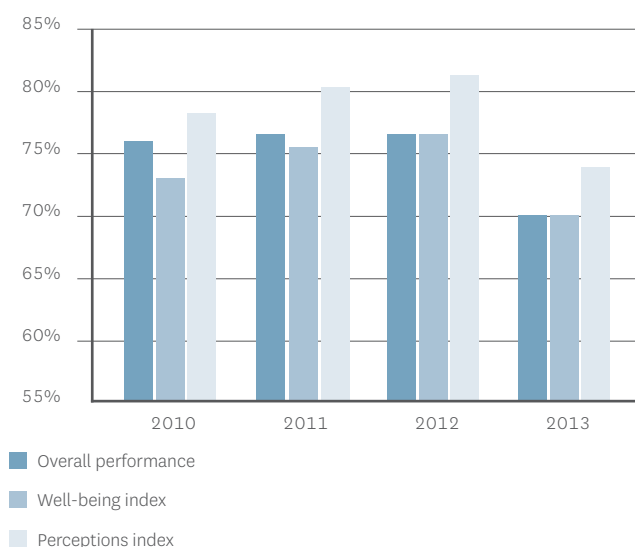
To help us focus on each aspect of our organisational health we have defined five headings under which activity can be grouped and performance measured.

Organisational culture

Since 2008, we have participated in the annual Best Workplaces/Engagement survey and used the results to help us identify ways in which we can improve. In 2013/14, the survey will not be completed until mid-September 2014, which means the new data for 2014 will not be available until after the end of the financial year.

Our key results for the four years 2010 to 2013 are shown in Figure 22. The 2013 results indicate a lower level of staff satisfaction in all areas compared with earlier years. The 2013 survey took place during the period following the July and August 2013 Wellington earthquakes when Creative New Zealand was searching for alternative accommodation and staff members were working from temporary locations. Initial review of 2014 results past 30 June 2014 suggests these results will be an improvement.

Figure 22: Key results from Creative New Zealand Best Workplaces/Engagement Survey, 2010 to 2013

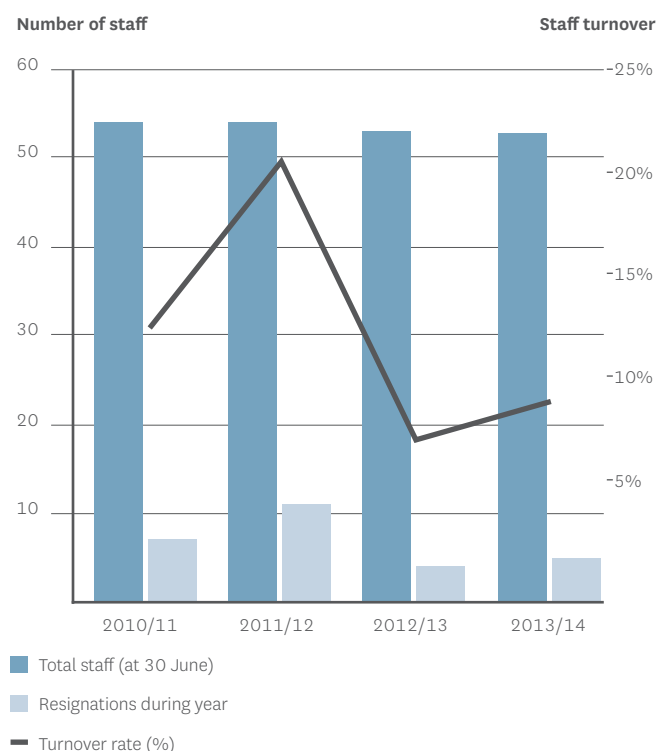


People

The voluntary turnover rate for the year to 30 June 2014 was 9.4% (see Figure 23). There was no involuntary turnover (redundancies or dismissals) in 2013/14.

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

Figure 23: Staff resignations and turnover rate, 2010/11 to 2013/14



Governance and management

The Arts Council of New Zealand Toi Aotearoa Act took effect from 1 May 2014 establishing a unitary Arts Council. Creative New Zealand will report to the Minister for Arts, Culture and Heritage on the success of the new structure and the transition to it, by 1 November 2014 (six months after the structure was implemented).

Members of the new Arts Council received a comprehensive induction to Creative New Zealand and their specific roles before the first meeting. Creative New Zealand reviewed its governance manual and developed a new delegations schedule to assign responsibilities to the Arts Council and management to ensure appropriate processes for the new governance structure.

Members of the Arts Council are aware of the duty to manage existing and potential conflicts of interest. A conflict of interest register is maintained, and processes are in place to manage all existing and potential conflicts of interest.

Until May 2014, 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). From the implementation of the new structure, this responsibility has sat with the full Arts Council.

Structures and processes

A priority for Creative New Zealand in 2013/14 was an overhaul of information and communications technology. In 2013/14, we:

- continued to improve the functionality and reporting of existing legacy information systems as an interim measure pending the planned implementation of new systems
- continued our development of the software for a contemporary grants and customer management system.

The original timetable for the new grants and customer management system had the first live use of the system late in the 2013/14 period. This has now been delayed until mid-2014/15, to allow sufficient time for full testing and data migration.

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

Table 2: Staff profile as at 30 June 2014

	Number	Percentage
Staff full-time equivalent	50.4	
Headcount	53	
Permanent staff	44.8	89%
Fixed term contracts	5.6	11%
Senior Leadership Team (Chief Executive and direct reports)		
Men	3	50%
Women	3	50%
All managers (including Senior Leadership Team)		
Men	5	29%
Women	12	71%
Māori	3	18%
All staff		
Men	15	28%
Women	38	72%
Māori	6	11%
Pacific Island	2	4%
Asian	2	4%
Other specify	–	–
People with disabilities	1	2%
Age groups		
20–29	3	6%
30–39	18	34%
40–49	11	21%
50–59	15	28%
60+	6	11%

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

The EEO policy has recently been updated as part of a review of the human resources policies and is about to go out to all staff members for their input and feedback before it is finalised.

To improve our collection of diversity and ethnicity data for staff and candidates applying for positions at Creative New Zealand, we have implemented the following processes over the 2013/14 year:

- introduced an application form into our recruitment process that includes collection of ethnicity data (on a voluntary basis) for all candidates shortlisted for an interview
- set up specific fields in our DataESS payroll and personnel database for employees to be able to enter their ethnicity information on a voluntary basis. Staff members have been sent regular reminders of how and where to enter this information and what it is used for.

Responsiveness to Māori

Creative New Zealand continues to provide regular tuition in te reo for staff.

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

We have held a series of sessions for staff members delivered by internal and external speakers. Topics have included te reo language, Creative New Zealand's Māori strategic values and traditional disciplines such as navigating by the stars.

We are fortunate to have both a Māori Committee and senior Māori staff who provide advice on Māori responsiveness.

Staff wellbeing

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

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

Flexible work arrangements

Flexible working arrangements are offered to recognise the needs of staff. Of our staff, 15% work part time and staff members have remote access to our information technology systems when they need to work from home. During 2013/14, we added to our workplace flexibility option by implementing a remote working policy that gives staff members the opportunity to apply to work from home on a regular and ongoing basis where circumstances make it appropriate or necessary for them to do so.

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

Employee development

Learning and development opportunities form an integral part of the six-monthly performance planning and reviews, and all staff members have been offered development opportunities in the past 12 months. A new learning and development policy was implemented in 2013/14 to reinforce the commitment to employee development.

The training budget for the 2013/14 year was \$115,000 (nearly \$2,300 per full-time equivalent staff member or 2.7% of salary costs). Training ranged from Workwise training, plain English writing, presentation skills development, weekly classes in te reo, coaching and mentoring, to leadership and management development. This year, we supported one of our managers to successfully apply for the inaugural Leadership in Practice scholarship with the Leadership Development Centre, a partnership between the State Services Commission and New Zealand's public sector agencies.

Over 2013/14, four staff members opted to use their long service leave entitlement to undertake additional professional development. In cases where staff members choose to use their long service leave for mutually beneficial development, we fund that development (additional to the training budget) up to the value of 1% of their accumulated gross salary over the previous five years.

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 members in advance of their first day. All new members of staff are teamed up with a buddy for support during their first weeks in the new role. An individualised induction programme

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

An induction follow-up session is held with all new starters after they have been in their roles for two to three months to check they are settling into their roles, team and the organisation and have the information and support they need to be effective in their jobs. Follow-up actions to complete the induction process and/or address any issues are identified as appropriate.

Remuneration, recognition and conditions

Our remuneration policy ensures staff members are remunerated appropriately for their role and skills and that our pay practices are open and transparent. Our remuneration practices include:

- using externally sourced job evaluation data and market remuneration information to set our annual salary ranges
- updating our remuneration policy and remuneration bands annually based on the new market salary information and making the information available to all staff to access in the Organisational Policy Manual
- publishing the annual performance matrices, which are the basis for the remuneration outcomes in the updated remuneration policy. Every staff member also receives a letter following the annual remuneration review process that details their remuneration outcome and the new salary band and ranges for their position.
- ensuring there is pay equity for staff members whose roles fall in the same salary bands and have comparable performance. Table 3 shows, for each salary band, the number of staff in the band and their average salary as a percentage of the midpoint of each band.

Table 3: Salary equity by gender – numbers of staff in band and average salary as a percentage of midpoint

Salary band	Males		Females	
	No.	Average salary as % of salary band midpoint	No.	Average salary as % of salary band midpoint
1			2	102%
2	1	107%	2	109%
3			6	94%
4	2	89.6%	5	92%
5	5	98%	12	98%
6	3	95%	8	95%

Ongoing review and renewal of human resources policies and programmes

Our human resources policies and programmes are regularly reviewed and updated to ensure they are current, legally compliant and appropriate for the organisation.

Over the course of 2013/14, the following new or updated policies have been written:

- remote working
- learning and development
- remuneration
- workplace harassment
- health and safety
- EEO policy.

Our wellness programme has been added to, with a discounted healthcare option and additional work flexibility options. Further policy review work is under way with a number of other human resources policies ready for consultation.

STATEMENT OF NON-FINANCIAL PERFORMANCE AND PERFORMANCE EXPECTATIONS

*PŪRONGO WHAKARITENGA KORE
PŪTEA ME NGĀ ĀHEITANGA*

Our output class

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*.

Format of the results

In 2013, the Crown Entities Act was amended to enable Crown entities, such as Creative New Zealand, to report on their performance in a way that better suited their individual situations.

Requirements for reporting in terms of outcomes, impacts or intermediate outcomes and outputs were removed and replaced with requirements to:

- prepare a Statement of Intent (SOI) that explains:
 - the nature and scope of our functions and intended operations
 - how these will be managed to meet our strategic intentions
 - how we will manage our organisational health and capability
 - how we will assess our performance
- prepare an annual Statement of Performance Expectations (SPE) that includes:
 - an explanation of the class(es) of outputs that apply and what they are intended to achieve
 - expected revenue and expenses (forecast financial statements)
 - an explanation of how the performance will be assessed (performance measures and forecasts)
- report against the SOI and SPE in the Annual Report.

The SOI and SPE can be published and submitted to Parliament separately or together with other documents, including the Annual Report.

Improving Creative New Zealand's performance reporting

Creative New Zealand has taken the opportunity provided by these changes to:

- remove from its outcomes framework the previous structure of 12 impacts under its four outcomes. The amount of detail required to collect and report on impact data detracted from the ability to tell a clear and concise performance story
- remove from the assessment of its performance all measures associated with the impacts
- add measures from the 2013–16 Strategic Plan that track our performance towards: achieving our vision and the strategic improvement priorities identified in the Strategic Plan; and assessing the health of the arts sector and of Creative New Zealand itself.

The new measures enable us to tell a more comprehensive and compelling story about what we do and how well we do it.

Full notes are provided in the following tables for measures with 2013/14 results that have material variance. Material variance has been defined as any variance that is greater than 5% (plus or minus) from the forecast.

Statement of Performance Expectations 2014/15

The SPE for 2014/15 is tabled alongside this annual report. We have also forecast non-financial performance for 2014/15 alongside the following reported performance for 2013/14, allowing past trends, annual performance and future projections to be viewed together. Forecast and target information is not subject to audit.

Proof of performance

Creative New Zealand vision

What's intended to be achieved

Creative New Zealand's vision is 'Dynamic and resilient New Zealand arts, valued in Aotearoa and internationally'.

Our vision is aspirational and requires work by others as well as by us. Progress against the vision is not always explicitly measurable. Measuring New Zealanders' attitudes to the arts is an effective means of assessing the value they place in the arts.

Resilience and dynamism is measured under the section on Health of the arts sector (below).

Creative New Zealand vision	Past trends			Statement of performance 2013/14				Forecast performance 2014/15*
	2005	2008	2011	Forecast	Actual	Variance	Notes	
Effectiveness indicators								
New Zealanders' attitudes to the arts (from the three-yearly <i>New Zealanders and the Arts</i> survey)	75%	75%	75%	Survey will be undertaken in late 2014, with results in the 2014/15 Annual Report				Maintain or increase
The arts are strong in New Zealand	75%	76%	76%					Maintain or increase
The arts should receive public funding	77%	79%	76%					Maintain or increase
The arts help define us as New Zealanders	76%	79%	80%					Maintain or increase
My community would be poorer without the arts	73%	72%	69%					Maintain or increase
The arts contribute positively to our economy	74%	70%	73%					Maintain or increase
Level of engagement with the arts; attendance and participation (from the three-yearly <i>New Zealanders and the Arts</i> survey)	88%	86%	85%					Maintain or increase
Percentage of attendees who rate New Zealand arts as high-quality overall (from the three-yearly <i>New Zealanders and the Arts</i> survey)	New measure							60%

* Forecast information is not subject to audit

Outcomes

What's intended to be achieved

Creative New Zealand has four outcomes:

Outcome 1: New Zealanders participate in the arts

Outcome 2: High-quality New Zealand art is developed

Outcome 3: New Zealanders experience high-quality arts

Outcome 4: New Zealand arts gain international success.

All of our work investing in, developing and advocating for the arts is associated with one of these outcomes.

Because Creative New Zealand has removed the former impacts below each of the four outcomes, their associated performance measures will not be carried forward beyond 2013/14. Most of these measures focused on the results of the Grants and special opportunities programme (24% of our total funding) and so were limited, and potentially misrepresentative, in their coverage of the work we do. Measures that are being retired are noted as not being carried forward in the Forecast performance 2014/15 column.

The measures we will carry forward into the future are comprehensive, covering significantly more of Creative New Zealand's full operations, and provide a more accurate picture of our performance.

Some existing measures will be carried forward but under a different heading. These changes are also noted in the Forecast performance 2014/15 column of the relevant table.

Outcomes performance overview

The following four tables provide data detailing our performance against our outcome targets for 2013/14. The results reported in the table indicate there is both increased demand and supply of artistic works. Our clients are producing more work than ever and audience numbers are also trending upwards. Points to note are listed below:

- The 'number of new New Zealand works developed' (Outcome 2) is 34% above the projected target of 360 works and an increase of 194 works from the year before. This is a positive result that, because of the quality component of the funding assessment process, significantly contributes to Creative New Zealand's goal to develop high quality art in New Zealand.
- The 'level of actual attendance at presentations funded by Creative New Zealand' in Outcome 3 was 15% (105,148 attendances) above the forecast for 2013/14 and 113,533 attendances more than the 2012/13 year. The increase can be attributed to the higher number of organisations in the Totara and Kahikatea Investment programmes, which has resulted in an increased number of activities.
- The 'Number of artists and arts organisations funded by Creative New Zealand to perform/present/exhibit overseas' in Outcome 4 was 106% above the forecast (or 80 individuals or organisations), primarily because the forecast did not include participation at Edinburgh. While the number is considered a very good result, it is about 100 less than the prior year. The number of individuals or organisations presenting overseas has been consistently high since this measure started to be reported.
- A number of the forecast targets of impact measures in Outcome 1 have not been met. All of these measures are being retired next year due to their limited coverage of the work we do. Many of these targets are demand driven, with some reliant on the number and quality of applications received to determine the number of approved projects that can be completed.

Outcome 1: New Zealanders participate in the arts

	Past trends			2013/14 Performance				Forecast performance
	2010/11	2011/12	2012/13	Forecast	Actual	Variance	Notes	2014/15*
Effectiveness indicator								
Level of actual participation in projects/ events funded by Creative New Zealand.	New measure 2014/15			New measure 2014/15				Baseline to be created 2014/15. Measure dependent on implementation of the Grants Management System.
Outcome trends								
Total investment – all programmes	\$5,208,298	\$5,749,842	\$5,753,457	\$6,247,166	\$6,354,513	2%	Forecast met. Forecast was based on historical trends and the actual result is demand driven and dependent on the quality of investment proposals.	Maintain or increase
Number of Māori customary arts projects/ Toi Ake projects successfully completed	38	28	33	≥ 30 projects	22	(27%)	Did not meet forecast. This is partly due to a low number of applications. Advertising of these programmes has been boosted to encourage more applications.	Measures will not be carried forward beyond 2013/14. Creative New Zealand has not continued Impacts beyond 2013/14
	New measure	100%	100%	≥ 97% met or exceeded expectations	100%	3%	Forecast met.	
Number of Pacific heritage arts projects successfully completed	20	20	19	≥ 20 projects	15	(25%)	Did not meet forecast. New initiative and communications support arising from the Pacific Arts Review is expected to lift these numbers in subsequent years.	
	New measure	94%	93%	≥ 97% met or exceeded expectations	80%	(18%)	Did not meet forecast. One grant did not meet expectations and two evaluations are not complete.	
Number of community arts projects successfully completed	16	21	11	≥ 20 projects	10	(50%)	Did not meet forecast. The target was significantly increased from last year and a number of small community projects were not completed within anticipated timeframes and will carry over to next year.	
	94%	100%	100%	≥ 97% met or exceeded expectations	100%	3%	Forecast met.	
Number of Creative Communities Scheme grants awarded	1,725	1,839	1,777	≥ 1,800 grants	1,655	(8%)	Did not meet forecast. Councils are continuing to award fewer grants of greater value due to the removal of the former funding cap. Average value per grant has increased by 60%, from \$1,209 in 2009/10 to \$1,938 in 2013/14.	
Levels of participation in the arts from the three-yearly New Zealanders and the Arts survey	No survey – 3 yearly	49% (2011 survey)	No survey – 3 yearly	Maintain or increase	No survey done – next data will be available in 2014/15			Will be reported under Vision for the future

* Forecast information is not subject to audit.

Outcome 2: High-quality New Zealand art is developed

	Past trends			2013/14 Performance				Forecast performance 2014/15*
	2010/11	2011/12	2012/13	Forecast	Actual	Variance	Notes	
Effectiveness indicator								
Number of new New Zealand works developed	287	319	267	≥ 360	481	34%	Exceeded forecast. Both investments and grants programmes supported the development of more new works than forecast. Forecast was based on historical trends and the result is dependent on demand and the quality of proposals received.	Maintain or increase
Outcome trends								
Total investment – all programmes	\$11,805,593	\$12,777,753	\$12,184,510	\$13,743,766	\$14,556,853	6%	Forecast met. Forecast was based on historical trends and the actual result is dependent on demand, available budget and the quality of proposals received.	Maintain or increase
Number of ‘High-quality artists’ projects and awards/residencies that are successfully completed	64 New measure	46 100%	56 100%	≥ 50 projects ≥ 97% met or exceeded expectations	71 94%	42% (3%)	Exceeded forecast. Did not meet forecast – immaterial variance.	Measures will not be carried forward beyond 2013/14. Creative New Zealand has not continued impacts beyond 2013/14.
Number of artists employed by Tōtara/ Kahikatea organisations with a continuous programme	New measure New measure	New measure 271 FTE* (2011 calendar year)	New measure 321 FTE (2012 calendar year)	≥ 2,000 individuals ≥ 300 FTE	2,380 542	19% 81%	Exceeded forecast. There are more organisations in the Tōtara and Kahikatea Investment programmes due to available budget and the quality of proposals received, thereby increasing staff numbers.	
Number of ‘Producing innovative work’ projects that are successfully completed	130 New measure	112 97%	101 100%	≥ 115 projects ≥ 97% met or exceeded expectations	81 96%	(30%) (1%)	Did not meet forecast. Forecast was based on historical trends and the result is dependent on demand and the quality of proposals received. Did not meet forecast – immaterial variance.	
Number of ‘Developing potential’ projects and bursaries, scholarships that are successfully completed	77 New measure	95 99%	106 97%	≥ 100 projects ≥ 97% met or exceeded expectations	94 94%	(6%) (3%)	Did not meet forecast. Forecast was based on historical trends and the result is dependent on the timing and availability of bursaries and scholarships. Did not meet forecast – immaterial variance.	
Number of new works funded by Creative New Zealand	287	319	267	≥ 360	481	34%	Exceeded forecast. Both Investments and Grants programmes supported the development of more new works than forecast due to the quality of proposals received.	
Number of New Zealand works delivered by organisations funded by Creative New Zealand	563	443	417	≥ 450	825	83%	Exceeded forecast. Both Investments and Grants programmes supported the presentation of more New Zealand work than forecast due to the quality of proposals received.	See new measure at the top of this table, which replaces these two measures.

FTE = Full time equivalent.

* Forecast information is not subject to audit.

Outcome 3: New Zealanders experience high-quality arts

	Past trends			2013/14 Performance				Forecast performance 2014/15*
	2010/11	2011/12	2012/13	Forecast	Actual	Variance	Notes	
Effectiveness indicators								
Level of actual attendance at presentations funded by Creative New Zealand	599,994	622,945	701,615	710,000	815,148	15%	Exceeded forecast. There are more organisations in the Tōtara and Kahikatea Investment programmes than forecast due to available budget and the quality of proposals received, thereby increasing activities and attendances.	Maintain or increase. Measure currently limited to paid tickets for organisations in the Investment programmes.
Levels of New Zealanders’ arts attendances (from three-yearly <i>New Zealanders and the Arts</i> survey)	83% (2008 survey)	80% (2011 survey) (83% excl. Christchurch)	No survey – 3 yearly	Maintain or increase	No survey done – next data will be available in 2014/15			Maintain or increase
Outcome trends								
Total investment – all programmes	\$15,325,373	\$15,945,944	\$16,578,020	\$17,075,588	\$16,543,202	(3%)	Did not meet forecast. Forecast was based on historical trends and the actual result is demand driven and dependent on the quality of proposals received.	Maintain or increase
Geographic distribution of arts experiences delivered: Numbers of performances and total \$ value of investment by region	New measure	4,862	5,869	≥ 5,000 total presentations	5,884	18%	Exceeded forecast. There are more organisations in the Tōtara and Kahikatea Investment programmes than forecast, thereby increasing activities and attendances.	Measures will not be carried forward beyond 2013/14. Creative New Zealand has not continued Impacts beyond 2013/14
Number of “Diversity of the arts” projects that are successfully completed	New measure	2	7	Replaced by measure below				
	New measure	100%	86%					
Level of diversity of the arts receiving funding from Creative New Zealand (matrix of artform, region, cultural focus)	New measure	New measure	New measure	No forecast set	See graphs showing distribution by artform, region and cultural focus under Trends in our funding delivery in Part One of this report			
Amount of funding raised by applicants to matched funding programme	New measure	New measure	New measure	≥ \$250,000 raised (\$180,000 awarded)	\$392,000 raised (\$273,000 awarded)	57%	Exceeded forecast.	
Percentage of artists, arts practitioners and arts organisations who have improved their organisational skills as a result of receiving development support	New measure	New measure	77%	≥ 80%	67%	(17%)	Did not meet forecast. As participants in the programme develop more sophisticated knowledge of skills, they are inclined to assess their skills more realistically.	Will be reported every two years under Developing the Arts in the future

* Forecast information is not subject to audit.

Outcome 4: New Zealand arts gain international success

	Past trends			2013/14 Performance				Forecast performance 2014/15*
	2010/11	2011/12	2012/13	Forecast	Actual	Variance	Notes	
Effectiveness indicators								
International presentations and events over time: \$ invested in Outcome 4	\$3,468,097	\$4,102,259	\$4,113,606	\$4,581,255	\$4,217,925	(10%)	Did not meet forecast. Forecast was based on historical trends and early drafts of the anticipated programme of initiatives finalised after the budget.	Maintain or increase
Number of presentations	New measure		232	≥200	234	17%	Exceeded forecast. Forecast did not include Edinburgh participation due to the timing of project approval.	Maintain or increase
Number of presenting individuals/organisations	New measure		264	≥80	165	106%	Exceeded forecast. Forecast did not include Edinburgh participation due to the timing of project approval.	Maintain or increase
Number of New Zealand artists, arts practitioners and arts organisations funded by Creative New Zealand that receive invitations to tour works overseas	New measure		22	≥ 15 tours	14	(7%)	Did not meet forecast. Actual number variance is small.	Measures will not be carried forward beyond 2013/14.
Sample of works/projects supported by Creative New Zealand in the previous two years that have produced subsequent repeat international invitations	New measure	Reported as case studies		Reported as case studies				

* Forecast information is not subject to audit.

Health of the arts sector

What's intended to be achieved

In our 2013–16 Strategic Plan, we undertook to provide the arts sector with analyses of the data that we hold on our client organisations. The performance of organisations in the Tōtara and Kahikatea Investment programmes can be seen as an indicator of the health of the wider arts sector. This will assist our clients and the wider arts sector to better understand the key trends and patterns that indicate the health of the arts sector.

Health of the Arts Sector	Past trends			2013/14 Performance				Forecast performance 2014/15*
	2010/11	2011/12	2012/13	Forecast	Actual	Variance	Notes	
Effectiveness indicators								
Percentage of grants and Investment organisations that meet/exceed expectations of their funding agreements	96%	97%	97%	≥ 97%	97%	0%	Forecast met.	Maintain or increase
Investments (Tōtara and Kahikatea programmes)	91%	86%	93%	≥ 94%	95%	1%	Forecast met.	Maintain or increase
Grants and special opportunities	97%	98%	98%	≥ 97%	96%	(1%)	Did not meet forecast. Immaterial variance.	Maintain or increase
International presentation & exchange	100%	100%	100%	≥ 97%	100%	3%	Forecast met.	Maintain or increase
Key trends and progress of Investment organisations				First report published September 2014				Maintain or increase

* Forecast information is not subject to audit.

Strategic improvement priorities

What's intended to be achieved

Creative New Zealand's 2013–16 Strategic Plan identifies a number of priorities for improving our operations. The measures below have been incorporated directly from the Strategic Plan.

Strategic improvement priorities	Past trends			2013/14 Performance				Forecast performance 2014/15*
	2010/11	2011/12	2012/13	Forecast	Actual	Variance	Notes	
Service management indicators								
Improvements to decision-making timeframes	New measure 2013/14			Quick Response 6→5 weeks Arts Grants 12→11 weeks	Quick Response 6→5 weeks Arts Grants 12→11 weeks	Forecast met.		Quick response 5→4 weeks Arts grants 11→10 weeks Kahikatea 12→11 weeks Tōtara 12→11 weeks
Implementation of grants management system	New measure 2013/14			Applications for Quick Response and Arts Grants online	Not met	Implementation of the Grants Management System was delayed to ensure completion of business and usability acceptance testing and implementation will occur within the next financial year.		Applications for special opportunities, Kahikatea and Tōtara Investment programmes online
Improved results in the customer satisfaction survey	63% overall satisfaction 75% quality of most recent interaction	No survey		Survey will be held in 2014/15				Improve on 2011 results
Creation of online advocacy resources	New measure 2013/14			Basic advocacy toolkit available online	Toolkit implementation has been delayed – will be available in first quarter of 2014/15	Did not meet forecast.		Extended toolkit available
Ongoing involvement in the Recovery of the arts in Christchurch; Earthquake recovery funding budget fully utilised	\$667,532	\$1,204,136	\$395,014	\$500,000	\$488,631	(2%)	Did not meet forecast. Immaterial variance.	Earthquake Recovery funding budget fully utilised
Ongoing involvement in the Auckland Arts and Culture Strategic Action Plan	New measure 2013/14			Draft plan developed	Draft plan completed; consultation undertaken July/August 2014	Forecast met.		Ongoing Plan implementation

* Forecast information is not subject to audit.

Investing in the arts

What's intended to be achieved

This was previously the output area of 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 Kahikatea and Tōtara Investment programmes
- as grants in response to applications that meet published criteria
- through initiatives established in response to specific needs
- by devolving funds to partners for them to distribute.

Creative New Zealand's total expenditure for 2013/14 was \$50.5 million, of which \$41.7 million (83%) was distributed to the community through funding, capability building and advocacy.

Detailed information on all of the funding programmes is available in the *Funding and Programmes Guide*, which is published annually.¹³

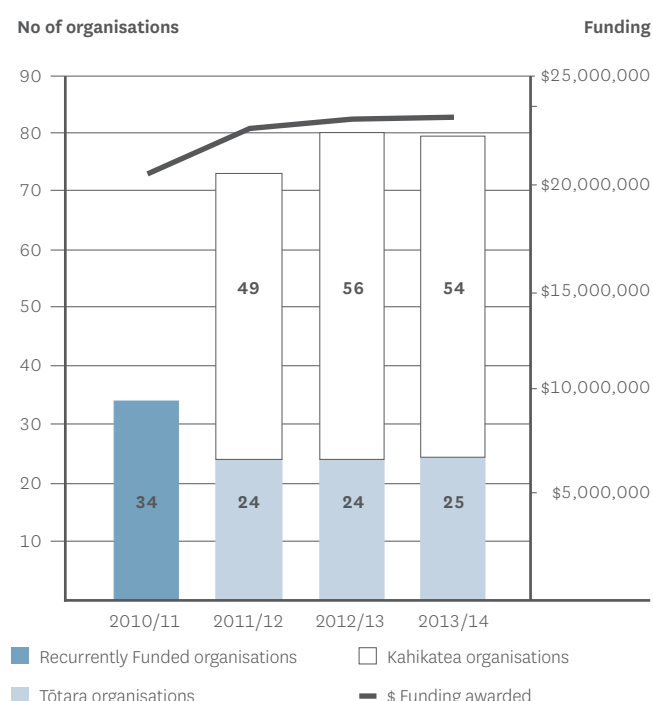
Investment programmes

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.¹⁴

Figure 24 shows the growth in the total funding and the number of total Investment programmes since the Investment programme began.

Figure 24: Number of clients and total investment in multi-year funding programmes, 2010/11 to 2013/14



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

¹³ Available from www.creativenz.govt.nz.

¹⁴ Funding from the former Arts and Sector Investments (grants funding) has also been incorporated into the new programmes.

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 Investment programmes is expected to change over time as organisations develop and the needs of the arts sector change. Creative New Zealand aims to review Tōtara key roles for each artform every five years as part of its programme of rolling artform reviews.

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

The Investment programmes support all four outcomes.

Grants funding and special opportunities

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

In 2013/14, two main types were available: Quick Response Grants and Arts Grants.

A important aspect considered by the assessment process is how effectively a project will support one, or more, of Creative New Zealand's outcomes.

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, to inform the final decisions on grants.

For reporting purposes, the term '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 and Māori Arts Presenters' Fund, all of which focus on specific outcomes for Māori
- the Distribution Strategy funding, which supports regional arts touring
- Sistema Aotearoa
- the Flexible Funding portfolio, a fund to be used at the Chief Executive's discretion
- funds to support Earthquake Response Grants and Christchurch initiatives.

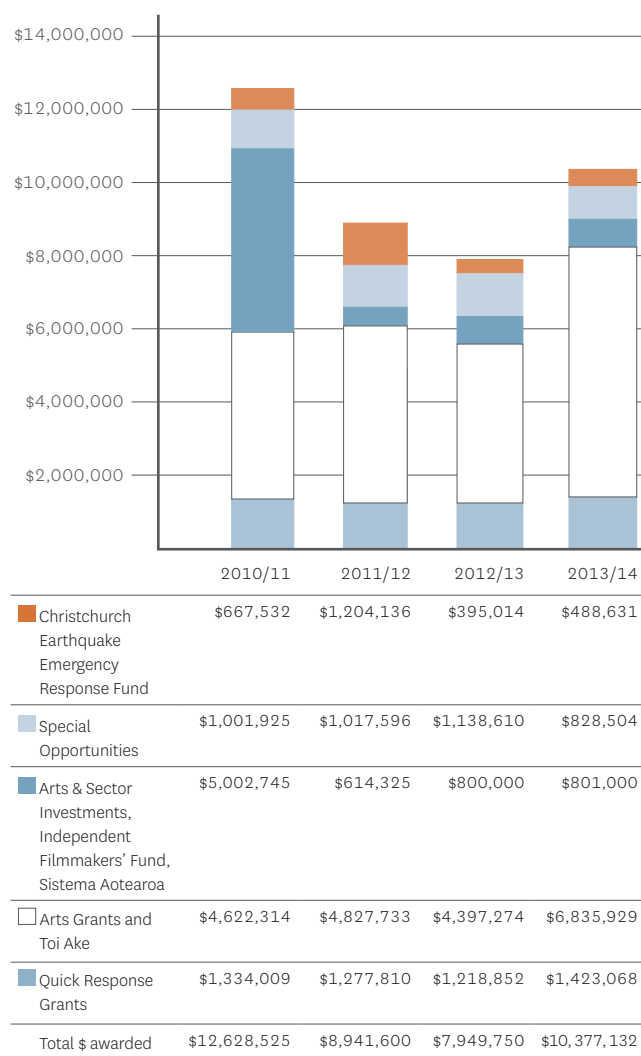
Applications are assessed against additional criteria that are specific to these particular programmes.

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

Grants funding supports **all four outcomes**.

The significant decline in funding for the Arts and Sector Investments, Independent Filmmakers' Fund and Sistema Aotearoa since 2010/11 shown in Figure 25 is attributable to the transfer of funds previously associated with the Arts and Sector Investment grants to the new Kahikatea Investment programme from 2012, plus the end, in 2010/11, of the Independent Filmmakers' Fund and the Smash Palace Fund.

Figure 25: Investment in Grants and special opportunities, by programme, 2010/11 to 2013/14



Creative Communities Scheme

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

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

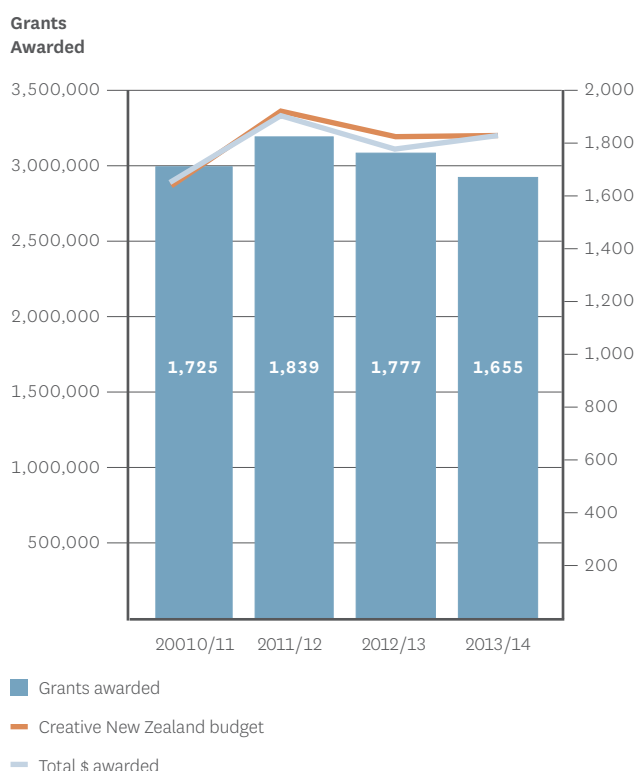
- **Broad community involvement:** The project creates opportunities for local communities to engage with and participate in arts activities.
- **Diversity:** The project supports the diverse arts and cultural traditions of local communities, enriching and promoting their uniqueness and cultural diversity.
- **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.**

Figure 26 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 since 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 \$1,938 in 2013/14.

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 26: Investment and grant numbers, Creative Communities Scheme, 2010/11 to 2013/14



International presentation and events

Through International presentation and events funding,¹⁵ Creative New Zealand supports opportunities for individual artists, arts practitioners, arts organisations or groups of artists to tour, exhibit or perform internationally. Support may leverage a New Zealand attendance at a trade fair overseas or a particular market-development initiative. Other activities include providing advice and resources to New Zealand artists seeking to work, or who are working, internationally.

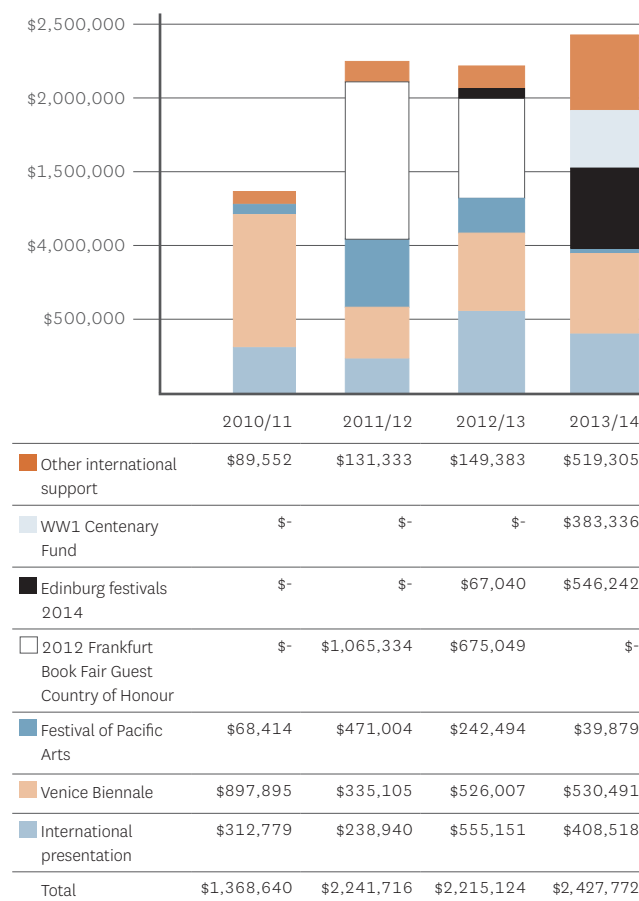
The focus of International presentation funding is targeted, rather than being fully contestable. International projects are generally longer term and outcomes can take up to 18 months

to be fully recognised. Those who receive this support have their project completion reports evaluated against the expectations of their initial application and funding agreement.

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

Figure 27 shows the growth in support for International presentation and events, particularly associated with events such as the government to government initiatives Venice Biennale and the Festival of Pacific Arts, and the Edinburgh Festivals 2014. Although the Edinburgh festivals occurred after the financial year end, the figures are included as funding was expensed in the 2013/14 financial year.

Figure 27 Investment by programme, International presentation and events, 2010/11 to 2013/14



¹⁵ International presentation and events does not include grants awarded through the Arts Grants and Quick Response application processes for projects undertaken overseas, or overseas special opportunities – these are reported under Grants funding.

Investing in the arts	Past trends			2013/14 Performance				Forecast performance 2014/15*
	2010/11	2011/12	2012/13	Forecast	Actual	Variance	Notes	
Effectiveness indicators								
Programme success rates – the extent to which our funding programmes are meeting their defined objectives	New measure 2014/15			New measure 2014/15				≥ 90%
Percentage of clients who meet or exceed the expectations of their funding agreements (all programmes)	98%	94%	97%	≥ 97%	97%	0%	Forecast met.	Will be reported under Health of the Arts Sector measures in the future
Investments (Tōtara and Kahikatea programmes)	91%	86%	93%	≥ 94%	95%	1%	Forecast met.	
Grants and special opportunities	97%	98%	98%	≥ 97%	96%	(1%)	Did not meet forecast. Immaterial variance.	
International presentation & exchange	100%	100%	100%	≥ 97%	100%	3%	Forecast met.	
Proportion of territorial authorities (TAs) that meet the requirements of their contracts as administrators of the Scheme	93%	99%	98%	≥ 97%	87%	(10%)	Did not meet forecast. All TAs are administering the Scheme appropriately but 24 of 67 are not meeting some specific requirements for the composition of assessment committees.	Measure will not be carried forward beyond 2013/14 and will be subsumed into the new measure above
Service management indicators								
Project completion rate (Grants & special opportunities, CCS, International)	99%	99%	99%	99%	99%	0%	Forecast met.	100%
Grants and special opportunities	99%	99%	99%	99%	99%	0%	Forecast met.	100%
CCS	New measure 2014/15			New measure 2014/15				100%
International presentation & exchange	99%	99%	99%	99%	99%	0%	Forecast met.	100%
Proportion of completed projects which are evaluated (Grants & special opportunities, International)	94%	99%	90%	100%	99%	(1%)	Did not meet forecast. Immaterial variance.	100%
Grants and special opportunities	99%	99%	86%	100%	99%	(1%)	Did not meet forecast. Immaterial variance.	100%
International presentation & exchange	90%	100%	94%	100%	100%	0%	Forecast met.	100%
Proportion of Creative New Zealand obligations to customers under funding contracts that are met	96%	100%	100%	100%	100%	0%	Forecast met.	100%
Proportion of grants that are processed within published timeframes	100%	100%	100%	100%	100%	0%	Forecast met.	100%

* Forecast information is not subject to audit.

Investing in the arts	Past trends			2013/14 Performance				Forecast performance 2014/15*
	2010/11	2011/12	2012/13	Forecast	Actual	Variance	Notes	
Output trends								
Total \$ invested	\$33.7 million	\$37.0 million	\$36.9 million	\$39.7 million	\$39.7 million	0%	Forecast met.	Maintain or increase
Number of grants awarded through Grants and special opportunities, CCS and International	2,329	2,388	2,262	≥ 2,275	2,181	(4%)	Did not meet forecast. Immaterial variance.	2,305
Grants and special opportunities	584	529	460	450	487	8%	Exceeded forecast	480
CCS	1,725	1,839	1,777	≥ 1,800	1,655	(8%)	Did not meet forecast. Councils are continuing to award fewer grants of greater value due to the removal of the former funding cap.	1,650
International presentation & exchange	20	20	25	≥ 25	43	72%	Average value of grants has risen 60% – from \$1,209 in 2009/10 to \$1,938 in 2013/14. Exceeded forecast. Budgets for Edinburgh and WW1 Centenary were not originally included in forecasts due to the timing of project approvals.	≥ 25
Number of organisations in the Investments programmes	34	73	80	68–86	79	0%	Forecast met	83

* Forecast information is not subject to audit.

Developing the arts

What's intended to be achieved

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

The expenditure on capability building in 2013/14 was \$1.7 million, around 4% of the total expenditure for 2013/14 (excluding personnel costs and overheads).

There are three main aspects of capability building:

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

Audience and market development

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

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

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

Strategy and governance

Strategy and governance initiatives help arts organisations to acquire and apply the skills necessary to develop strategic plans, digital strategies and evaluate databases. Twenty three arts organisations took part in these initiatives in 2013/14 through a series of workshops, strategic planning consultations involving members of their organisations and follow-up support and advice. This area of capability building covers leadership, vision, strategy, governance, outcomes, branding and priorities for action and staff development.

Fundraising

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

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

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

This activity supports **all four outcomes**.

Developing the arts	Past trends			2013/14 Performance				Forecast performance 2014/15*
	2010/11	2011/12	2012/13	Forecast	Actual	Variance	Notes	
Effectiveness indicator								
Percentage of those participating in capability building courses who improve their skills as a result [from the annual Organisational Development Model (ODM) survey]	New measure 2012/13		77%	≥ 80%	67%	(17%)	Did not meet forecast. As participants in the programme develop more sophisticated knowledge of skills, they are inclined to assess their skills more realistically.	Maintain or increase. Will be reported every two years.
Service management indicator								
Proportion of participants who find the capability-building initiatives to be relevant/helpful/effective	90%	97%	97%	97%	95%	(2%)	Did not meet forecast. Immaterial variance.	Maintain or increase
Output trends								
\$ invested	1,302,151	1,126,522	1,505,842	1,870,180	1,722,381	(8%)	Did not meet forecast.	Maintain or increase
Number of capability building initiatives delivered to the sector	57	32	45	≥ 31	36	16%	Exceeded forecast. Forecast did not include Edinburgh participation due to the timing of project approval.	Maintain or increase
Number of person-days of workshop-based capability building initiatives delivered	500	218	903	≥ 400	480	20%	Exceeded forecast. Note that 2012/13 included the National Arts Conference, which was not run during 2013/14.	Maintain or increase
Number of participants in experiential capability building initiatives	New measure	128	107	≥ 94	183	95%	Exceeded forecast. Forecast did not include Edinburgh participation due to the timing of project approval.	Maintain or increase

* Forecast information is not subject to audit.

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

Advocating for the arts

What's intended to be achieved

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

We advocate by carrying out research, in particular, the triennial *New Zealanders and the Arts* survey; fostering relationships and partnerships, both nationally and internationally; providing advocacy resources to the arts sector; 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 2013/14, we published the final results of our reviews of Pacific arts, dance and music and discussion papers on visual and craft/object arts¹⁶ and commissioned research on the economic characteristics of the arts sector
- developing an online advocacy toolkit for use by the arts sector and case studies of the benefits of the arts – these will be completed in the first quarter of 2014/15
- developing strategic partnerships to increase support for the arts. Our key strategic partners in 2013/14 included Auckland Council and the ASB Community Trust, and Christchurch City Council, CERA and the Canterbury Community Trust
- participating in cross-government initiatives. During 2013/14, we continued to work with CERA, the Ministry for Culture and Heritage and Christchurch City Council on supporting the recovery of the Christchurch arts sector and supporting the role of the arts in the city's wider recovery
- where relevant, making submissions on issues affecting the arts sector or Creative New Zealand. In 2013/14, Creative New Zealand made four submissions to territorial authorities on draft plans or policies and one to Statistics New Zealand on draft questions for the 2016 New Zealand General Social Survey.

¹⁶ All reports and papers are available from www.creativenz.govt.nz.

Advocating for the arts	Note	Past trends			2013/14 Performance				Forecast performance 2014/15*
		2010/11	2011/12	2012/13	Forecast	Actual	Variance	Notes	

Effectiveness indicator

The arts sector is using available resources as indicated by the website usage		446,344	419,549	436,540	≥ 450,000 unique page views	481,918	7%	Exceeded forecast.	Maintain or increase
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Output trends

\$ invested	1	\$194,854	\$363,278	\$132,631	\$212,500	\$261,706	23%	Exceeded forecast. Advocacy work was increased during the year to meet sector demand.	Maintain or increase
Number of research projects and other resources delivered to the sector		2	6	3	3	4	33%	Exceeded forecast.	Maintain or increase
Number of submissions made to government or local government on arts matters		New measure	14	7	≥ 3	5	67%	Exceeded forecast.	Maintain or increase

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

* Forecast information is not subject to audit.

FINANCIAL PERFORMANCE

NGĀ WHAKARITENGA PŪTEA

Independent Auditor's Report

Ripoata nō te kaitātari pūtea umanga ake

AUDIT NEW ZEALAND

Mana Arotake Aotearoa

To the readers of Arts Council of New Zealand Toi Aotearoa's financial statements and non-financial performance information for the year ended 30 June 2014

The Auditor-General is the auditor of Arts Council of New Zealand Toi Aotearoa's (Creative New Zealand). The Auditor-General has appointed me, Karen Young, 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 68 to 97, that comprise the statement of financial position as at 30 June 2014, 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 non-financial performance on pages 41 to 60 and the report on the performance against strategic outcomes on pages 44 to 48.

Opinion

In our opinion:

- the financial statements of Creative New Zealand on pages 68 to 97:
 - comply with generally accepted accounting practice in New Zealand; and
 - fairly reflect Creative New Zealand's:
 - financial position as at 30 June 2014; and
 - financial performance and cash flows for the year ended on that date.
- the non-financial performance information of Creative New Zealand on pages 41 to 60:
 - 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 2014, 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 29 October 2014. This is the date at which our opinion is expressed.

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

Basis of opinion

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

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

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

An audit also involves evaluating:

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

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

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

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

Responsibilities of the Arts Council

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

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

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

The Arts Council's responsibilities arise from the Crown Entities Act 2004 and the Arts Council of New Zealand Toi Aotearoa Act 2014.

Responsibilities of the Auditor

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

Independence

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

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

Karen Young

Karen Young

Audit New Zealand

On behalf of the Auditor-General

Wellington, New Zealand

Financial statements

Ngā pūrongo pūtea

Statement of responsibility

For the year ended 30 June 2014

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 2014 fairly reflect the financial position and operations of Creative New Zealand.

Signed on behalf of the Arts Council:



RS Grant

Chairman, Arts Council

29 October 2014



James Wallace

Member, Arts Council

29 October 2014

Summary of financial performance

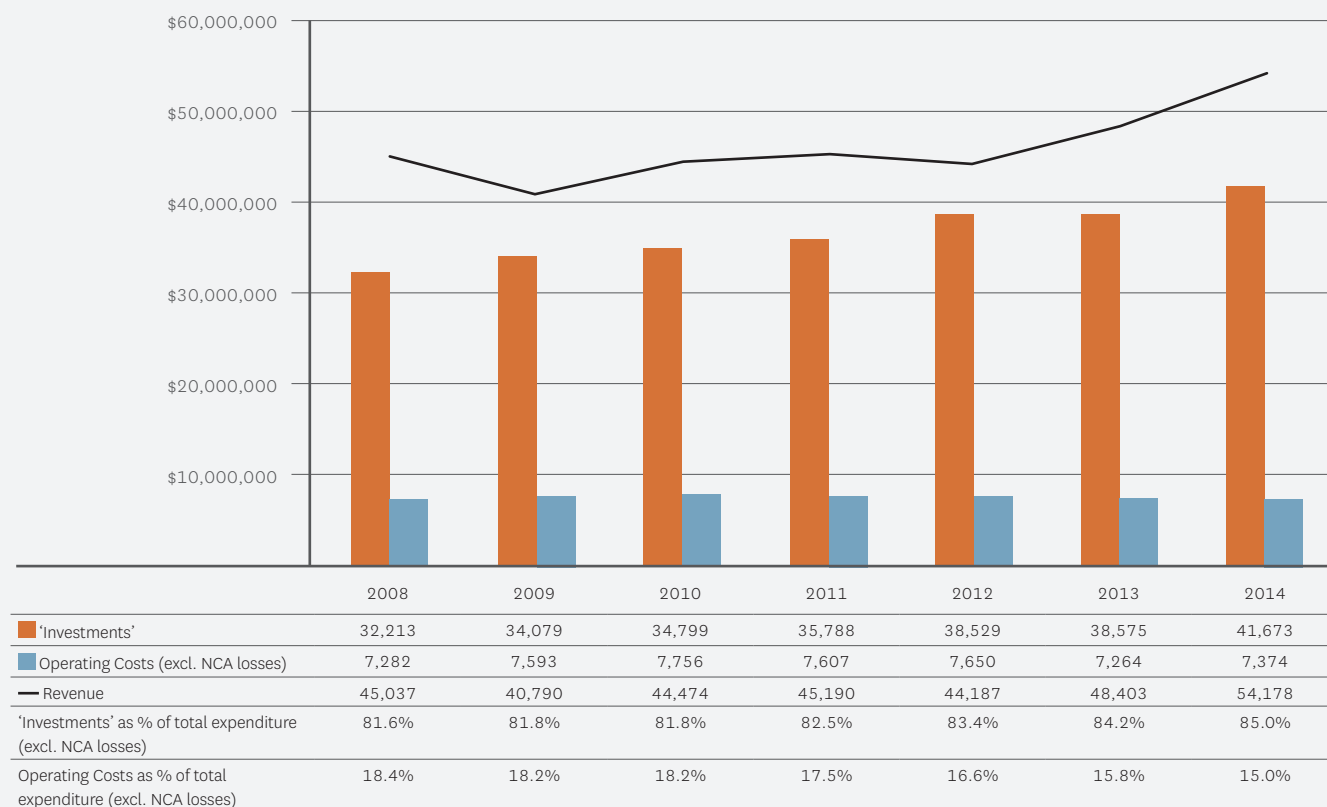
Overall, the financial statements for the year ended 30 June 2014 show a positive picture of the organisation's financial performance and financial position.

- Total income at \$54.178 million is at a record level.
- The level of investment in the sector through our funding, capability and advocacy programmes is at a record level.
- Bar the effect of net losses on disposal of assets, our operating expenses are under budget.

- The net surplus reported for the year is a result of income from the New Zealand Lottery Grants Board being higher than budget and more than net losses on the sale and disposal of the Old Public Trust Building and associated fixed assets.

Creative New Zealand has worked extremely hard to hold its operating costs in dollar terms since 2008, and as a result operating costs as a percentage of expenditure were significantly lower in the 2014 year (15%) than in 2008 (18%) (see Figure 28).

Figure 28 Expenditure – Grants and initiatives and personnel costs and overheads, 2008/09 to 2012/13



Note: NCA = non-current assets

The financial position is very strong, with net equity at a record level of \$15.897 million (including asset revaluation reserves of \$1.121 million). The working capital balance is at \$13.0 million, with a working capital ratio of 1.8 (current assets vs. current liabilities).

Creative New Zealand has entered into funding contracts with organisations that are funded on a two or three year basis, resulting in future funding commitments totalling \$13.4 million. In addition, a capital grant of \$4.5 million has been approved to Waterfront Theatre Ltd. for the Auckland Theatre Company's new theatre and it has not been recognised as an expense in these financial statements. These funding commitments are expected to bring the equity balance down. Creative New Zealand is budgeting for a \$6 million deficit in the 2014/15 financial year.

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

Statement of financial performance

For the year ended 30 June 2014

	ACTUAL 2013 \$000	NOTE	ACTUAL 2014 \$000	BUDGET 2014 \$000
INCOME				
15,689	Income from the Crown	2	15,689	15,689
31,024	Income from the New Zealand Lottery Grants Board	3	37,379	31,500
684	Interest income		812	550
335	Grant retirements and gains	4	285	200
671	Other income	5	13	31
48,403	TOTAL INCOME		54,178	47,970
EXPENDITURE				
36,961	Funding (Investing in the arts)	10	39,688	39,705
1,481	Capability building (Developing the arts)	10	1,723	1,730
133	Advocacy (Advocating for the arts)		262	213
Operating costs				
4,453	Personnel expenses	6	4,565	4,643
391	Depreciation and amortisation	7	241	420
13	Net losses on disposal of assets		1,401	-
2,407	Other expenses	8	2,573	2,756
45,839	TOTAL EXPENDITURE		50,453	49,467
2,564	NET OPERATING SURPLUS/(DEFICIT)		3,725	(1,497)

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

Statement of comprehensive income

For the year ended 30 June 2014

ACTUAL 2013 \$000		NOTE	ACTUAL 2014 \$000	BUDGET 2014 \$000
2,564	Net operating surplus/(deficit) for the year		3,725	(1,497)
	Other comprehensive income/(loss)			
274	Revaluation of land and buildings	14	(200)	-
17	Revaluation of works of art	15	(48)	-
291	Total other comprehensive income/(loss)		(248)	-
2,855	TOTAL COMPREHENSIVE INCOME/(LOSS)		3,477	(1,497)

Statement of changes in equity

For the year ended 30 June 2014

ACTUAL 2013 \$000		NOTE	ACTUAL 2014 \$000	BUDGET 2014 \$000
9,565	Total equity as at 1 July		12,420	9,207
2,564	Net operating surplus/(deficit) for the year		3,725	(1,497)
291	Other comprehensive income/(loss)		(248)	-
2,855	Total comprehensive income/(loss)		3,477	(1,497)
12,420	TOTAL EQUITY AS AT 30 JUNE	22	15,897	7,710

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

Statement of financial position

As at 30 June 2014

ACTUAL 2013 \$000		NOTE	ACTUAL 2014 \$000	BUDGET 2014 \$000
ASSETS				
Current assets				
7,645	Cash and cash equivalents	11	18,962	11,998
7,500	Investments in term deposits	12	–	–
7,297	Debtors and other receivables	13	9,360	7,498
344	Prepayments		130	280
22,786	Total current assets		28,452	19,776
Non-current assets				
2,401	Property, plant and equipment	14	692	2,109
1,180	Works of art	15	1,132	1,211
380	Investment property	16	–	312
720	Intangible assets	17	1,241	652
4,681	Total non-current assets		3,065	4,284
27,467	TOTAL ASSETS		31,517	24,060
LIABILITIES				
Current liabilities				
13,239	Grants payable		13,504	14,075
1,449	Creditors and other payables	18	1,608	1,900
320	Employee entitlements	21	384	375
15,008	Total current liabilities		15,496	16,350
Non-current liabilities				
–	Lease make-good provision	20	85	–
39	Employee entitlements	21	39	–
39	Total non-current liabilities		124	–
15,047	TOTAL LIABILITIES		15,620	16,350
12,420	NET ASSETS		15,897	7,710
EQUITY				
10,977	Accumulated funds	22	14,776	6,558
1,443	Revaluation reserves	22	1,121	1,152
12,420	TOTAL EQUITY		15,897	7,710



Stephen Wainwright
Chief Executive
29 October 2014



R S Grant
Chairman, Arts Council
29 October 2014

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

Statement of cash flows

For the year ended 30 June 2014

ACTUAL 2013 \$000		ACTUAL 2014 \$000	BUDGET 2014 \$000
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash was provided from:			
15,689	Income from the Crown	15,689	15,689
30,631	Income from the New Zealand Lottery Grants Board	35,447	31,500
676	Interest received	783	550
101	Grant retirements and gains	124	200
681	Other income	31	31
104	Net goods and services tax	–	–
Cash was applied to:			
(37,433)	Payments of grants	(41,247)	(41,398)
(4,469)	Payments to employees	(4,501)	(4,643)
(3,048)	Payments of operating expenses	(2,200)	(2,756)
–	– Net goods and services tax	(120)	–
2,932	NET CASH FLOWS FROM OPERATING ACTIVITIES	4,006	(827)
CASH FLOWS FROM INVESTING ACTIVITIES			
Cash was provided from:			
–	– Sale of property, plant and equipment	813	–
–	– Terms deposits maturing	7,500	–
Cash was applied to:			
(484)	Purchase of property, plant, equipment and intangible assets	(1,002)	(428)
(7,500)	Investment in term deposits	–	–
(7,984)	NET CASH FLOWS FROM INVESTING ACTIVITIES	7,311	(428)
(5,052)	NET INCREASE (DECREASE) IN CASH HELD	11,317	(1,255)
Add opening cash brought forward:			
43	Cash on hand and at bank	32	30
12,654	Short-term deposits	7,613	13,223
7,645	BALANCE AT END OF YEAR	18,962	11,998
Represented by:			
Closing cash carried forward:			
32	Cash on hand and at bank	70	30
7,613	Short-term deposits	18,892	11,968
7,645	BALANCE AT END OF YEAR	18,962	11,998

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

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

Notes to the financial statements

1. Statement of accounting policies

For the year ended 30 June 2014.

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 current governing legislation, the Arts Council of New Zealand Toi Aotearoa Act 2014, is to encourage, promote and support the arts in New Zealand for the benefit of all New Zealanders.

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

The financial statements of Creative New Zealand are for the year ended 30 June 2014 and were authorised for issue by Creative New Zealand on 29 October 2014.

1.2 Basis of preparation

1.2.1 STATEMENT OF COMPLIANCE

The financial statements have been prepared in accordance with the Crown Entities Act 2004, the Public Finance Act 1989 and Public Finance Amendment Act 2013, which include the requirement to comply with generally accepted accounting practice in New Zealand (NZ GAAP).

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

1.2.2 MEASUREMENT BASE

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

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

1.2.3 FUNCTIONAL AND PRESENTATION CURRENCY

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

1.2.4 CHANGES IN ACCOUNTING POLICIES AND ESTIMATES

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

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

The Minister of Commerce has approved a new Accounting Standards Framework (incorporating a Tier Strategy) developed by the External Reporting Board (XRB). Under this Framework, Creative New Zealand is classified as a Tier 1 reporting entity and it will be required to apply full Public Benefit Entity Accounting Standards. These standards are being developed by the XRB based on current International Public Sector Accounting Standards. The effective date for the new standards for public sector entities is for reporting periods beginning on or after 1 July 2014. Therefore, Creative

New Zealand will transition to the new standards in preparing its 30 June 2015 financial statements. Creative New Zealand has not assessed the implications of the new framework at this time.

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

There are no new relevant standards and interpretations issued this year and Creative New Zealand has not early adopted any new standards and interpretations.

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 REVENUE

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 GRANT EXPENDITURE

Discretionary grants are those grants where Creative New Zealand has no obligations to award on receipt of the grant application and are recognised as expenditure when approved by Creative New Zealand and the approval has been communicated to the applicant.

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

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

Creative New Zealand does not award any non-discretionary grants.

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

OPERATING LEASES

An operating lease is a lease that does not transfer substantially all the risks and rewards incidental to ownership of an asset. Lease payments under an operating lease are recognised as an expense on a straight-line basis over the lease term.

FINANCE LEASES

A finance lease is a lease that transfers to the lessee substantially all the risks and rewards incidental to ownership of an asset, whether or not title is eventually transferred. Creative New Zealand does not have any finance lease arrangements.

1.3.5 CASH AND CASH EQUIVALENTS

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

1.3.6 INVESTMENTS

BANK DEPOSITS

Investments in bank deposits with original maturities of between three months and one year are initially measured at fair value plus transaction costs. After initial recognition, investments in bank deposits are measured at amortised cost using the effective interest method, less any provision for impairment.

1.3.7 DEBTORS AND OTHER RECEIVABLES

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

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

1.3.8 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment consist of the following asset classes: land, buildings, building improvements, furniture, equipment and fittings, and computer equipment.

Creative New Zealand owned a 64% share in the Old Public Trust Building at 135 Lambton Quay in Wellington and the associated land. The land and building was sold in December 2013.

The land was measured at fair value, and the building was measured at fair value less accumulated depreciation and impairment losses.

All other assets classes are measured at cost, less accumulated depreciation and impairment losses.

ADDITIONS

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

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

DISPOSALS

Gains and losses on disposals are determined by comparing the 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.

REVALUATION

The land and building were 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 was determined from market-based evidence by an independent registered valuer. All other asset classes were carried at depreciated historical cost.

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

The net revaluation results were credited or debited to other comprehensive income/(loss) and were accumulated to an asset revaluation reserve in equity for that class of assets. Where this would result in a debit balance of the asset revaluation reserve, this balance was 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 was recognised first in the Statement of Financial Performance, up to the amount previously expensed, and then recognised in other comprehensive income.

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%
Building improvements	10 or 35 years	10% or 2.9%
Furniture, equipment and fittings	10 years	10%
Computer equipment	4 years	25%

1.3.9 WORKS OF ART

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

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

1.3.10 INVESTMENT PROPERTY

Investment property consisted of part of the Old Public Trust Building on which rental income was earned. The investment property was transferred to the owner occupied land and building asset in August 2013, and subsequently sold in December 2013.

The fair value of Creative New Zealand's ownership of the premises was determined by an independent registered valuer using market-based evidence. To determine the fair value of the investment property, this valuation was 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 was recognised in the Statement of Financial Performance in the year of valuation.

1.3.11 INTANGIBLE ASSETS

SOFTWARE ACQUISITION AND DEVELOPMENT

Acquired computer software is 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 costs.

Employee costs, staff training costs and relevant overheads 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.

Computer software	4 years	25%
Grants Management System (GMS) and Customer Relationship Management (CRM) System	6 years	16.67%

1.3.12 IMPAIRMENT OF NON-FINANCIAL ASSETS

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

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

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

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

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

1.3.13 FINANCIAL INSTRUMENTS

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

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

Creative New Zealand does not use derivative financial instruments.

1.3.14 CREDITORS AND OTHER PAYABLES

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

1.3.15 EMPLOYEE ENTITLEMENTS

SHORT-TERM EMPLOYEE ENTITLEMENTS

Employee entitlements expected to be settled within 12 months of balance date are measured at undiscounted nominal values based on accrued entitlements at current rates of pay. These include salaries and wages accrued up to balance date, annual leave earned but not yet taken at balance date, long service leave entitlements expected to be settled within 12 months, and time in lieu accrued up to balance date. Creative New Zealand has no liability for sick leave entitlements.

LONG-TERM EMPLOYEE ENTITLEMENTS

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

The calculations are based on:

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

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

1.3.16 SUPERANNUATION SCHEME

DEFINED CONTRIBUTION SCHEME

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

1.3.17 PROVISIONS

A provision is recognised for future expenditure of uncertain amount or timing when there is a present obligation (either legal or constructive) as a result of a past event, it is probable that an outflow of future economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the present value of the expenditure expected to be required to settle the obligation using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognised as an interest expense and is included in 'finance costs'.

1.3.18 GOODS AND SERVICES TAX (GST)

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

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

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

Commitments and contingencies are disclosed exclusive of GST.

1.3.19 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.

1.3.20 EQUITY

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

- accumulated funds; and
- revaluation reserve.

REVALUATION RESERVE

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

1.4 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, advice from independent experts and on other various factors it believes to be reasonable under the circumstances. The result of these judgements and estimates 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.

1.4.1 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.

LEASES CLASSIFICATION

Determining whether a lease agreement is a finance lease or an operating lease requires judgement as to whether the agreement transfers substantially all the risks and rewards of ownership to Creative New Zealand.

Judgement is required on various aspects that include, but are not limited to, the fair value of the leased asset, the economic life of the leased asset, whether or not to include renewal options in the lease term, and determining an appropriate discount rate to calculate the present value of the minimum lease payments.

Creative New Zealand has exercised its judgement on the appropriate classification of leases and has classified the leases as operating leases.

1.4.2 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.

REVALUATION OF LAND AND BUILDING (INCLUDING INVESTMENT PROPERTY)

The significant assumptions applied in determining the fair value of land and buildings are disclosed in note 14.

REVALUATION OF WORKS OF ART

The revaluation of works of art is performed at least every three years 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.

1.5 Comparatives

Certain comparative information has been reclassified, where required, to conform to the current year's presentation.

2. Income from the Crown

Creative New Zealand has been provided with funding from the Crown for the specific purposes of the 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 (2013: \$nil).

The funding provided from the Crown amounted to \$15.689 million (2013: \$15.689 million).

3. Income from the New Zealand Lottery Grants Board

	2014 \$000	2013 \$000
Base funding	33,060	25,950
Additional profit allocation	4,319	4,054
One-off funding allocations from reserves	–	1,020
	37,379	31,024

The New Zealand Lottery Grants Board allocates 15% of its profit to Creative New Zealand under section 279 of the Gambling Act 2003. The base funding is allocated based on the Board's forecast profit for the financial year. Creative New Zealand also receives a 15% share in the Board's profit over and above the forecast (the additional profit allocation), which is dependent on the actual audited Board's profit for the year. One-off funding allocations from reserves are also based on this 15% share.

4. Grants retirements and gains

	Notes	2014 \$000	2013 \$000
Retirement of grants		285	197
Gain on revaluation of investment property	16	-	68
Gain on revaluation of land and building to extent it decreases revaluation loss in previous year	14	-	69
Net foreign exchange gain		-	1
		285	335

5. Other income

	2014 \$000	2013 \$000
Venice Biennale – Patrons	-	371
Venice Biennale – Te Papa contribution	-	80
Festival of Pacific Arts – Te Matatini contribution	-	60
Rental income	1	73
The Todd Trust	10	10
Other	2	77
	13	671

6. Personnel expenses

	2014 \$000	2013 \$000
Salaries and wages	4,336	4,252
Other staff related costs	156	183
Employer contributions to defined contribution plans	38	32
Increase/(decrease) in employee entitlements	35	(14)
	4,565	4,453

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

During the year ended 30 June 2014, no employees received compensation relating to the cessation of their employment with Creative New Zealand (2013: two employees received a total of \$48,310).

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

Total remuneration and benefits	Number of employees	
	2014	2013
\$100,000–109,999	1	1
\$110,000–119,999	2	2
\$120,000–129,999	1	2
\$130,000–139,999	3	1
\$140,000–149,999	Nil	1
\$150,000–159,999	1	Nil
\$260,000–269,999	Nil	1
\$270,000–279,999	1	Nil

The Chief Executive's remuneration and benefits is in the \$270,000 to \$279,999 band.

7. Depreciation and amortisation

	2014 \$000	2013 \$000
Depreciation		
Building	6	11
Building improvements	57	57
Furniture, equipment and fittings	19	14
Computer equipment	59	86
Amortisation		
Computer software	100	223
	241	391

8. Other expenses

	NOTE	2014 \$000	2013 \$000
Auditors remuneration – Audit New Zealand – for audit of financial statements		55	54
Council, board and committee fees	9	260	273
Operating lease payments		271	189
Other expenses		1,987	1,891
		2,573	2,407

9. Council, board and committee member fees

The new Arts Council with thirteen members, established by the Arts Council of New Zealand Toi Aotearoa Act 2014, commenced on 1 May 2014 and replaced three statutory boards (Arts Council, Arts Board and Te Waka Toi) and a statutory committee (Pacific Arts Committee) under previous legislation.

The total value of remuneration paid or payable to each board and committee member during the year was:

Member	Tenure	2014 \$	2013 \$
Members to 30 April 2014			
R Grant*	Arts Council Chairman from 1 April 2013	26,667	14,585
A Carruthers	Arts Council Chairman to 31 March 2013	–	24,000
E Henare	Arts Council member	7,917	9,500
A Rush	Arts Council and Arts Board member	12,734	14,650
J Wallace*	Arts Council member	7,917	9,500
H Kedgley	Arts Council member	7,917	9,500
J Davidson	Arts Council member	7,917	9,500
A Sorrell	Arts Board Chairman	17,500	21,000
W Laban*	Arts Board member and Pacific Arts Committee Chairwoman	12,734	5,233
P Walker	Arts Board member and Pacific Arts Committee Chairwoman to 28 February 2013	–	9,067
M Prentice*	Arts Board member	9,583	11,500
T Snow	Arts Board member	9,583	11,500
N Tanczos	Arts Board member	9,583	11,500
J Afford	Arts Board member	9,583	11,500
D Haimona*	Te Waka Toi Chairman	17,500	21,000
K Te Waru – Rewiri	Te Waka Toi member	9,583	11,500
J Huria	Te Waka Toi member	9,583	11,500
T Maxwell	Te Waka Toi member	9,583	11,500
M Mahuika	Te Waka Toi member	9,583	11,500
N Gray	Te Waka Toi member	9,583	11,495
M Sciascia	Te Waka Toi member	9,583	11,495
C Rangī*	Pacific Arts Committee member	1,915	2,060
F Endermann	Pacific Arts Committee member	2,090	1,885
T Ness	Pacific Arts Committee member	2,090	2,030

Member	Tenure	2014 \$	2013 \$
M Papau	Pacific Arts Committee member	2,090	1,710
K Mahina – Tuai	Pacific Arts Committee member	2,090	2,060
F Pereira	Pacific Arts Committee member	1,500	–
S Elliot	Pacific Arts Committee member to 31 December 2013	–	1,060
Members from 1 May 2014			
R Grant*	Chairman	5,500	–
J Wallace*	Arts Council member	2,333	–
W Laban*	Arts Council member	2,333	–
M Prentice*	Arts Council member	2,333	–
D Haimona*	Arts Council member	2,333	–
C Rangī*	Arts Council member	2,333	–
K Fenton-Ellis	Arts Council member	2,333	–
P L Jones	Arts Council member	2,333	–
W Marriott	Arts Council member	2,333	–
F Price	Arts Council member	2,333	–
S Ellison	Arts Council member	2,333	–
R Evans	Arts Council member	2,333	–
G Kerr	Arts Council member	2,333	–
		259,904	273,330

No Council, board or committee members received compensation or other benefits in relation to cessation (2013: \$nil).

** Members of the statutory boards under the previous legislation that have been re-appointed to the new Arts Council*

10. Funding and capability building

FUNDING	2014 \$000	2013 \$000
Investment Programmes		
Arts Leadership Investments (Tōtara)	14,813	14,034
Arts Development Investments (Kahikatea)	8,653	9,071
Sector Development Incentives	281	494
	23,747	23,599
Grants Funding		
Arts Grants, Quick Response Grants and Special Opportunities (residencies, fellowships and internships)	6,476	6,097
Christchurch Initiatives	1,439	345
National Touring	466	500
Sistema Aotearoa	400	400
Other Grants Funding	1,525	553
	10,306	7,895
Funding International Initiatives		
Presentation, Touring and Cultural Exchange	928	730
Venice Biennale*	530	526
Edinburgh/Glasgow 2014	546	67
First World War Centenary (WW100)	383	–
Co-commissioning Fund		
Festival of Pacific Arts	40	242
Frankfurt Book Fair (2012 Country of Honour)	–	675
	2,427	2,240
Creative Communities Scheme	3,208	3,227
Total Funding	39,688	36,961
CAPABILITY BUILDING		
National Programmes	1,197	996
International Programmes	526	485
Total Capability Building	1,723	1,481

Creative New Zealand is not in the practice of allocating personnel costs direct to Funding, Capability Building and Advocacy programmes.

* Venice Biennale expenditure in 2013 is partly off-set by income of \$451,000 disclosed in note 5. The project runs over two years.

11. Cash and cash equivalents

	2014 \$000	2013 \$000
Cash at bank and on hand	70	32
Short-term deposits	18,892	7,613
Total cash and cash equivalents	18,962	7,645

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

The weighted average effective interest rate for short term deposits is 3.87% (2013: 3.86%).

12. Investments

	2014 \$000	2013 \$000
Term deposits	–	7,500
Total investments	–	7,500

Investments in term deposits in 2013 had maturity dates between three and six months.

The carrying value of term deposits approximates their fair value.

13. Debtors and other receivables

	2014 \$000	2013 \$000
New Zealand Lottery Grants Board	8,835	6,903
GST receivable	346	226
Interest receivable	135	106
Sundry receivables	44	62
Total debtors and other receivables	9,360	7,297

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.

	2014			2013		
	Gross \$000	Impairment \$000	Net \$000	Gross \$000	Impairment \$000	Net \$000
Not past due	9,360	-	9,360	7,269	-	7,269
Past due 1-30 days	-	-	-	7	-	7
Past due 31-60 days	-	-	-	1	-	1
Past due 61-90 days	-	-	-	3	-	3
Past due over 90 days	-	-	-	17	-	17
	9,360	-	9,360	7,297	-	7,297

14. Property, plant and equipment

	Land \$000	Building \$000	Building improvements \$000	Furniture, equipment & fittings \$000	Computer equipment \$000	Total \$000
Cost or valuation						
Balance at 1 July 2013	1,164	706	1,147	578	384	3,979
Additions	-	-	222	179	65	466
Reclassification	236	144	-	-	-	380
Revaluation increase/(decrease)	-	(200)	-	-	-	(200)
Disposals	(1,400)	(650)	(884)	(456)	(35)	(3,425)
Balance at 30 June 2014	-	-	485	301	414	1,200
Accumulated depreciation						
Balance at 1 July 2013	-	-	817	501	260	1,578
Depreciation expense	-	6	57	19	59	141
Eliminated on disposal/ reclassification	-	(6)	(747)	(424)	(34)	(1,211)
Eliminated on revaluation	-	-	-	-	-	-
Balance at 30 June 2014	-	-	127	96	285	508
Carrying amount at 30 June 2014	-	-	358	205	129	692
Cost or valuation						
Balance at 1 July 2012	1,164	374	1,117	565	514	3,734
Additions	-	-	30	13	82	125
Reclassification	-	-	-	-	-	-
Revaluation increase/(decrease)	-	332	-	-	-	332
Disposals	-	-	-	-	(212)	(212)
Balance at 30 June 2013	1,164	706	1,147	578	384	3,979
Accumulated depreciation						
Balance at 1 July 2012	-	-	760	487	378	1,625
Depreciation expense	-	11	57	14	86	168
Eliminated on disposal/reclassification	-	-	-	-	(204)	(204)
Eliminated on revaluation	-	(11)	-	-	-	(11)
Balance at 30 June 2013	-	-	817	501	260	1,578
Carrying amount at 30 June 2013	1,164	706	330	77	124	2,401

LAND AND BUILDING

At 30 June 2013 Creative New Zealand owned a 64% share in the Old Public Trust Building and the associated land, valued at \$2.250 million by Wayne Nyberg, the registered valuer with Darroch Limited. The ground floor of the building was leased to a third party and classified as Investment property (note 16).

The Old Public Trust Building had been vacated by most tenants after the 21 July 2013 earthquake in Wellington, and the fair value of investment property was transferred to the owner occupied land and building asset. The land and building asset was revalued as at 22 August 2013 to be \$2.050 million.

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.

The Old Public Trust Building was sold by the Body Corporate members on 23 December 2013.

15. Works of art

	2014 \$000	2013 \$000
Valuation		
Balance at 1 July	1,180	1,163
Additions	–	–
Revaluation increase/(decrease)	(48)	17
Impairment losses	–	–
Carrying amount at 30 June	1,132	1,180

The works of art are stated at fair value as determined by Christopher Moore of Chris Moore Gallery as at 30 June 2014. Christopher Moore is an art dealer and an experienced independent valuer of artworks. There is no formal qualification for valuing artworks in New Zealand.

16. Investment property

	2014 \$000	2013 \$000
Balance at 1 July	380	312
Acquisitions	–	–
Transfer to property, plant and equipment	(380)	–
Change in fair value	–	68
Carrying amount at 30 June	–	380

Investment property consisted of part of the Old Public Trust Building which was leased to a third party.

Following the 21 July 2013 Wellington earthquakes, the investment property was transferred to Creative New Zealand's land and building, and subsequently sold in December 2013 (note 14).

17. Intangible assets

	Computer software \$000	Work in progress \$000	Total \$000
Cost			
Balance at 1 July 2013	1,587	505	2,092
Additions	4	617	621
Reclassification	-	-	-
Disposals	-	-	-
Balance at 30 June 2014	1,591	1,122	2,713
Accumulated amortisation			
Balance at 1 July 2013	1,372	-	1,372
Amortisation expense	100	-	100
Eliminated on disposal/reclassification	-	-	-
Balance at 30 June 2014	1,472	-	1,472
Carrying amount at 30 June 2014	119	1,122	1,241
Cost			
Balance at 1 July 2012	1,547	213	1,760
Additions	83	307	390
Reclassification	15	(15)	-
Disposals	(58)	-	(58)
Balance at 30 June 2013	1,587	505	2,092
Accumulated amortisation			
Balance at 1 July 2012	1,202	-	1,202
Amortisation expense	223	-	223
Eliminated on disposal/reclassification	(53)	-	(53)
Balance at 30 June 2013	1,372	-	1,372
Carrying amount at 30 June 2013	215	505	720

The work in progress balance of \$1,121,000 (2013: \$505,000; 2012: \$198,000) relates to the build of a Grants Management System (GMS) and Customer Relationship Management (CRM) System.

18. Creditors and other payables

	NOTE	2014 \$000	2013 \$000
Trade payables		732	409
Accrued expenses		20	139
Special purpose funds	19	856	901
		1,608	1,449

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

Creative New Zealand has a bank credit card facility of up to \$200,000 (2013: \$150,000). As at 30 June 2014, \$8,711 of the total facility was used (2013: \$8,771).

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
2014				
Edwin Carr Foundation	632	18	32	618
Tup Lang bequest	75	2	2	75
Louis Johnson bequest	54	1	1	54
Butland Music Foundation	40	1	–	41
Old Public Trust Building Body Corporate	(9)	201	192	–
Mataora Royalties	4	1	–	5
The Todd Trust	–	10	10	–
Heartstrings Guitars Donation	43	–	43	–
Christchurch Earthquake Support Fund Donation	62	1	–	63
	901	235	280	856

2013				
Edwin Carr Foundation	428	204	–	632
Tup Lang bequest	75	2	2	75
Louis Johnson bequest	54	2	2	54
Butland Music Foundation	40	1	1	40
Old Public Trust Building Body Corporate	38	292	339	(9)
Mataora Royalties	4	–	–	4
The Todd Trust	–	10	10	–
Heartstrings Guitars Donation	91	2	50	43
Christchurch Earthquake Support Fund Donation	60	2	–	62
	790	515	404	901

- 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 assist and encourage their studies within or beyond New Zealand.
- The Old Public Trust Building Body Corporate owned the Wellington premises occupied by Creative New Zealand. The Body Corporate was disestablished after the sale of the building on 24 December 2013.
- The Mataora Royalties are received for a book funded through Māori Arts.
- The Todd Trust contribution goes towards the Todd Writers' Bursary.
- Heartstrings Guitars Donations are 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 earthquake. 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 Creative New Zealand's funding programmes.

- 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 the Christchurch Earthquake Support Fund and the visual arts community.

20. Lease make-good provision

	2014 \$000	2013 \$000
Non-current portion		
Lease make-good	85	-
Total provisions	85	-

In respect of its leased premises in Wellington, Creative New Zealand is required at the expiry of the lease term to make good any damage and functional and structural changes to the leased office space. The cash flows associated with the non-current portion of the lease make-good provision are expected to occur in May and June 2018. Information about Creative New Zealand's leasing arrangements is disclosed in note 24.

21. Employee entitlements

	2014 \$000	2013 \$000
Current portion		
Accrued salaries and wages	108	82
Annual leave	254	199
Long service leave	19	30
Time in lieu	3	9
Total current portion	384	320
Non-current portion		
Long service leave	39	39
Total non-current portion	39	39
Total employee entitlements	423	359

22. Equity

	NOTE	2014 \$000	2013 \$000
Accumulated funds			
Balance at 1 July		10,977	8,413
Transfer from revaluation reserve on sale of the land and building		74	-
Net operating surplus/(deficit) for the year		3,725	2,564
Balance at 30 June		14,776	10,977
Revaluation reserves			
Balance at 1 July		1,443	1,152
Revaluation of land and building	14	(200)	274
Transfer to accumulated funds on sale of the land and building		(74)	-
Revaluation of works of art	15	(48)	17
Balance at 30 June		1,121	1,443
Total equity		15,897	12,420
Revaluation reserve consist of:			
Land and building revaluation reserve		-	274
Works of art revaluation reserve		1,121	1,169
Total revaluation reserve		1,121	1,443

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

	2014 \$000	2013 \$000
Net surplus/(deficit) from operations	3,725	2,564
Add/(less) non-cash items:		
Depreciation and amortisation	241	391
Loss on disposal of property, plant and equipment	2,214	13
Grant retirements	(161)	(96)
Loss/(Gain) on revaluation of investment property	-	(68)
Loss/(Gain) on revaluation of land and building	-	(69)
(Gain)/loss on foreign exchange	-	(1)
Total non-cash items	2,294	170
Add/(less) movements in working capital items:		
Decrease/(increase) in prepayments	214	(65)
Decrease/(increase) in accounts receivable	(1,914)	(384)
Decrease/(increase) in interest receivable	(29)	(8)
Increase/(decrease) in GST payable/receivable	(120)	104
Increase/(decrease) in accounts payable	159	(575)
Increase/(decrease) in provision for employee entitlements	64	(16)
Increase/(decrease) in current grants payable	426	1,142
Net movements in working capital items	(1,200)	198
Add/(less) items classified as investing activities		
Loss/(gain) on the sale of property, plant and equipment	(813)	-
Total items classified as investing activities	(813)	-
NET CASH FLOW FROM OPERATING ACTIVITIES	4,006	2,932

24. Capital commitments and operating leases

24.1 Capital Commitments

	2014 \$000	2013 \$000
Capital commitments		
Intangible assets	41	382
Total capital commitments	41	382

Capital commitments represent capital expenditure, related to the delivery of the Grants Management (GMS) and Customer Relationship Management (CRM) System, contracted at balance date but not yet incurred.

The development of the GMS/CRM solution is contracted to Fusion5 Limited. This project has been split into multiple phases. The capital commitments at 30 June 2014 relate to the change requests and data migration. The balance at 30 June 2013 related to the solution build.

24.2 Operating leases

	2014 \$000	2013 \$000
Operating leases as lessee, payable:		
Not later than one year	246	93
Later than one year and not later than two years	157	75
Later than two years and not later than five years	25	6
Later than five years	–	–
Total non-cancellable operating leases payable	428	174

Creative New Zealand leases office premises in Wellington, Auckland and Rotorua, video conferencing equipment, and multi-function print devices. The non-cancellable leasing period for these leases range from one to six years. There are no contingent rents payable and no sublease income receivable on these operating leases.

	2014 \$000	2013 \$000
Operating leases as lessor, receivable:		
Not later than one year	–	21
Later than one year and not later than two years	–	3
Later than two years and not later than five years	–	5
Later than five years	–	–
Total non-cancellable operating leases receivable	–	29

Creative New Zealand leased out part of the Old Public Trust Building under operating leases. The building was vacated after the 21 July 2013 Wellington earthquakes and subsequently sold, and the lease agreements terminated.

25. Funding commitments

	2014 \$000	2013 \$000
Funding commitments, payable:		
Not later than one year	8,400	15,415
Later than one year and not later than two years	4,989	1,515
Later than two years and not later than three years	–	610
Total funding commitments	13,389	17,540

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

The major variance in grant commitments between 2014 and 2013 is caused by the timing of the multi-year funding contracts.

Waterfront Theatre Project by Auckland Theatre Company

Creative New Zealand approved a capital grant of \$4.5 million to the Waterfront Theatre Limited towards the Auckland Theatre Company Waterfront Theatre Project.

The funding agreement has been signed in June 2014. The obligation arising from the agreement is conditional on milestones being met by Waterfront Theatre Limited and the Auckland Theatre Company Limited, and the timing of this obligation is uncertain.

26. Contingencies

26.1 Contingent liabilities

	2014 \$000	2013 \$000
Bank guarantees		
Bank of New Zealand Letter of Credit – Datacom Employer Services Limited	150	150

26.2 Contingent assets

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

	2014 \$000	2013 \$000
Invoiced to grantees in a default position by the funding source:		
General Arts	21	40
Māori Arts	30	40
Pacific Arts	42	47
	93	127

27. Related parties

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

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

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) totalling \$15.689 million (2013: \$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 \$5,752 (2013: \$668,000) to the Ministry for Culture and Heritage. The payments made in 2013 of \$0.605 million have been provided in support of the New Zealand literature, arts and culture programme at the Frankfurt Book Fair (2012 Country of Honour). This investment was provided through both 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 \$37.379 million (2013: \$31.024 million). The New Zealand Lottery Grants Board was set up by Parliament to benefit the community by distributing the profits from the games run by the New Zealand Lotteries Commission (Lotto NZ). Lottery grants are administered by the Department of Internal Affairs.

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 (FBT), pay as you earn (PAYE), and accident compensation corporation (ACC) 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. The Council 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 2014 totalled \$0.409 million (2013: \$0.365 million). These

purchases include the purchase of electricity from Genesis, air travel from Air New Zealand, and postal services from New Zealand Post.

Other related party transactions

Creative New Zealand maintains interest registers for the Arts Council, boards and committees, and staff to record any interests they may have in an organisation or an individual who is funded by or is 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 over which they have control or significant influence were as follows:

			Transaction Value		Balance Outstanding	
			2014 \$000	2013 \$000	2014 \$000	2013 \$000
Cath Cardiff (Senior Leadership Team)	Silo Theatre (Jessica Smith, Executive Director)	Family member	443	443	210	210
The decision to fund Silo Theatre Trust was made by the funding board. Cath Cardiff did not take part in any stage of the grant decision-making process.						
Te Kahautu Maxwell (board member)	Te Matatini Society Incorporated	Trustee	2	(60)	-	-
Te Matatini Society Incorporated paid \$60,000 in 2013 to Creative New Zealand as a contribution towards the Festival of Pacific Arts 2012 (note 5).						
Matanuku Mahuika (board member)	Apirana Mahuika	Family member	5	-	5	-
The decision to select Apirana Mahuika as recipient of a Te Waka Toi award was made by the funding board. Matanuku Mahuika did not take part in any stage of the decision-making process.						
Kura Te Waru Rewiri	Auckland Art Gallery Toi o Tamaki	Participating artist	29	-	-	-
Kura Te Waru Rewiri was one of the participating artists in an exhibition 'Five Maori Painters' at the Auckland Art Gallery Toi o Tamaki funded by Creative New Zealand. Kura Te Waru Rewiri did not take part in any stage of the decision-making process and did not receive any financial benefit from the grant.						

Key management personnel compensation

	2014 \$000	2013 \$000
Salaries and other short-term employee benefits	1,178	1,128
Post employment benefits	53	45
Other long-term benefits (long service leave)	(8)	(2)
	1,223	1,171

Key management personnel includes the Chief Executive and five members of the Senior Leadership Team as well as members of the Arts Council, boards and committees.

28. Financial instruments

28.1 Financial instrument categories

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

	2014 \$000	2013 \$000
Financial assets		
Loans and receivables:		
Cash and cash equivalents	18,962	7,645
Investments in term deposits	–	7,500
Debtors and other receivables	9,360	7,297
Total Financial Assets	28,322	22,442
Financial liabilities		
Financial liabilities at amortised cost:		
Creditors and other payables	1,608	1,449
Grants payable	13,504	13,239
Total financial liabilities	15,112	14,688

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

28.2 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.

MARKET RISK

PRICE RISK

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

CURRENCY RISK

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

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

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

FAIR VALUE INTEREST RATE RISK

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

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

CASH FLOW INTEREST RATE RISK

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

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

The interest rates for fixed-term deposits at 30 June 2014 were ranging between 4.08% and 4.36% (2013: between 3.97% and 4.19%). Call deposits were invested at the interest rate of 3.0% at 30 June 2014 (2013: 2.75%)

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.

	2014 \$000	2013 \$000
Counterparties with credit ratings		
Cash and cash equivalents		
AA ¹⁷	18,962	7,645
Investments in term deposits		
AA ¹⁷	–	7,500
Total cash and term deposits	18,962	15,145
Counterparties without credit ratings		
Debtors and other receivables		
Existing counterparty with no defaults in the past	9,360	7,297
Existing counterparty with defaults in the past	–	–
Total debtors and other receivables	9,360	7,297

LIQUIDITY RISK

Liquidity risk is the risk that Creative New Zealand will encounter difficulty raising liquid funds to meet commitments as they fall due. Creative New Zealand closely monitors its forecast cash requirements and maintains a target level of cash to meet liquidity requirements.

¹⁷ AA refers to the counterparties' Standard and Poor's credit rating

CONTRACTUAL MATURITY ANALYSIS

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

2014 (in \$000)	Carrying amount	Contractual Cash flows	Less than 1 year	Between 1 and 5 years	Over 5 years
Creditors and other payables	1,608	1,608	1,608	–	–
Grants payable	13,504	13,504	13,504	–	–

2013 (in \$000)	Carrying amount	Contractual Cash flows	Less than 1 year	Between 1 and 5 years	Over 5 years
Creditors and other payables	1,449	1,449	1,449	–	–
Grants payable	13,239	13,239	13,239	–	–

29. 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 its objectives and purpose are effectively achieved while remaining a going concern.

The focus of capital management 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.

30. Significant budget variances

Creative New Zealand's budget figures are derived from the Statement of Intent 2013–16 published in June 2013.

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

- the level of funding received from the New Zealand Lottery Grants Board had been estimated based on projected income for the 2014 financial year, as the actual funding was not confirmed until July 2013
- the level and timing 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 revaluation of non-current assets.

Explanations for major variances are outlined below:

STATEMENT OF FINANCIAL PERFORMANCE

Net operating surplus was greater than budgeted by \$5.222 million mainly due to the following:

- income from the New Zealand Lottery Grants Board being greater than budgeted by \$5.879 million due to the way New Zealand Lottery Grants Board funding is calculated and allocated to Creative New Zealand, as disclosed in note 3
- net loss on sale and disposal of the Old Public Trust Building, the associated chattels and furniture and fittings of \$1.401 million, as disclosed in note 14
- savings of \$0.440 million made in operating costs (excluding net losses on disposal of assets).

STATEMENT OF FINANCIAL POSITION

- The net increase in total cash and investments balance by \$6.964 million is due to higher than budgeted income received
- The net decrease in the non-current assets balance mainly reflects the impact of the sale and disposal of the Old Public Trust Building, the associated chattels and furniture and fittings
- The increase in the accumulated funds balance is attributable to the net operating surplus incurred in both 2013 and 2014, as a result of the increased income from the New Zealand Lottery Grants Board.

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.

31. Events subsequent to balance date

There have been no events subsequent to 30 June 2014 that materially affect these financial statements.

APPENDICES

PEPA TĀPIRI

Appendix 1:

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 and operates under the Arts Council of New Zealand Toi Aotearoa Act 2014.

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’.¹⁸

What we are trying to achieve

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

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

These outcomes, their associated impacts and performance measures are identified in our SOI 2013–16.¹⁹ We measure our performance against each outcome and report against our targets in Part Two of this annual report.

What we do

To support its outcomes, Creative New Zealand provides three main services or output areas: investment, development 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 2013–16 and reported on in the Proof of performance section in Part Two of this annual report.

How it links together

The relationship between our legislation and vision, purpose, outcomes and impacts, and the services we provide is shown in Figure 29.

Governance structure

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 on the appointment of Māori members and with the Minister of Pacific Island Affairs on the appointment of Pacific Island members

The Arts Council is responsible for:

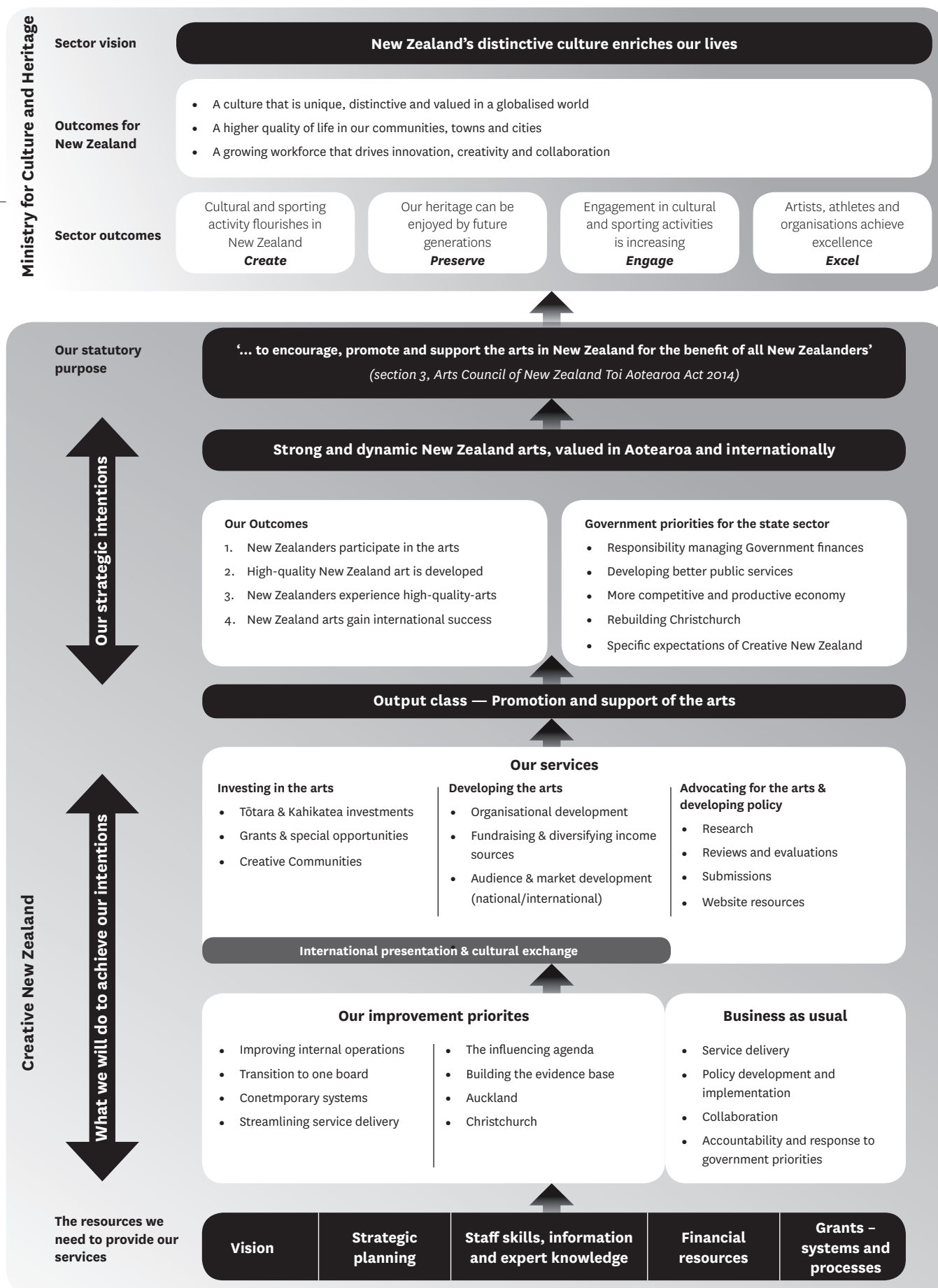
- setting Creative New Zealand’s policy and strategic direction
- allocating and delivering funding, including making funding decisions
- undertaking specific initiatives aimed at achieving its goals.

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

¹⁸ Section 4 of the Act.

¹⁹ Available at www.creativenz.govt.nz.

Figure 29: Linkages between legislative requirements and Creative New Zealand's vision, purpose, outcomes/impacts and services



Functions of the Arts Council

The Act sets out the Arts Council's main functions in section 7 as follows:

- (1) The principal functions of the Arts Council are to—
 - (a) encourage, promote, and support the arts in New Zealand for the benefit of all New Zealanders;
 - (b) promote the development of a New Zealand identity in the arts;
 - (c) allocate funding to projects for professional and community arts, including funding for—
 - (i) Māori arts; and
 - (ii) the arts of the Pacific Island peoples of New Zealand; and
 - (iii) the arts of the diverse cultures of New Zealand;
 - (d) uphold and promote the rights of artists and the right of persons to freedom in the practice of the arts;
 - (e) maintain relationships with other agencies and organisations;
 - (f) give advice to the Minister on any matter relating to or affecting the functions of the Arts Council;
 - (g) perform any other functions conferred on it by this Act, any other enactment, or the Minister.
- (2) In carrying out its functions, the Arts Council—
 - (a) must set guidelines for the allocation of funding; and
 - (b) may set guidelines for community arts councils and community arts providers; and
 - (c) must establish assessment processes for the allocation of funding including, if the Arts Council considers it appropriate, the use of peer assessment; and
 - (d) may obtain any advice that it considers appropriate.
- (3) In establishing any assessment process under subsection (2)(c), the Arts Council must include—
 - (a) Māori in any assessment process relevant to Māori arts; and
 - (b) Pacific Island people in any assessment process relevant to the arts of the Pacific Island peoples of New Zealand.

The Arts 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.

Membership of the Arts Council

Membership of the Arts Council, arts boards and Pacific Arts Committee as of 30 June 2014 is outlined below.

ARTS COUNCIL	Appointed	Current term expires
Dick Grant (Chairman)	1 May 2014	31 December 2017
James Wallace	1 May 2014	30 June 2015
Karyn Fenton-Ellis	1 May 2014	30 June 2016
Darrin Haimona	1 May 2014	30 June 2016
Winnie Laban	1 May 2014	30 June 2016
Peter-Lucas Jones	1 May 2014	30 June 2016
Wayne Marriott	1 May 2014	30 June 2016
Felicity Price	1 May 2014	30 June 2016
Suzanne Ellison	1 May 2014	30 April 2017
Rose Evans	1 May 2014	30 April 2017
Grant Kerr	1 May 2014	30 April 2017
Michael Prentice	1 May 2014	30 April 2017
Caren Rangī	1 May 2014	30 April 2017

Directions from the Minister

Creative New Zealand did not receive any directions from the Minister for Arts, Culture and Heritage in 2013/14.

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 Chairman 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 2013/14.

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

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

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

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

Arts Policy, Capability and International

Senior Manager:
Cath Cardiff

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

Business Services

Senior Manager:
Angus Evison

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

Planning, Performance and Stakeholder Relations

Senior Manager:
Sarah Tebbis

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

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

Māori Engagement

Senior Manager:
Muriwai Ihakara

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



Supported by the New Zealand government through

