




ARTS COUNCIL OF NEW ZEALAND TOI AOTEAROA

Statement of Performance Expectations

TAUĀKĪ MAHI HUA

2015/16



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FRONT COVER:

Neil Dawson's Fanfare, 2004/2015, illuminated for the first time and officially presented on 10 June 2015. Photo by Bridgit Anderson. Courtesy of SCAPE Public Art.

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INTRODUCTION

KUPU ARATAKI

Foreword

The arts in New Zealand are in good health. We know from our commissioned independent research, *New Zealanders and the arts*, that attitudes towards the arts are buoyant and that participation and attendance numbers continue to grow. Our artists and arts organisations are delivering innovative, new experiences across the country and internationally. We are ambitious for the arts in New Zealand, and this Statement of Performance Expectations (SPE) details how we are measuring our progress and will be held accountable for our work.

The coming financial year will be challenging for Creative New Zealand and for those we serve. After many years of growth, our lotteries funding is declining; as an indication, we are expecting to receive \$3.3 million less in lotteries funding in 2014/15 than we thought we would at the start of the year.

This decline will have a material impact on our work, and a number of initiatives will be concluding (eg, the Creative Giving pilot and the Sector Development Incentives fund).



R S Grant

Chairman, Arts Council

30 June 2015



James Wallace

Member, Arts Council

30 June 2015

Our healthy financial position has allowed us to soften the impact on the arts sector, and we are committed to meeting all our existing obligations. We will look to adjust this SPE as the volatile financial environment requires.

Despite the challenges ahead, our core concern remains a healthy arts sector through a focus on strong service delivery. We are clear on our priorities for the year and what our deliverables will be as we invest, develop and advocate for the arts. We will manage our resources well and achieve as much as possible with these resources.

Delivering better services to the arts sector is a priority for the Arts Council. We are currently transitioning from paper to digital applications, and this will deliver faster decision-making and easier interactions with our organisation, at lower cost.

We look forward to an exciting and fruitful year ahead for New Zealand arts.

About this document

This Statement of Performance Expectations (SPE) documents our planned activity, performance targets and forecast financial information for the 2015/16 financial year (1 July 2015 to 30 June 2016).

It is produced in accordance with section 149E of the Crown Entities Act 2004. We will report against the non-financial performance measures and financial forecasts outlined in this plan in our 2015/16 Annual Report.

The SPE is an annual plan that sits under Creative New Zealand's 2014/15 – 2017/18 Statement of Intent (SOI). The SPE is a short-term expression of the longer term priorities in the SOI, providing greater detail to the financial and non-financial directions and measures set out in the SOI.

The strategic objectives set out in Creative New Zealand's 2013–16 Strategic Plan inform the content of the 2014/15 – 2017/18 SOI. Both the Strategic Plan and the SOI guide Creative New Zealand's direction in 2015/16. In 2016/17, we will move to a single strategic document, the 2016/17 – 2019/20 Statement of Intent.

We have committed to developing a new Planning and Performance Framework in 2015/16. This will help us articulate our preferred future and measure our progress towards achieving it. In preparing for the new framework, we have:

- started changing the way we measure our performance, including a reduction in the number of SPE measures (from about 86 in 2013/14, to 67 in 2014/15 and 53 in 2015/16)
- introduced new measures to replace some older, purely output-based measures (eg, measure 3.10 reports on whether Tōtara and Kahikatea investment clients are fulfilling the roles expected of them; a slightly different measure than whether they are meeting requirements like financial or audience targets)
- started cascading our measures where possible (eg, measure 1.1, an average of a group of measures about New Zealanders' attitudes to the arts, so as to provide a richer dataset)
- introduced a new section in this SPE, 'Our priorities': new qualitative measures that sit between 'Our deliverables' and 'Our vision and outcomes' (see page 34). They are our vehicles of change and will help us better articulate our performance story (eg, in this SPE we have included new initiatives like the Auckland diversity project (2.4), as well as high-impact ongoing work like the Venice Biennale and the Festival of Pacific Arts (2.6)).

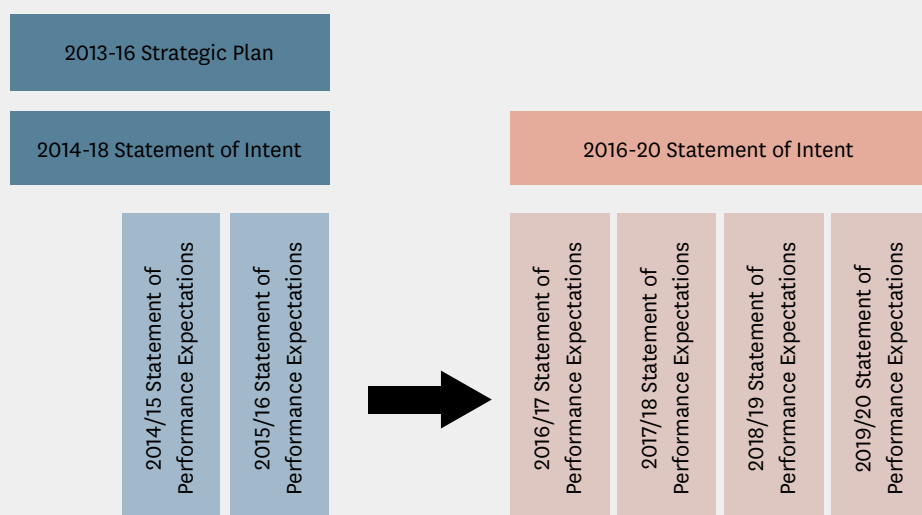


Figure 1: Creative New Zealand planning cascade

About Creative New Zealand

Creative New Zealand is the trading name of the Arts Council of New Zealand Toi Aotearoa, an autonomous Crown entity continued by the Arts Council of New Zealand Toi Aotearoa Act 2014.

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

Output class and funding model

Promotion and support of the arts

The Ministry for Culture and Heritage is Creative New Zealand's monitoring department and we operate under one central government output expense: Promotion and Support of Arts and Film.

Creative New Zealand has one output class: Promotion and support of the arts.

We are funded through Vote: Arts, Culture and Heritage and through the New Zealand Lottery Grants Board (NZLGB) to deliver on agreed arts outcomes for New Zealanders. We will continue to engage with the Ministry for Culture and Heritage and the Minister on any changes to NZLGB forecasts.

In 2015/16, Creative New Zealand will receive:

- \$15,689,000 through Vote: Arts, Culture and Heritage; and
- an estimated \$31,185,000 from the NZLGB.¹

Our purpose

To encourage, promote and support the arts in New Zealand for the benefit of all New Zealanders

Creative New Zealand is a Crown entity governed by the Arts Council of New Zealand Toi Aotearoa Act 2014 which took effect from 1 May 2014. Under the Act, Creative New Zealand's purpose is "...to encourage, promote and support the arts in New Zealand for the benefit of all New Zealanders' (section 3).

Section 5 of the Act lays down the principles to be followed in all activities carried out under the Act, including recognising:

- the cultural diversity of the people of New Zealand
- in the arts the role of Māori as tangata whenua
- the arts of the Pacific Island peoples of New Zealand.

The Act also requires us to recognise and uphold the principles of participation, access, excellence and innovation, professionalism and advocacy.

We fund arts activity by New Zealanders, within our country and overseas. This includes artists, practitioners and arts organisations practicing in a variety of artforms. We also support the professional development of artists and their practice and the management of organisations so they can grow their audiences and markets.

¹ Creative New Zealand receives 15 percent of the total profits from the New Zealand Lotteries Commission (Lotto NZ), through the NZLGB under section 279 of the Gambling Act 2003. The base allocation for the 2015/16 budget year is based on the forecast NZLGB profit for 2014/15. Funding from the NZLGB will not be confirmed for 2015/16 until at least July 2015.

Our values

Our values describe the behaviours our clients, partners and stakeholders can expect from Creative New Zealand as we work with them. Our values underpin all of our work, acting as a compass by which to guide our behaviour and decision-making.

Mana Māori – *we will recognise and support the role of Māori as tangata whenua in the arts.*

Mana Pasifika – *we will recognise the arts of the Pasifika peoples of New Zealand.*

Mahitahi – *we will work together with others so we can achieve more.*

Tauutuutu – *we will be open, frank and respectful in our relationships.*

Manaakitanga – *we will be welcoming and responsive to all.*

Mana Toi – *we will champion the role of the arts and the contribution artists make to our lives.*

Te Taumata – *we will set high standards for our work.*

Our council

Our governing body is the Arts Council which has responsibility for policy, strategy and funding allocation. It consists of 13 members and is a unitary council that replaces the previous division of responsibilities between the Arts Council, the Arts Board, Te Waka Toi and the Pacific Arts Committee under the former legislation.

The Council has a minimum of four members with knowledge of Ngā Toi Māori (Māori arts), te ao Māori (a

Māori world view) and tikanga Māori (Māori protocol and culture). These members were appointed in consultation with the Minister for Māori Development.

Two members have also been appointed with knowledge of the arts, and the traditions or cultures, of the Pacific Island peoples of New Zealand, in consultation with the Minister for Pacific Peoples.

Our staff

We have 53 staff (49.16 full-time equivalent staff) based in Wellington, Auckland, Christchurch and Rotorua. Our staff have a range of experience across craft/object art, visual art, dance, Ngā Toi Māori, literature, music, Pacific arts, theatre, international market development and cultural exchange, audience development, project management and corporate and business services.

Our organisation is comprised of five teams:

- Arts Funding
- Arts Policy, Capability and International
- Business Services
- Māori Engagement
- Planning, Performance and Stakeholder Relations

Our stakeholder relationships

Creative New Zealand works with a wide range of stakeholders, including the Minister for Arts, Culture and Heritage and her Ministry, local government, individual artists/practitioners, arts organisations and, more broadly, the community. We consult with stakeholder groups when developing strategy and undertaking policy review.

In 2015/16 we will be engaging with the Ministry for Culture and Heritage and other cultural agencies on a broad range of issues, including the priorities articulated in this document and in other areas. These include working with the Ministry to refresh the government's work programme for cultural philanthropy activities and, through the Contemporary Popular Music Group, working with other cultural agencies to ensure activities in respect of contemporary New Zealand popular music have a collective and positive impact on the sector.

Our funding approach

There are three broad pools of money from which Creative New Zealand funds the arts – General, Māori, and Pacific. These pools feed all of the regular arts funding programmes. Artists/practitioners continue to have their proposals assessed in streams appropriate to the artform and cultural focus of the application. For example, applications to Ngā Toi Māori are assessed by Māori, applications to the literary artform are assessed by literary experts and projects that identify themselves as Pacific are assessed by peers with Pacific arts and culture expertise. Māori and Pacific artists can apply for support through the Māori or Pacific assessment streams, but remain eligible to choose to apply through the general funding process instead. In this way, Māori and Pacific art is integrated into the foundation of Creative New Zealand’s programme structure alongside ‘general’ funding.

From time to time special arts development opportunities are available and are open to all artists/practitioners. Others, such as internships and programmes of cultural exchange, are specific to artforms, Māori and Pacific artists/practitioners or other criteria; for example, the Prime Minister’s Awards for Literature, the Tohunga/Tukunga (Māori arts mentoring programme), Toi Ake (a programme tailored to iwi and hapu to cultivate and retain customary Ngā Toi Māori) and the Christchurch earthquake recovery fund. See page 15 of this document for a summary of Creative New Zealand’s funding programmes, or our website www.creativenz.govt.nz/en/getting-funded for more details.

Our planning and performance context

Creative New Zealand delivers against its purpose and vision within a legislative and government framework. Our purpose is guided by the Arts Council of New Zealand Toi Aotearoa Act 2014 which in turn informs our deliverables. Our vision and priorities are guided by the Arts Council's independent outcomes and strategies, government priorities and sector-wide priorities as articulated in the Ministry for Culture and Heritage's Cultural Sector Strategic Framework.

Government and Ministry for Culture and Heritage

GOVERNMENT PRIORITIES:

- responsibly manage the Government's finances
- build a more competitive and productive economy
- deliver better public services
- rebuild Christchurch

SECTOR OUTCOMES:

Create

Engage

Preserve

Excel

SECTOR PRIORITIES:

Fostering inclusive New Zealand Identity

Supporting Māori cultural aspirations

Front footing transformative technology

Improving cultural asset sustainability

Measuring and maximising public value

Creative New Zealand

VISION: Dynamic and resilient New Zealand arts, valued in Aotearoa and internationally

OUTCOMES:

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

PRIORITIES:

People and Place

Influence

Effectiveness

DELIVERABLES:

Investing in the Arts

Developing the Arts

Advocating for the Arts

Health & capability of Creative New Zealand

PURPOSE: To encourage, promote and support the arts in New Zealand for the benefit of all New Zealanders

Figure 2: Creative New Zealand planning context

NON-FINANCIAL PLANNING AND PERFORMANCE

WHAKAMAHERE UTU KORE MAHI

Our vision

Vision

Dynamic and resilient New Zealand arts, valued in Aotearoa and internationally

Every three years, Creative New Zealand commissions research that measures New Zealanders' attitude to, attendance at, and participation in the arts. This research is considered an important signal of the health of the arts in New Zealand and a good measure for the overall achievement of Toi Aotearoa's vision. The last survey was completed in 2014/15 and results will be included in our 2014/15 Annual Report. The full report is available at the Creative New Zealand website www.creativenz.govt.nz.

Measures :

| No | Name | 2013/14 Result | 2014/15 Target | 2015/16 Target | Unit of measure | Type of measure |
|-----|---|----------------|----------------|--------------------------------|-----------------|-----------------|
| 1.1 | New Zealanders' attitudes to the arts ² | 75% | ≥75% | ≥75% Next survey in 2017/18 | Percentage | Outcome |
| 1.2 | Level of engagement with the arts: percentage of respondents who participated in or attended an arts performance/exhibition in the last 12 months | 85% | ≥85% | ≥85% Next survey in 2017/18 | Percentage | Outcome |
| 1.3 | Perceived quality of the arts: percentage of attendees who rate their most recent experience of New Zealand arts as high quality | New in 2014 | ≥60% | ≥60% Next survey in 2017/18 | Percentage | Outcome |

² This measure averages the positive responses of survey respondents to five statements: 'The arts are strong in New Zealand', 'The arts should receive public funding', 'The arts help define us as New Zealanders', 'My community would be poorer without the arts', and 'The arts contribute positively to our economy'.

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*

Creative New Zealand's strategic outcomes articulate what we expect the New Zealand arts landscape will look like when our vision is attained. For each outcome, key measures track our achievement over time. They track the numbers of people that are participating in and attending the arts and the number of new works that are being developed as a result of Creative New Zealand funding.

These outcomes guide our work, including how we assess applications to our funding programmes and the delivery of our development and advocacy programmes.

Measures :

| No | Name | 2013/14 Result | 2014/15 Target | 2015/16 Target | Unit of measure | Type of measure |
|------|--|----------------|--------------------|-------------------|-----------------|-----------------------------|
| 1.4 | Outcome 1: \$ invested ³ | \$6,354,513 | New in 2015/16 | \$7,125,443 | Dollar | Budget |
| 1.5 | Outcome 1: Number of participants in projects/events funded by Creative New Zealand ⁴ | New in 2014/15 | Baseline developed | ≥25,000 | Number | Impact/ Demand ⁵ |
| 1.6 | Outcome 2: \$ invested | \$14,564,954 | New in 2015/16 | \$15,624,344 | Dollar | Budget |
| 1.7 | Outcome 2: Number of new New Zealand works developed | 481 | ≥360 | ≥360 | Number | Impact/ Demand |
| 1.8 | Outcome 3: \$ invested | \$16,586,201 | New in 2015/16 | \$18,670,136 | Dollar | Budget |
| 1.9 | Outcome 3: Number of attendees at projects/events funded by Creative New Zealand ⁶ | 815,148 | ≥710,000 | ≥720,000 | Number | Impact/ Demand |
| 1.10 | Outcome 4: \$ invested | \$4,237,925 | \$4,000,000 | \$4,711,424 | Dollar | Budget |
| 1.11 | Outcome 4: Number of international presentations/events ⁷ | 234 | ≥200 | ≥200 | Number | Impact/ Demand |
| 1.12 | Outcome 4: Number of individuals/organisations presenting internationally | 165 | ≥80 | ≥100 ⁸ | Number | Impact/ Demand |

- 3 The split between the outcomes is based on historical trends. The actual results may vary due to change in demand.
- 4 This measure currently counts participants reported by investment clients with continuous programme funding (≥25,000) and participants in the Creative Communities Scheme (baseline being developed). Participation resulting from Arts and Quick Response grants will be measured in 2016/17.
- 5 An impact/demand measure is one that clearly reflects the impact of funding on the New Zealand arts sector but may be affected by the amount of funding distributed, the quality and type of applications received and the amount of money applied for/funded per application. If funding levels reduce overall, performance against these measures may also decrease.
- 6 This measure currently counts attendances reported for projects/events of investment clients with continuous programme funding. It includes attendance at paid and free performances/events, services provided and literature developed. It is also a measure in the 2015/16 Ministry for Culture and Heritage Budget Estimates. Attendance resulting from Arts and Quick Response grants will be measured in 2016/17.
- 7 This measure includes international presentations funded through the investment programmes, grants and special opportunity funding, and international funding.
- 8 This target has been increased in 2015/16 from ≥80 to ≥100 due to the positive results recorded against the measure since its introduction in 2012/13.

SECTION 2:

Non-financial planning and performance

Our priorities

Annual Priorities

In 2015/16, Creative New Zealand is funding a number of priorities to influence change in the arts sector and beyond. These priorities consist of both new work and high-profile ongoing work. Most of the priorities are shared with the government and aim to develop participation, quality and attendances for the arts. Ensuring Creative New Zealand is an effective leader for New Zealand's arts sector also continues to be a key priority.

Milestones are provided for each of the priorities and will be reported against in Creative New Zealand's 2015/16 Annual Report. Anticipated achievement results are also provided. These are longer term and may be reported in the future as the long term success of our initiatives is proven.

| No | Name | | 2015/16 Milestones | Achievement Result |
|-------------------------|--------------|--|--|--|
| PEOPLE AND PLACE | | | | |
| 2.1 | Regions | Regional pilots underway in Waikato and Southland to work with communities to understand key arts development needs and deliver on them over the course of the pilot | 2.1.1 Distribution of all regional pilot funding completed: pilots concluded (June 2016) | Arts sectors growing in targeted regions |
| 2.2 | Nation-wide | National Touring Agency and Fund expended to increase national touring of contemporary New Zealand theatre, dance and music | 2.2.1 Completion of 3 national tours (of more than 3 centres including one outside Auckland, Wellington or Christchurch) (June 2016) | Increased touring of New Zealand theatre, dance and music to metropolitan and regional areas |
| 2.3 | Young people | Young people and the arts policy development framework implemented in association with the Ministry for Culture and Heritage and the Ministry of Education | 2.3.1 Progress report to Council delivered (July 2015) 2.3.2 Further progress report to Council delivered (June 2016) | Sector-wide agreement on key priorities to support the arts by, with and for young people |
| 2.4 | Diversity | Auckland Diversity Project underway to increase the participation and attendance of Māori, Pacific and Asian audiences with the arts in Auckland, and support and promote development of arts by, with, and for Māori, Pacific, and Asian individuals and communities | 2.4.1 Project plan and first 'Call for Proposals' / Expression of Interest completed (July 2015) 2.4.2 Capability building hui held (December 2015) | Increased participation and attendance in the arts in Auckland by Asian, Pacific and Māori communities |
| 2.5 | Remembrance | First World War Centenary (WW100) Co-commissioning Fund expended to support First World War centenary arts projects of high artistic merit | 2.5.1 Final (4th) funding round completed (November 2015) | Art works and activities presented that commemorate New Zealand's participation in the First World War |

| No | Name | | 2015/16 Milestones | Achievement Result | | |
|------------------|------------------------------------|---|--------------------|--|---|---|
| INFLUENCE | | | | | | |
| 2.6 | International artistic connections | <p>Asia Strategy delivered to support increased presentation opportunities for new art work in Asia and New Zealand, artistic and cultural exchange between New Zealand artists and selected Asian partners and the development of audiences and markets for New Zealand arts in Asia</p> <p>2015 Venice Biennale co-funded and New Zealand's presence led at la Biennale di Venezia with Simon Denny's 'Secret Power'</p> <p>Festival of Pacific Arts (FOPA) 2016 New Zealand delegation organised for the four-yearly festival of Pacific arts to be hosted in Guam with the theme: 'What we own, What we have, What we share, United Voices of the Pacific'</p> | 2.6.1 | Two international (Asia) co-commissioning funding rounds completed (June 2016) | Enhanced profile of New Zealand arts in the region, cultural linkages developed and New Zealand arts practice developed | |
| | | | 2.6.2 | Curators Tour to Asia delivered and Asian Performing Arts Markets Travel Fund grants announced (August 2015) | | |
| | | | 2.6.3 | End of Venice Biennale (November 2015) | | New Zealand art showcased at a premier international festival |
| | | | 2.6.4 | FOPA Delegation confirmed (November 2015) | | |
| | | | 2.6.5 | FOPA Festival held (22 May – 4 June 2016) | | |
| 2.7 | Engagement | <p>Iwi engagement enhanced to build and maintain positive relationships with iwi</p> <p>Mana Pasifika to recognise and engage with the arts of the Pacific</p> | 2.7.1 | Memorandums of understanding in place with 6 iwi (July 2015) | Iwi have arts plans and deliver on them | |
| | | | 2.7.2 | Implementation of 6 iwi plans underway and progress being monitored (June 2016) | | |
| | | | 2.7.3 | Pacific implementation plan delivered to build Creative New Zealand's relationship with and support for Pasifika artists and communities (June 2016) | Improving Creative New Zealand's responsiveness to Pacific Arts | |
| 2.8 | Arts policy | <p>Arts policy research, review, development and implementation</p> | 2.8.1 | Tōtara and Kahikatea review underway (June 2016) | Relevant and effective arts policy that defines Creative New Zealand's investment in New Zealand arts infrastructure | |
| | | | 2.8.2 | Six monthly implementation report to Council delivered (August 2015, February 2016) | Continued focus on achievement of recommendations from arts policy reviews | |

SECTION 2:

Non-financial planning and performance

| No | Name | | 2015/16 Milestones | | Achievement Result |
|----------------------|----------------------------|---|--------------------|---|--|
| EFFECTIVENESS | | | | | |
| 2.9 | Transparency | Communication with the sector | 2.9.1 | 2014 and 2015 Investments reports delivered to clients (August 2015, June 2016) | The sector is informed and able to benchmark performance |
| | | | 2.9.2 | Six monthly feedback provided to investment clients on the four key areas of delivery (financial, audience, organisation and artistic) (August 2015, February 2016) | Creative New Zealand provides regular feedback on client performance |
| 2.10 | Organisational performance | Performance and planning framework implemented | 2.10.1 | Framework incorporated into 2016/17-2019/20 SOI and 2016/17 SPE (June 2016) | Creative New Zealand plans and performs well against its targets |
| 2.11 | Internal effectiveness | Systems and processes enable the business and its people to perform well | 2.11.1 | New office for Auckland operating (July 2015) | Creative New Zealand's systems and processes support staff to excel |
| | | | 2.11.2 | Electronic records management system/ finance system development in progress (June 2016) | |
| 2.12 | Legislation and guidelines | Comply with new government legislation and guidelines | 2.12.1 | Compliance with procurement guidelines (June 2016) | Creative New Zealand continues to fulfil its legal obligations |
| | | | 2.12.2 | Compliance with Health and Safety legislation (June 2016) | |

Strategic Priorities

Creative New Zealand's strategic priorities are outlined in the 2013-16 Strategic Plan and reflected in the 2014-18 Statement of Intent. The priorities are long term and a number of them are coming to their final milestones in 2015/16, such as the grants management system.

| No | Name | | 2015/16 Milestones | | Achievement Result |
|-------------------------|----------------------------|--|--------------------|--|--|
| PEOPLE AND PLACE | | | | | |
| 2.13 | Christchurch | Ongoing involvement in the recovery of the arts in Christchurch | 2.13.1 | Christchurch recovery grants expended | Arts sector in Christchurch supported to rebuild and grow |
| 2.14 | Auckland | Ongoing involvement in the Auckland Arts and Culture Strategic Action Plan | 2.14.1 | Continue to support Auckland City Council's arts strategic planning and implementation | Support the diverse and growing arts sector in Auckland |
| EFFECTIVENESS | | | | | |
| 2.15 | Decision-making timeframes | Improve decision making timeframes | 2.15.1 | Quick Response timeframes met (maintain 5 weeks) | Continue to increase efficiency of services to clients |
| | | | 2.15.2 | Arts Grants timeframes met (maintain 10 weeks) | |
| | | | 2.15.3 | Tōtara and Kahikatea timeframes met (11 weeks down to 10 weeks) | |
| 2.16 | Technology | Implement grants management system | 2.16.1 | Key programmes online | Meet the public's increasing expectation to access the services they need online |
| 2.17 | Clients | Improve results in the client satisfaction survey | 2.17.1 | 2014/15 survey to be repeated in 2016/17 | Understand and respond to the needs of our clients |

Our deliverables

Creative New Zealand's service delivery falls under the following three areas:

Investing in the arts: providing financial assistance to artists, arts practitioners and arts organisations and their projects.

Developing the arts: assisting arts organisations and individual artists and practitioners to develop their skills and capability, including in community engagement.

Advocating for the arts: undertaking policy development and research for the benefit of the arts sector, delivering other resources to the sector, making submissions on issues affecting the sector or Creative New Zealand, and collaborating with other agencies on areas of mutual interest.

Supporting our deliverables is:

Health and capability of Creative New Zealand: continuing to provide efficient and effective services.

Investing in the arts

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

A large proportion of Creative New Zealand's work is achieved by investing in the arts through our key funding programmes.

More information about funding programmes is available on our website: www.creativenz.govt.nz/en/getting-funded

In 2015/16, \$44.6 million will be distributed to the community through investments or grants. This is approximately 82.5% of Creative New Zealand's total budgeted expenditure of \$54.1 million. We are often only a partial investor with additional funding or other resources coming from local government, other central government agencies, corporate sponsorship, community and gaming trusts, ticket sales, volunteers, private philanthropy and donations.

| PROGRAMME NAME | FUNDS | | |
|---|---|---|--|
| Investment Programmes | • Toi Tōtara Haemata (Arts Leadership) Investment Programme (Tōtara) | Funding for 2 - 5 years | Contestable longer term funding to arts organisations to support the continuous delivery of arts programmes that deliver on our Outcomes |
| | • Toi Uru Kahikatea (Arts Development) Investment Programme (Kahikatea) | Funding for 1 - 3 years | |
| | • Sector Development Incentives Fund | Varies | |
| Grants and Special Opportunities | • Quick Response Grants (including Tohunga/Tukunga) | Funding up to \$7,500, 3 times a year | Contestable shorter term funding to arts practitioners and organisations to support the delivery of arts that meet our Outcomes |
| | • Arts Grants (including Toi Ake) | Funding up to \$65,000 (up to \$130,000 depending on artform), 2 times a year | |
| | • Scholarships/Residencies/Bursaries | Varies | |
| | • Earthquake recovery grants | \$ based on applications, always open | |
| | • Sistema Aotearoa and new Sistema pilots | \$500,000 per annum for 2015 and 2016 | |
| Creative Communities Scheme | • Creative Communities Scheme | Average funding of \$2,000, administered through Local Authorities | Small grants funding that supports community arts projects and encourages broad community involvement, diversity and young people |
| International | • International Presentation Fund | \$350,000 per annum (including \$100,000 specifically for Touring Australia) with 4 funding rounds per year | International presentation and exchange initiatives that support the presentation of New Zealand arts internationally |
| | • Other international funding (eg. Venice Biennale, Edinburgh, Frankfurt Book Fair) | Varies | |

SECTION 2:

Non-financial planning and performance

Measures :

| No | Name | 2013/14 Result | 2014/15 Target | 2015/16 Target/Forecast | Unit of measure | Type of measure |
|------------------------------|---|----------------|----------------|-------------------------|--------------------|-----------------------------|
| INVESTING IN THE ARTS | | | | | | |
| 3.1 | Investing in the Arts: \$ invested | \$39.7m | \$39.7m | \$44,611,347 | Dollars | Budget |
| 3.2 | Number of grants awarded: Grants and special opportunities ⁹ | 487 | 480 | ≥480 | Number | Output/Demand ¹⁰ |
| 3.3 | Number of grants awarded: Creative Communities Scheme ¹¹ | 1655 | 1650 | ≥1800 | Number | Output/Demand |
| 3.4 | Number of grants awarded: International ¹² | 43 | ≥25 | ≥25 | Number | Output/Demand |
| 3.5 | Project completion rate ¹³ | 99% | 100% | ≥99% ¹⁴ | Average percentage | Output/ Service Management |

⁹ This measure is in the 2015/16 Ministry for Culture and Heritage Budget Estimates.

¹⁰ An output/demand measure clearly reflects the output from Creative New Zealand funding, but may be affected by the amount of funding distributed, the quality and type of applications received and the amount of funds applied for per application. If funding levels reduce overall, performance against these measures will also decrease. If a greater number of high quality applications are received with increased or reduced funding amounts, performance against these measures will also be affected.

¹¹ This measure is in the 2015/16 Ministry for Culture and Heritage Budget Estimates.

¹² This measure counts international grants awarded through the investment programmes, the grants and special opportunities programmes and the international programme. It is in the 2015/16 Ministry for Culture and Heritage Budget Estimates.

¹³ This measure averages project completion rates (percentage of required reports received from funded individuals/organisations on completion of projects) for Grants and special opportunities, the Creative Communities Scheme and International programmes.

¹⁴ This target has been adjusted from 100% to ≥99% in 2015/16, as per past performance trends.

| No | Name | 2013/14 Result | 2014/15 Target | 2015/16 Target/Forecast | Unit of measure | Type of measure |
|------------------------------|---|--------------------------|--------------------------|-------------------------|--------------------|----------------------------------|
| INVESTING IN THE ARTS | | | | | | |
| 3.6 | Proportion of completed projects that are evaluated within 1 month of receipt ¹⁵ | 99% | 100% | ≥97% ¹⁶ | Average percentage | Output/Efficiency |
| 3.7 | Number of organisations in the investment programmes: Tōtara ¹⁷ | Tōtara & Kahikatea 79 | Tōtara & Kahikatea 83 | ≥25 | Number | Output/Service Management |
| 3.8 | Number of organisations in the investment programmes: Kahikatea ¹⁸ | | | ≥50 | Number | Output/Service Management |
| 3.9 | Average percentage of grants and investment organisations that meet/exceed expectations in their funding agreements ¹⁹ | 97% | ≥97% | 97% | Percentage | Effectiveness/Service Management |
| 3.10 | Investment programme success rate ²⁰ | New in 2014/15 | 90% | 90% | Percentage | Effectiveness |

¹⁵ This measure averages evaluations achieved for reports received within the reporting period from the Grants and special opportunities, and International programmes.

¹⁶ This target has been adjusted from 100% to ≥97% in 2015/16, as per past performance trends.

¹⁷ This measure is in the 2015/16 Ministry for Culture and Heritage Budget Estimates. The measure has been separated to count Tōtara and Kahikatea organisations individually.

¹⁸ This measure is in the 2015/16 Ministry for Culture and Heritage Budget Estimates. The measure has been separated to count Tōtara and Kahikatea organisations individually.

¹⁹ This measure averages results from the investment (Tōtara and Kahikatea programmes), grants and special opportunities and international programmes. The target for each individual programme is 97%. This measure is in the 2015/16 Ministry for Culture and Heritage Budget Estimates.

²⁰ This measure reports on investment clients' delivery against the key programme requirements (for Tōtara organisations this includes reporting on KPIs against key roles, collaboration, cultural awareness, and sector development; for Kahikatea organisations this includes reporting on KPIs against skills, resources and networks, high quality New Zealand work or art, and infrastructure).

SECTION 2:

Non-financial planning and performance

Developing the arts

Creative New Zealand funding assists arts organisations and individual artists and practitioners to develop by building their skills and capabilities, including audience and market development, fundraising and community engagement. This work is delivered through the support of our advisors and the formal Capability Building Programme.

The content of the Capability Building Programme is informed by the key findings from the bi-annual Organisational Development Model (ODM) survey of investment clients, the information we receive from clients about their organisations, key sector trends and Creative New Zealand's strategic priorities.

The programme is divided into four key areas:

- organisational – strategy and governance
- audience and market development
- arts sector development
- resources.

The capability building initiatives offered by Creative New Zealand are primarily targeted at investment clients, but there are also resources available for the broader arts sector. Delivery mechanisms that increase efficiency in terms of costs and resources, such as webinars and on-line publications, will be a priority in 2015/16.

In 2015/16, \$1.3 million is budgeted for developing the arts. This is approximately 2.4% of Creative New Zealand's total budgeted expenditure of \$54.1 million.

Measures :

| No | Name | 2013/14 Result | 2014/15 Target | 2015/16 Target/Forecast | Unit of measure | Type of measure |
|----------------------------|--|----------------|----------------|---------------------------------|-----------------|--------------------|
| DEVELOPING THE ARTS | | | | | | |
| 3.11 | Developing the Arts: \$ Invested | \$1.72m | \$1.87m | \$1,317,000 | Dollars | Budget |
| 3.12 | Number of capability building initiatives delivered to the sector ²¹ | 36 | ≥31 | ≥31 | Number | Output/ Demand |
| 3.13 | Percentage of those participating in the capability building programme that improve their skills (from optional self-assessment) | 67% | ≥ 80% | ≥ 80% Next survey in 2016/17 | Percentage | Effectiveness |
| 3.14 | Proportion of participants who find the capability-building initiatives to be relevant/ effective (from post initiative survey) | 95% | 97% | ≥97% | Percentage | Service Management |
| 3.15 | Number of person-days of workshop-based and experiential capability building initiatives | 663 | ≥494 | ≥494 ²² | Number | Output/ Demand |

²¹ This measure is in the 2015/16 Ministry for Culture and Heritage Budget Estimates.

²² This target includes person days for workshop-based (≥400) and experiential (≥94) capability building initiatives.

Advocating for the arts

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

Our advocacy work includes:

- carrying out policy development and research for the benefit of the arts sector
- delivering other resources to the sector
- making submissions on issues affecting the sector or Creative New Zealand
- collaborating with other agencies on areas of mutual interest.

Much of the advocacy work is delivered through existing programmes and resources. In 2015/16 \$0.2 million is budgeted specifically for advocacy. This is approximately 0.4% of Creative New Zealand's total budgeted expenditure of \$54.1 million.

Measures :

| No | Name | 2013/14 Result | 2014/15 Target | 2015/16 Target/Forecast | Unit of measure | Type of measure |
|--------------------------------|--|----------------|----------------|-------------------------|-----------------|-----------------|
| ADVOCATING FOR THE ARTS | | | | | | |
| 3.16 | Advocating the Arts: \$ Invested | \$261,706 | \$212,500 | \$203,000 | Dollars | Budget |
| 3.17 | The arts sector is viewing the Creative New Zealand website ²³ | 481,918 | ≥450,000 | ≥450,000 | Number | Effectiveness |
| 3.18 | The arts sector is aware of the Advocacy Toolkit ²⁴ | New in 2015/16 | New in 2015/16 | ≥7,000 | Number | Effectiveness |
| 3.19 | Number of research projects and other resources delivered to the sector | 4 | ≥3 | ≥3 | Number | Output/ Demand |
| 3.20 | Number of submissions made to government or local government on arts matters | 5 | ≥3 | ≥3 | Number | Output/ Demand |

²³ This measure counts use of available resources across the entire Creative New Zealand website through unique views of pages. This includes capability building resources, such as risk management and volunteer management resources and audience development case studies. The redevelopment of Creative New Zealand's website may impact reporting against this measure in 2015/16.

²⁴ This measure counts unique views of Creative New Zealand website pages within the Advocacy Toolkit.

SECTION 2:

Non-financial planning and performance

Health and capability of Creative New Zealand

Effective management of internal resources, policies and process is necessary for Creative New Zealand to effectively deliver on its outcomes, priorities and service expectations. In association with the ‘Effectiveness’ priorities in section 2, which are initiatives to improve internal effectiveness, the following measures keep track of performance of activities already in place to ensure the health and capability of Creative New Zealand.

Measures :

| No | Name | 2013/14 Result | 2014/15 Target | 2015/16 Target/Forecast | Unit of measure | Type of measure |
|--|---|-------------------|-------------------|-------------------------|-----------------|-----------------|
| HEALTH AND CAPABILITY OF CREATIVE NEW ZEALAND | | | | | | |
| 3.21 | Maintain operating costs ²⁵ | \$7.374m | New in 2015/16 | ≤\$8 million | Dollars | Budget |
| 3.22 | Maintain or improve audit management ratings ²⁶ | Good or very good | Good or very good | Good or very good | Rate | Effectiveness |
| 3.23 | Undertake internal review of process and policy against standards ²⁷ | New in 2014/15 | ≥3 | ≥3 | Number | Effectiveness |
| 3.24 | Improve on best workplaces survey – overall performance index | 72% | ≥72% | ≥72% | Percentage | Effectiveness |

²⁵ This measure excludes extraordinary expenses, such as net losses on disposal of fixed assets. Operating costs are expected to change over the long term due to changing business needs and inflation.

²⁶ This measure includes annual audit ratings for management control, financial systems and service performance information.

²⁷ Standards include formal requirements, such as accounting standards, as well as guidelines and recognised best practice models or approaches.

FINANCIAL PLANNING AND PERFORMANCE

WHAKAMAHERE PŪTEA MAHI

SECTION 3:

Financial planning and performance

In its financial planning and performance,

Creative New Zealand will:

- budget and manage operating expenditure to ensure that the minimum level of retained earnings approved by the Council is maintained
- manage our working capital to ensure that we can pay our debts when they are due
- budget and manage capital expenditure within available funding levels
- have annual operating and capital expenditure budgets and subsequent budget updates/reforecasts approved by the Council
- operate within the financial delegations approved by the Council
- operate prudently within the organisation's appropriate and robust internal controls
- maintain a conservative cash management strategy – investing in term deposits or interest-bearing accounts with established organisations approved by the Council.

Prospective Financial Statements

Prospective statement of financial performance

for the year ending 30 June

| | ACTUAL 2014 \$000 | FORECAST 2015 \$000 | BUDGET 2016 \$000 |
|---|-------------------------|---------------------------|-------------------------|
| REVENUE | | | |
| Revenue from the Crown | 15,689 | 15,689 | 15,689 |
| Revenue from the New Zealand Lottery Grants Board | 37,379 | 31,479 | 31,185 |
| Interest revenue | 812 | 995 | 500 |
| Other revenue | 298 | 1,762 | 214 |
| TOTAL REVENUE | 54,178 | 49,925 | 47,588 |
| EXPENDITURE | | | |
| Funding | 39,688 | 41,773 | 44,611 |
| Capability Building | 1,723 | 1,756 | 1,317 |
| Advocacy | 262 | 473 | 203 |
| Operating costs | | | |
| Personnel expenses | 4,565 | 4,838 | 4,976 |
| Depreciation and amortisation | 241 | 288 | 343 |
| Net losses on disposal of assets | 1,401 | - | 142 |
| Other expenses | 2,573 | 2,571 | 2,507 |
| TOTAL EXPENDITURE | 50,453 | 51,699 | 54,099 |
| NET OPERATING SURPLUS / (DEFICIT) | 3,725 | (1,774) | (6,511) |

SECTION 3:

Financial planning and performance

Prospective statement of comprehensive revenue and expense

for the year ending 30 June

| | ACTUAL | FORECAST | BUDGET |
|---|--------------|----------------|----------------|
| | 2014 | 2015 | 2016 |
| | \$000 | \$000 | \$000 |
| Net operating surplus / (deficit) for the year | 3,725 | (1,774) | (6,511) |
| Other comprehensive revenue and expense | | | |
| Revaluation of land and buildings | (200) | - | - |
| Revaluation of works of art | (48) | - | - |
| Total other comprehensive revenue and expense | (248) | - | - |
| TOTAL COMPREHENSIVE REVENUE AND EXPENSE | 3,477 | (1,774) | (6,511) |

Prospective statement of changes in net assets / equity

for the year ending 30 June

| | ACTUAL | FORECAST | BUDGET |
|--|---------------|----------------|----------------|
| | 2014 | 2015 | 2016 |
| | \$000 | \$000 | \$000 |
| Total equity as at 1 July | 12,420 | 15,897 | 14,123 |
| Net operating surplus/(deficit) for the year | 3,725 | (1,774) | (6,511) |
| Other comprehensive revenue and expense | (248) | - | - |
| Total comprehensive revenue and expense | 3,477 | (1,774) | (6,511) |
| TOTAL EQUITY AS AT 30 JUNE | 15,897 | 14,123 | 7,612 |

Prospective statement of financial position

for the year ending 30 June

| | ACTUAL 2014 \$000 | FORECAST 2015 \$000 | BUDGET 2016 \$000 |
|--------------------------------------|-------------------------|---------------------------|-------------------------|
| ASSETS | | | |
| Current assets | | | |
| Cash and cash equivalents | 18,962 | 5,590 | 11,226 |
| Investments in term deposits | - | 13,500 | - |
| Debtors and other receivables | 9,360 | 6,675 | 7,675 |
| Prepayments | 130 | 230 | 230 |
| Total current assets | 28,452 | 25,995 | 19,131 |
| Non-current assets | | | |
| Property, plant and equipment | 692 | 1,240 | 1,140 |
| Works of art | 1,132 | 1,132 | 1,132 |
| Intangible assets | 1,241 | 1,400 | 1,225 |
| Total non-current assets | 3,065 | 3,772 | 3,497 |
| TOTAL ASSETS | 31,517 | 29,767 | 22,628 |
| LIABILITIES | | | |
| Current liabilities | | | |
| Grants payable | 13,504 | 13,630 | 13,000 |
| Creditors and other payables | 1,608 | 1,568 | 1,568 |
| Employee entitlements | 384 | 322 | 322 |
| Total current liabilities | 15,496 | 15,520 | 14,890 |
| Non-current liabilities | | | |
| Lease make-good provision | 85 | 86 | 88 |
| Employee entitlements | 39 | 38 | 38 |
| Total non-current liabilities | 124 | 124 | 126 |
| TOTAL LIABILITIES | 15,620 | 15,644 | 15,016 |
| NET ASSETS | 15,897 | 14,123 | 7,612 |
| EQUITY | | | |
| Accumulated funds | 14,776 | 13,002 | 6,491 |
| Revaluation reserves | 1,121 | 1,121 | 1,121 |
| TOTAL EQUITY | 15,897 | 14,123 | 7,612 |

SECTION 3:

Financial planning and performance

Prospective statement of cash flows

for the year ending 30 June

| | ACTUAL 2014 \$000 | FORECAST 2015 \$000 | BUDGET 2016 \$000 |
|--|-------------------------|---------------------------|-------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Cash was provided from: | | | |
| Revenue from the Crown | 15,689 | 15,689 | 15,689 |
| Revenue from the New Zealand Lottery Grants Board | 35,447 | 33,965 | 30,179 |
| Interest received | 783 | 950 | 600 |
| Grant retirements and gains | 124 | 124 | 120 |
| Other income | 31 | 912 | 34 |
| Net Goods and Services Tax | - | 240 | - |
| Cash was applied to: | | | |
| Payments of grants | (41,247) | (43,726) | (46,701) |
| Payments to employees | (4,501) | (4,701) | (4,776) |
| Payments of operating expenses | (2,200) | (2,910) | (2,705) |
| Net Goods and Services Tax | (120) | - | (94) |
| NET CASH FLOWS FROM OPERATING ACTIVITIES | 4,006 | 543 | (7,654) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Cash was provided from: | | | |
| Sale of property, plant and equipment | 813 | - | - |
| Terms deposits maturing | 7,500 | - | 13,500 |
| Cash was applied to: | | | |
| Purchase of property, plant, equipment and intangible assets | (1,002) | (415) | (210) |
| Investment in term deposits | - | (13,500) | - |
| NET CASH FLOWS FROM INVESTING ACTIVITIES | 7,311 | (13,915) | 13,290 |
| NET INCREASE (DECREASE) IN CASH HELD | 11,317 | (13,372) | 5,636 |
| Add opening cash brought forward: | | | |
| Cash on hand and at bank | 32 | 70 | 70 |
| Short-term deposits | 7,613 | (18,892) | 5,520 |
| BALANCE AT END OF YEAR | 18,962 | 5,590 | 11,226 |
| Represented by: | | | |
| Closing cash carried forward: | | | |
| Cash on hand and at bank | 70 | 70 | 70 |
| Short-term deposits | 18,892 | 5,520 | 11,156 |
| BALANCE AT END OF YEAR | 18,962 | 5,590 | 11,226 |

Notes to the prospective financial statements

The prospective financial statements are based on policies and approvals in place as at 22 April 2015 and are GST exclusive (except for payables and receivables, which are GST inclusive).

The prospective financial statements form part of the Statement of Performance Expectations. The prospective financial statements form the basis for end-of-year reporting in the financial statements contained in the Annual Report. Actual results presented in the Annual Report may vary from the information presented here, and the variations may be material.

The prospective financial statements set out Creative New Zealand's activities and planned performance. The use of this information for other purposes may not be appropriate.

These prospective financial statements have been prepared on the basis of assumptions as to future events that Creative New Zealand reasonably expects to occur, associated with the actions that Creative New Zealand reasonably expects to take, as at the date that this information was prepared.

Figures shown in these prospective financial statements are based on the following:

- June 2014 – actual figures from the 2013/14 Annual Report
- June 2015 – forecast based on actual figures at 31 March 2015
- June 2016 – budget based on the draft budget approved by the Arts Council on 22 April 2015.

Statement of accounting policies

For the years ending 30 June 2015 and 30 June 2016

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 and operates 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 (PBE) for financial reporting purposes.

2. Basis of preparation

These prospective financial statements have been prepared on a going concern basis, and the accounting policies have been applied consistently throughout the period.

2.1 Statement of compliance

These prospective financial statements have been prepared in accordance with the Crown Entities Act 2004, which includes the requirement to comply with generally accepted accounting practice in New Zealand (NZ GAAP).

They have been prepared in accordance with Tier 1 PBE accounting standards and comply with PBE accounting standards.

2.2 Presentation currency and rounding

These prospective financial statements are presented in New Zealand dollars (NZ\$), and are rounded to the nearest thousand dollars (\$000), unless otherwise stated.

3. Significant accounting policies

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

SECTION 3:

Financial planning and performance

3.1 Revenue

The specific accounting policies for significant revenue items are explained below:

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 Creative New Zealand meeting the objectives specified in its governing legislation and the scope of the relevant appropriations of the funder.

Creative New Zealand considers there are no conditions attached to the funding. The funding is recognised as revenue at the point of entitlement. The fair value of revenue from the Crown has been determined to be equivalent to the amounts due in the funding arrangements.

REVENUE FROM THE NEW ZEALAND LOTTERY GRANTS BOARD

Creative New Zealand receives the majority of its funding from the New Zealand Lottery Grants Board. The New Zealand Lottery Grants Board allocates 15% of its profit to Creative New Zealand under section 279 of the Gambling Act 2003. Creative New Zealand uses the funding for the purpose of meeting its objectives specified in the governing legislation.

Creative New Zealand considers there are no conditions attached to the funding. The funding is recognised as revenue at the point of entitlement. The fair value of revenue from the New Zealand Lottery Grants Board has been determined to be equivalent to the amounts due in the funding arrangements.

OTHER GRANTS

Grants are recognised as revenue when they become receivable unless there is an obligation in substance 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.

INTEREST REVENUE

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

DONATED ASSETS

Where a physical asset is gifted to or acquired by Creative New Zealand for nil consideration or at a subsidised cost, the asset is recognised at fair value and the difference between the consideration provided and fair value of the asset is recognised as revenue.

The fair value of donated assets is determined as follows:

- For new assets, fair value is usually determined by reference to the retail price of the same or similar assets at the time the asset was received.
- For used assets, fair value is usually determined by reference to market information for assets of a similar type, condition, and age.

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 approved by Creative New Zealand but not paid at balance date.

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

Creative New Zealand does not award non-discretionary grants.

3.3 Foreign currency transactions

Foreign currency transactions are translated into New Zealand dollars using the spot exchange rates 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.

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.

3.5 Cash and cash equivalents

Cash and cash equivalents includes cash at bank and on hand, deposits held on call with banks, and other short-term highly liquid investments with original maturities of three months or less.

3.6 Investments

BANK TERM DEPOSITS

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

3.7 Debtors and other receivables

Short-term receivables are recorded at their face value, less any provision for impairment.

A receivable is considered impaired when there is evidence that Creative New Zealand will not be able to collect the amount due. The amount of the impairment is the

difference between the carrying amount of the receivable and the present value of the amounts expected to be collected.

3.8 Property, plant and equipment

Property, plant and equipment consist of the following asset classes: leasehold 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.

Work in progress is recognised at cost less impairment and is not depreciated.

In most instances, an item of property, plant, and equipment is initially recognised at its cost. Where an asset is acquired through a non-exchange transaction, it is recognised at its fair value as at the date of acquisition.

DISPOSALS

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount of the asset. Gains and losses on disposals are reported net 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.

SECTION 3:

Financial planning and performance

SUBSEQUENT COSTS

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

The costs of day-to-day servicing of property, plant and equipment are recognised in the Statement of Financial Performance as they are incurred.

DEPRECIATION

Depreciation is provided on a straight line basis on all property, plant and equipment, other than 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:

| | | |
|-------------------------------------|------------|-----|
| Leasehold improvements (Auckland) | 10 years | 10% |
| Leasehold improvements (Wellington) | 4.58 years | 22% |
| Furniture, equipment and fittings | 10 years | 10% |
| Computer equipment | 4 years | 25% |

Leasehold improvements are depreciated over the shorter of the unexpired period of the lease and the estimated useful life of the assets.

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.

3.10 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 (GMS) and Customer Relationship Management (CRM) system | 6 years | 16.67% |

3.11 Impairment of property, plant and equipment and intangible assets

Creative New Zealand does not hold any cash-generating assets. Assets are considered cash-generating where their primary objective is to generate a commercial return.

NON-CASH GENERATING ASSETS

Property, plant and equipment and intangible assets held at cost that have finite useful lives are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by

which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

Value in use is determined using an approach based on either a depreciated replacement cost approach, restoration cost approach, or a service units approach. The most appropriate approach used to measure value in use depends on the nature of the impairment and availability of information.

If an asset's carrying amount exceeds its recoverable service amount, the asset is regarded as impaired and the carrying amount is written-down to the recoverable amount. The total impairment loss is recognised in the surplus or deficit.

The reversal of an impairment loss is recognised in the Statement of Financial Performance.

3.12 Financial instruments

Creative New Zealand is party to non-derivative financial instruments as part of its normal operations. These financial instruments include cash at bank and on hand, deposits held on call with banks, short-term deposits, debtors and other receivables, and creditors 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.

3.13 Creditors and other payables

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

3.14 Employee entitlements

SHORT-TERM EMPLOYEE ENTITLEMENTS

Employee entitlements expected to be settled within 12 months of balance date are measured at undiscounted

nominal values based on accrued entitlements at current rates of pay. These include salaries and wages accrued up to balance date, annual leave earned but not yet taken at balance date, 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.

3.15 Superannuation scheme

DEFINED CONTRIBUTION SCHEME

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

3.16 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”.

3.17 Goods and services tax

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

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

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

Commitments and contingencies are disclosed exclusive of GST.

3.18 Income tax

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

3.19 Equity

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

- accumulated funds and
- revaluation reserve.

REVALUATION RESERVE

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

4. Changes in accounting policies and estimates

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

5. Significant estimates and assumptions

In preparing these prospective financial statements, Creative New Zealand has made estimates and assumptions concerning the future. These estimates and assumptions may differ from the subsequent actual results. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed reasonable under the circumstances.

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

Revenue from the New Zealand Lottery Grants Board has been estimated for the 2015/16 based on the projected revenue for the 2014/15 financial year.

It is assumed that the timing of baseline funding will be the same for each of the financial years. The timing of expenditure under Creative New Zealand’s funding programmes can be variable after each funding round. A best estimate of the timing of this expenditure has been made, which may vary from the timing of the actual expenditure.

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

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

NON-FINANCIAL PLANNING AND PERFORMANCE – 2015/16 SPE PLAN ON A PAGE

VISION: Dynamic and resilient New Zealand

1.1 New Zealanders' attitudes to the arts (≥ 75%)

1.2 Level of engagement with the arts: Attendance and participation

Our vision

→ **OUTCOME 1**

New Zealanders participate in the arts

1.4 Outcome 1: \$ invested

1.5 Outcome 1: Number of participants in projects/events funded by Creative New Zealand

→ **OUTCOME 2**

High quality New Zealand art is developed

1.6 Outcome 2: \$ invested

1.7 Outcome 2: Number of new New Zealand works developed

Our priorities

PEOPLE AND PLACE

Annual Priorities

2.1 **Regions:** Regional Pilots

2.2 **Nation-wide:** National Touring Agency and Fund

2.3 **Young People:** Young people and the arts policy development framework

2.4 **Diversity:** Auckland Diversity Project

2.5 **Remembrance:** WW100 Co-commissioning Fund

2.6 **International artistic exchange:** Exchange of Pacific Arts

2.7 **Engagement:** Iwi Engagement

2.8 **Arts policy:** Research, Review and Refresh

Strategic Priorities

2.13 **Christchurch:** Earthquake recovery

2.14 **Auckland:** Auckland Arts and Culture Strategic Action Plan

Our deliverables

INVESTING IN THE ARTS

3.1 Investing in the arts: \$ invested

3.2 Number of grants awarded: Grants and special opportunities

3.3 Number of grants awarded: Creative Communities Scheme

3.4 Number of grants awarded: International

3.5 Project completion rate

3.6 Proportion of complete projects that are evaluated within 1 month of receipt

3.7 Number of organisations in the investment programmes: Tōtara

3.8 Number of organisations in the investment programmes: Kahikatea

3.9 Average percentage of grants and investment organisations that meet/exceed expectations in their funding agreements

3.10 Investment programme success rate

DEVELOPING THE ARTS

3.11 Developing the arts: \$ invested

3.12 Number of capability building initiatives delivered to the sector

3.13 Percentage of those participating in capability building programmes that improve their skills (from optional self-assessment)

3.14 Proportion of participants who find the capability building initiatives relevant/effective (from post initiative survey)

3.15 Number of person days of workshop-based and experiential capability building initiatives

Our values

Mana Māori: we will recognise and support the role of Māori as tanagta whenua in the arts

Mana Pasifika: we will recognise the arts of the Pasifika peoples of New Zealand

Mahitahi: we will work together with others so we can achieve more

Tauutuutu: we will be open, frank and respectful in our relationships

Participation (≥ 85%)

1.3 Percentage of attendees who rate their most recent experience of New Zealand arts as high-quality (≥ 60%)

→ **OUTCOME 3**

New Zealanders experience high-quality arts

1.8 Outcome 3: \$ invested

1.9 Outcome 3: Numbers of attendees at projects/events funded by Creative New Zealand

→ **OUTCOME 4**

New Zealand arts gain international success

1.10 Outcome 4: \$ invested

1.11 Outcome 4: Number of international presentations/events

1.12 Outcome 4: Number of individuals/organisations presenting internationally

INFLUENCE

Connections: Asia Strategy, Venice Biennale, Festival Management, Mana Pasifika
 review development and implementation

EFFECTIVENESS

2.9 **Transparency:** Communication with the sector
 2.10 **Organisational performance:** Planning and Performance Framework
 2.11 **Internal Effectiveness:** Systems and processes
 2.12 **Legislation and Guidelines:** Comply with new legislations and guidelines

2.15 **Decision-making timeframes:** Reduced
 2.16 **Technology:** Grants management system
 2.17 **Clients:** Satisfaction survey

ADVOCATING FOR THE ARTS

3.16 Advocating for the arts: \$ invested
 3.17 The arts sector is viewing the Creative New Zealand website
 3.18 The arts sector is aware of the Advocacy Toolkit
 3.19 Number of research projects and other resources delivered to the sector
 3.20 Number of submissions made to government or local government on arts matters

HEALTH AND CAPABILITY OF CREATIVE NEW ZEALAND

3.21 Maintain operating costs
 3.22 Maintain or improve audit management ratings
 3.23 Undertake internal review of process and policy against standards
 3.24 Improve on best workplaces survey - overall performance index

Manaakitanga: we will be welcoming and responsive to all

Mana Toi: we will champion the role of the arts and the contribution artists make to our lives

Te Taumata: we will set high standards for our work



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