



ARTS COUNCIL OF NEW ZEALAND TOI AOTEAROA

Statement of Performance Expectations

TAUĀKĪ MAHI HUA

2016/17

This Statement of Performance Expectations 2016/17 is a revised version of the one put in place for 1 July 2016. Arts Council budget decisions from July and September 2016 have now been incorporated, as have revised funding forecasts from the New Zealand Lottery Grants Board.

Contact us

Website: www.creativenz.govt.nz

Wellington Office

Level 10
Aorangī House
85 Molesworth Street
PO Box 3806
Wellington 6140
T: 04 473 0880
F: 04 471 2865
E: info@creativenz.govt.nz

Auckland Office

Level 1
Southern Cross Building
Cnr High and Victoria Streets
PO Box 1425
Auckland 1140
T: 09 373 3066
F: 09 377 6795
E: northern@creativenz.govt.nz

Christchurch contact

E: southern@creativenz.govt.nz

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FRONT COVER:

Festival of Pacific Arts 2016, Photography by
Jasmyne Chung.

This Statement of Performance Expectations (SPE) documents the Arts Council of New Zealand's (Creative New Zealand's) planned activity, performance targets and forecast financial information for the period 1 July 2016 to 30 June 2017.

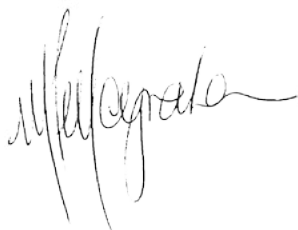
It replaces the earlier SPE for 2016/17, which was in force from 1 July 2016, and is presented in accordance with sections 149B to 149M of the Crown Entities Act 2004.

A handwritten signature in black ink, appearing to read 'R Grant', with a horizontal line underneath the name.

Richard Grant

Chairman, Arts Council

14 September 2016

A handwritten signature in black ink, appearing to read 'M Moynahan', written in a cursive style.

Michael Moynahan

Deputy Chairman, Arts Council

14 September 2016

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INTRODUCTION

KUPU ARATAKI

Foreword

Kupu whakataki

We are pleased to present our Statement of Expectations (SPE) for 2016/17, the first annual plan under our new Statement of Intent (SOI) 2016–2021.

A strong arts sector, with strong public engagement, is vital to dynamic and resilient arts flourishing in Aotearoa. Through our work, we aim to encourage, promote and support the arts for the benefit of all New Zealanders.

We are fortunate to be working from a strong base. New Zealand's artists, arts practitioners and arts organisations continue to create arts which stimulate and motivate audiences here and abroad. Increasingly, they are working together to forge new creative ground; learning from each other, embracing diversity and delivering novel artistic experiences to the public.

We're unwavering in our support for the arts sector, from emerging artists right through to well-established organisations. However, as we set out in our SOI, the unpredictable funding environment presents a real challenge to how we support the sector most effectively. The New Zealand Lottery Grants Board funding forecast for 2016/17 points to lower revenue for us than in the previous couple of years. This SPE forecasts a budget that keeps the impact of this on the arts sector to a minimum.

With challenge comes opportunity though, and the new strategic goals and objectives we have in place show our desire to identify and seize these opportunities. This SPE describes how we'll deliver to those aims in 2016/17.

We look forward to rising to the occasion and contributing to another strong year for the arts in New Zealand.



Richard Grant
Chairman, Arts Council
14 September 2016



Stephen Wainwright
Chief Executive
14 September 2016

About our plan

Ta tātau mahere

Creative New Zealand is Aotearoa's national arts development agency. We encourage, promote, and support the arts in New Zealand for the benefit of all New Zealanders. More information about our organisation is on page 37.

Each year, Creative New Zealand publishes a Statement of Performance Expectations (SPE), which sets out our planned activity, performance targets and forecast financial information for the relevant financial year. The SPE sits under our Statement of Intent (SOI) 2016–2021 and describes how this year's work will contribute to achieving the SOI's medium-term strategy.

This SPE covers the 2016/17 financial year (ie, 1 July 2016 to 30 June 2017) and comprises two main parts:

- non-financial planning and performance – sets out performance measures around our outcomes and our deliverables (annual priorities and core activities), and describes key areas of work for the next year
- financial planning and performance – provides our financial statements for the 2016/17 year and the notes to those statements.

We will report against these two parts in our 2016/17 Annual Report.

Given the potential for change in the level of funding we receive from the New Zealand Lottery Grants Board, we may need to amend this SPE during the 2016/17 year as circumstances require.

Our performance framework

Te tūtuki i a mātau mahi

Our SOI sets out Creative New Zealand's strategic direction over the 2016 to 2021 period. Our performance framework is derived from that strategic direction.

Broadly, our planned strategic direction comprises three parts:

- our **future** – what we want to achieve overall (our vision) and the difference we want our work to make (our outcomes)
- our **focus** – what we want to achieve by 2021 (our goals, supported by objectives) and what we do to support this (our deliverables)
- our **foundation** – our reason for being, as set out in our Act (our purpose) and the core principles that guide our work (our values).

We also contribute to the broader aims for the cultural sector and the Government's wider priorities.

Diagrams of our strategic direction for 2016–2021 and our performance framework for 2016/17 are set out on the following pages.

Output class and funding model

Creative New Zealand has one output class – Promotion and support of the arts – which is a reportable class for the purposes of the Crown Entities Act 2004.

Our output class covers all of our deliverables, which are broadly grouped into five areas:

- investing in the arts
- developing the arts

- advocating for the arts
- improving service delivery
- improving our organisation.

These areas directly relate to our five strategic goals. Delivering to these goals, supported by our purpose and our values (our foundation), will help us achieve our outcomes and our vision (our future).

No output classes have been given reporting exemptions by the Minister of Finance. We do not propose to supply any class of outputs in 2016/17 that is not a reportable class of outputs.

We operate under one central government output expense: Promotion and Support of Arts and Film. The Ministry for Culture and Heritage is our monitoring department. The Minister for Arts, Culture and Heritage is our responsible Minister.

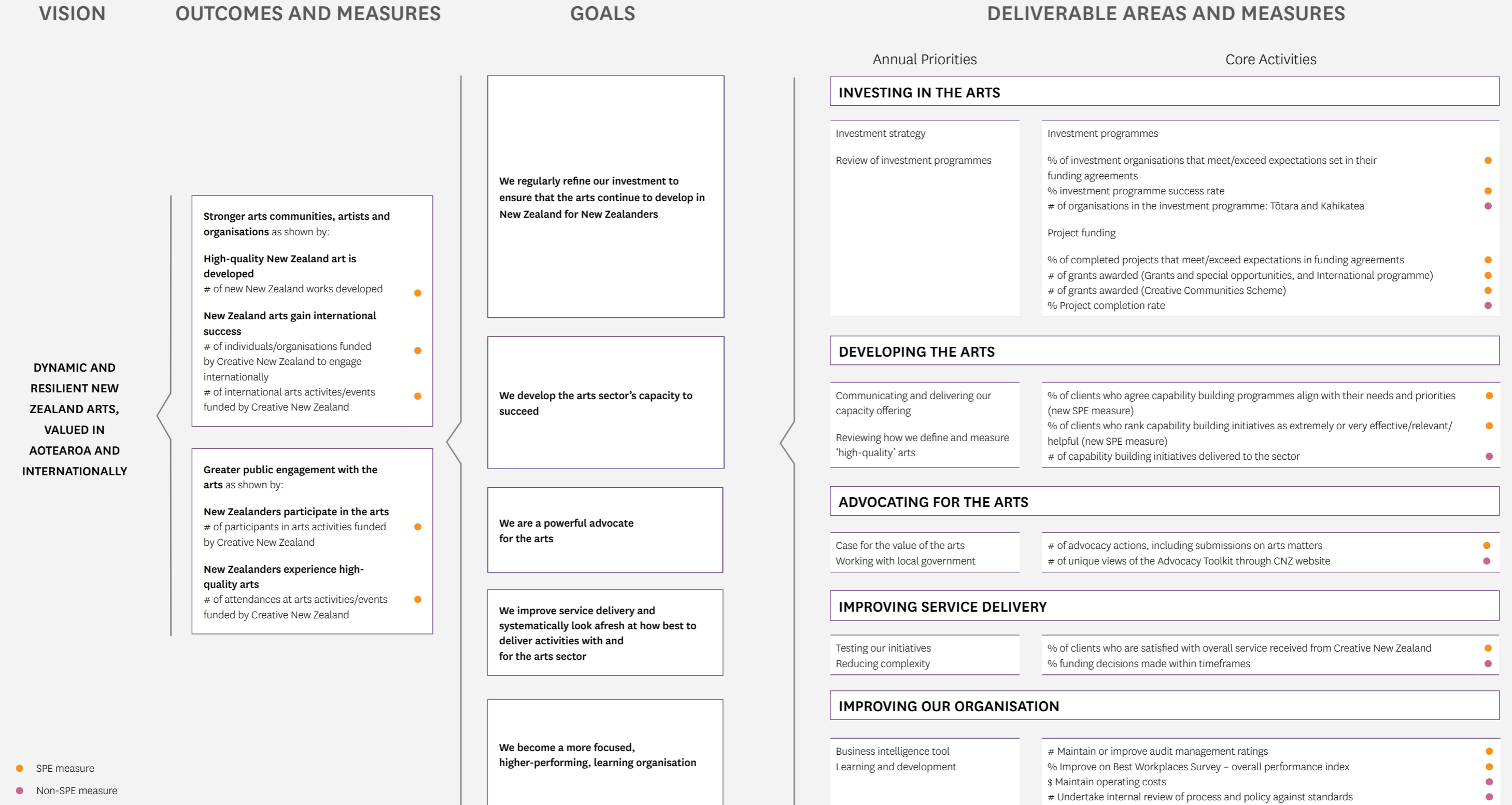
We are principally funded through Vote: Arts, Culture and Heritage and the New Zealand Lottery Grants Board (NZLGB). In 2016/17, Creative New Zealand expects to receive:

- \$15.689 million through Vote: Arts, Culture and Heritage
- an estimated \$28.665 million from the NZLGB, based on Lotto NZ's forecast payment to the NZLGB (as published in Lotto NZ's SPE 2016/17).

Our strategic direction for 2016-2021



Our performance framework for 2016/17



● SPE measure
● Non-SPE measure

NON-FINANCIAL PLANNING AND PERFORMANCE

WHAKAMAHERE UTU KORE MAHI

Non-financial planning and performance

Whakamahere utu kore mahi

This section sets out performance measures around our outcomes and our deliverables (annual priorities and core activities). We'll report on these, along with key areas of work set out in the 'What we'll do' sections, in our Annual Report for 2016/17.

Our ability to meet the expectations in these measures depends on the level of resourcing over the course of the year. Unlike many other government agencies, the degree of our revenue which is variable is high (eg, 65.1 percent in 2015/16).

Because of this, we tend to adopt a conservative approach to forecasting our measures. Whilst described as 'targets' in the tables throughout this section, in many areas these are generally either:

- demand-driven and therefore dependant on the number of applications received and the specific amounts funded (eg, the number of new New Zealand works developed or the number of grants awarded)
- the result of activity in the arts sector outside of our direct control (eg, New Zealanders participating in or experiencing the arts).

Despite our generally cautious approach, we have raised targets in certain areas. This is off the back of strong performance in these areas in previous years, such as the number of individuals/organisations funded by Creative New Zealand to engage internationally (raised from >100 to >150), and the number of attendances at arts activities/events funded by Creative New Zealand through our Investment programmes (raised from >720,000 to >955,000). As we note in our SOI, this is a sign of an enthusiastic, confident and productive arts sector, whose creative output is flourishing.

We also plan to keep improving our data collection, so that we get a more well-rounded picture of the sector's performance (eg, we're including the Creative Communities Scheme within our participation data for the first time in 2016/17, and we'll develop a baseline for participation levels arising from our own project funding, like grants and special opportunities).

Our outcomes

Our outcomes describe the difference we want our work to make. They guide our work, including how we assess applications to our funding programmes as well as the delivery of our development and advocacy initiatives.

We are planning on achieving two outcomes:

- **Stronger arts communities, artists and organisations** as shown by: high-quality New Zealand art is developed; and New Zealand arts gain international success
- **Greater public engagement with the arts** as shown by: New Zealanders participate in the arts; and New Zealanders experience high-quality arts.

Stronger arts communities, artists and organisations as shown by:

→ High-quality New Zealand art is developed

→ New Zealand arts gain international success

Dynamic and resilient arts come from sustainable and successful arts communities, artists and organisations.

In 2016/17, we will work to ensure that high-quality New Zealand arts are developed. This will give artists and arts organisations opportunities to continually develop their artforms, the quality of their work and their artistic skills and capabilities. It will also allow them to experiment, be innovative and take risks, and create work that excites and engages audiences.

Given that international success is an important part of a healthy New Zealand arts sector, we will work to help New Zealand artists and arts organisations to develop international audiences, readers and viewers. This in turn helps them increase their income, assists them in developing their practice in relation to the international arts environment, and promotes New Zealand and its arts to international audiences.

SECTION 2:

Non-financial planning and performance

Measures :

No.	Name	2014/15 Actual	2015/16 Target	2016/17 Target	Note
O1.1	High-quality New Zealand art is developed: Number of new New Zealand works developed (across all programmes)	361	≥360	≥360	<p>The number of new New Zealand works developed is largely driven by available resources, applications received and amounts funded. We ensure high-quality New Zealand art is funded through robust application and assessment processes.</p> <p>The 2014/15 result has been amended from 500 to 361, due to the measure being refined over time.</p>
O2.1	New Zealand arts gain international success: Number of individuals/organisations funded by Creative New Zealand to engage internationally (across all programmes)	305	≥100	≥150	<p>This target has been increased in 2016/17 from ≥100 to ≥150 due to the positive results recorded against the measure since its introduction in 2012/13.</p>
O2.2	New Zealand arts gain international success: Number of international arts activities/ events ¹ funded by Creative New Zealand (across all programmes)	340	≥200	≥250	<p>This target has been increased in 2016/17 from ≥200 to ≥250 due to the positive results recorded against the measure since its introduction in 2012/13.</p>

Greater public engagement with the arts as shown by:

→ New Zealanders participate in the arts

→ New Zealanders experience high-quality arts

By engaging with the arts, New Zealanders show that they appreciate and value them as a part of their day-to-day lives.

In 2016/17, we want New Zealanders to have as many opportunities as possible to participate in the arts.

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

Audiences are vital to a vibrant arts sector. This year, we will aim to broaden the opportunities for all New Zealanders to experience the arts, providing them with access to a diverse range of artistic experiences.

Measures :

No.	Name	2014/15 Actual	2015/16 Target	2016/17 Target	Note
O2.1	New Zealanders participate in the arts: Number of participants in arts activities ¹ funded by Creative New Zealand:				Participation includes the active involvement of individuals, groups and/or communities in the making or presentation of art. It applies to professional, emerging and non-professional artists, including those involved in cultural and recreational activities.
O2.1.1	Investment programmes	31,976	≥25,000	≥35,000	
O2.1.2	Creative Communities Scheme	n/a	Baseline developed	≥100,000	
O2.1.3	Project funding: Grants and special opportunities	n/a	New in 2016/17	Baseline developed	
O2.2	New Zealanders experience high-quality arts: Number of attendances at arts activities/ events ¹ funded by Creative New Zealand:				This measure refers to audience numbers, including paid audiences, readers, viewers, and attendances at free events.
O2.2.1	Investment programmes	955,842	≥720,000	≥955,000	The target for investment programme attendances has been increased in 2016/17 from ≥720,000 to ≥955,000 due to the positive results recorded against the measure since its introduction in 2011/12.
O2.2.2	Project funding: Grants and special opportunities	n/a	New in 2016/17	Baseline developed	

¹ 'Arts activities' captures a wide variety of works Creative New Zealand funds (eg, plays, concerts, dance performances, exhibitions, workshops, masterclasses, publications, etc). 'Events' captures the number of opportunities audiences have to experience arts activities (eg, each time a play/concert/dance performance occurs; each day an exhibition is open to the public; each sale or publication; etc).

Our deliverables

Our deliverables are what we'll do to support our goals and objectives, as set out in our SOI.

- **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:** Promoting the value of the arts to government agencies and other stakeholders, and empowering the arts sector and the public to 'make the case' for the arts.
- **Improving service delivery:** Continuing to improve the way in which we deliver services to the arts sector, including focusing on what we're best placed to deliver.
- **Improving our organisation:** Improving the way we operate as Aotearoa's national arts development agency.

Each area's deliverables are a combination of:

- **Annual priorities:** These are a mix of new projects and on-going work, and tend to be more innovative or high-profile in nature than core activities. They are likely to change from year-to-year, as we make progress towards meeting our goals.
- **Core activities:** These relate to more 'business as usual'-type activities, such as running funding programmes like Arts Grants or Quick Response, delivering capacity building initiatives, or carrying out advocacy such as submissions to local government.

Investing in the arts

Investing in the arts supports the following goal/objectives:

Goal	Objectives
We regularly refine our investment to ensure that the arts continue to develop in New Zealand for New Zealanders (external focus)	<ol style="list-style-type: none"> 1. We'll develop an investment strategy which systematically tests the contribution of our key programmes to improving the resilience of artists and arts infrastructure and delivery to New Zealanders. 2. We'll use the investment strategy as the principal tool for guiding investment decisions in the arts sector, and improve the sector's understanding of the policies, guidelines and criteria that underpin investment decisions. 3. We'll refine our investment decisions and re-allocate resources based on transparent policies.

What we'll do

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

Most of Creative New Zealand's work is delivered through investing in the arts via our key funding programmes, as outlined below. More information about funding programmes is available on our website:

www.creativenz.govt.nz/en/getting-funded

Programme	Funds	Timeframes	Description
Investment programmes	Toi Tōtara Haemata (Arts Leadership) Investment Programme (Tōtara)	Funding for 2 to 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 to 3 years	
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	
Creative Communities Scheme	Creative Communities Scheme	Average funding of \$2,000, administered through local authorities	Small grants funding that supports local arts projects and encourages broad community involvement, diversity and engaging young people.
International	International Presentation Fund	\$350,000 per annum 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)	Varies	

More detail on our investment in the arts sector for 2016/17 is set out on page 24. A number of important initiatives will also continue in 2016/17. These include:

- Regional pilots in Waikato and Southland – working with communities to deliver to key arts development needs
- Focus on Asia Strategy – 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
- 2017 Venice Biennale – co-funding and leading New Zealand’s presence at la Biennale di Venezia with Lisa Reihana’s Emissaries
- National Touring Agency and Fund – to increase national touring of contemporary New Zealand theatre, dance and music
- Auckland Diversity Project – 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.

We’ll also work to provide better feedback and insights for our investment clients about their own performance and that of the wider portfolio over time, and work with the Ministry for Culture and Heritage to explore options that could achieve greater consistency of funding for the sector.

In 2016/17, we estimate that \$39.243 million will be distributed to the community through our funding programmes. 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.

SECTION 2:

Non-financial planning and performance

Annual priorities

Measures:

No.	Name	Description	2016/17 milestones	Achievement result
G1.1	Investment strategy	An investment strategy is developed that systematically tests the contribution of our key programmes	Investment strategy completed and agreed by Arts Council (June 2017)	Investment strategy guides decision-making on allocation of resources.
G1.2	Review of investment programmes	Recommendations arising out of the 2016 review of investment programmes are agreed by the Arts Council and implemented	Recommendations are agreed by Arts Council (July 2016) and implemented (by June 2017)	Investment programmes are improved in accordance with agreed recommendations.

Core activities

Measures:

No.	Name	2014/15 Actual	2015/16 Target	2016/17 Target	Note
INVESTMENT PROGRAMMES					
G1.3	Percentage of investment organisations that meet/exceed expectations set in their funding agreements	91%	≥97%	≥95%	This measure reports on investment clients' delivery against performance in 4 areas: artistic, audience, financial, and organisational. It includes all Tōtara and Kahikatea clients with continuous funding agreements.
G1.4	Investment programme success rate	90%	≥90%	≥95%	This measure reports on investment clients' delivery against the key performance indicators (KPIs) for each programme. It includes all Tōtara and Kahikatea clients with continuous funding agreements.
PROJECT FUNDING					
G1.5	Percentage of completed projects that meet/exceed expectations in funding agreements	97%	≥97%	≥98%	This measure reports on evaluated completion reports for project funding: Project funded Kahikatea clients; Grants and special opportunities; International and capability building programme grants; and other project funding.
G1.6	Number of grants awarded: Grants and special opportunities, and International programme	593	≥505	≥530	Grants and special opportunities ≥480. The international programme target has been increased from ≥25 to ≥50 due to positive results recorded against the measure since 2011/12 and due to the Focus on Asia initiative introduced into the programme in 2014/15.
G1.7	Number of grants awarded: Creative Communities Scheme	1,680	≥1800	≥1650	The average grant amount has increased since 2011/12, hence the decrease in the target number of grants to be awarded in 2016/17. There is no limit to the grant amount, but most CCS grants are under \$2,000.

Developing the arts

Developing the arts supports the following goal/objectives:

Goal	Objectives
We develop the arts sector's capacity to succeed (external focus)	<ol style="list-style-type: none"> 1. We'll identify relevant capacity areas to provide services in, which support the growth and development of the arts sector. 2. We'll communicate our capacity offerings to the arts sector, and those offered in complementary areas by others, and deliver initiatives which help support: <ul style="list-style-type: none"> ■ Māori, Pasifika and New Zealand's growing diversity ■ artistic quality and renewal and international success ■ audience focus and diversifying revenue generation ■ digital expertise. 3. We'll ensure that those we provide services for/to maximise the opportunities they take up, and use this development as a strong platform for future growth.

What we'll do

Creative New Zealand provides opportunities for arts organisations and individual artists and practitioners to build their skills and capability.

The content of the Capability Building programme is informed by key findings from the Organisational Development Model (ODM) self-assessment survey of investment clients, data we receive from clients about their organisations, key trends as identified by consultation with the sector and our strategic priorities.

The 2016/17 programme will provide initiatives tailored to groupings of investment clients with similar characteristics, to align with their development goals and to complement our funding. Content will address key areas of organisational development including income diversification (eg. supporting and encouraging growth in sponsorship and private giving; innovative and diverse ways of fundraising for the sector; etc), the development of audiences and stakeholders, strategy and governance, as well as the areas in the objectives identified above.

A new initiative of \$700,000 over three years will build on the results of our earlier Creative Giving programme, and will likely include a matched funding scheme as well as staff resource to assist with the fundraising capability building programme that sits within the national Capability Building programme. The programme will be delivered through a

range of approaches, including in partnership with other agencies or organisations and through contracts with consultants for coaching and workshops, Creative New Zealand-led initiatives and customised grants.

Our capability building initiatives are primarily targeted at investment clients, but resources are also available for the wider arts sector.

In 2016/17, \$1.239 million is budgeted for developing the arts.

SECTION 2:

Non-financial planning and performance

Annual priorities

Measures:

No.	Name	Description	2016/17 milestones	Achievement result
G2.1	Communicating and delivering our capacity offering	Our capacity offering to the arts sector, and offerings in complementary areas by others, will be communicated and then delivered	Capability Building programme announced (September 2016), with regular updates as they arise (June 2017), and then delivered over remainder of 2016/17 (June 2017)	Capacity offerings are effectively communicated and delivered to the arts sector.
G2.2	Reviewing how we define and measure 'high-quality' arts	Preliminary work around considering what 'high quality' arts should mean to Creative New Zealand and the arts sector	Scoping report and first-stage research conducted (November 2016)	Understanding of what 'high quality' means is enhanced.

Core activities

Measures:

No.	Name	2014/15 Actual	2015/16 Target	2016/17 Target	Note
G2.3	Percentage of clients who agree capability building programmes align with their needs and priorities	n/a	Baseline developed	≥70%	These measures are based on the Organisational Development Model (ODM) survey, a self-assessment tool for investment clients to review their organisation's strengths and weaknesses and to track progress over time. The survey results help us tailor capability initiatives which respond to areas of need. The survey has previously been completed every two years, and will be completed annually from 2016/17.
G2.4	Percentage of clients who rank capability building initiatives as extremely or very effective/relevant/helpful	n/a	Baseline developed	≥70%	

Advocating for the arts

Advocating for the arts supports the following goal/objectives:

Goal	Objectives
We are a powerful advocate for the arts (external focus)	<ol style="list-style-type: none">1. We'll create, in partnership with the arts sector, a compelling case for the value of the arts to New Zealanders.2. We'll systematically strengthen our relationships with iwi, local authorities and other co-investors and funders, and provide and communicate a suite of unique research, analysis and reports.3. We'll proactively measure and report on our success in advocating for the arts, and how this contributes to strengthening the arts sector and improving public engagement.

What we'll do

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

Our advocacy work includes:

- making submissions on issues affecting the sector or Creative New Zealand
- carrying out policy development and research for the benefit of the arts sector
- delivering resources to the sector
- carrying out other advocacy initiatives (eg, developing new ways to engage the public with the arts)
- collaborating with other agencies on areas of mutual interest.

An important focus for our work in 2016/17 will be on enhancing our relationship with local government.

We'll also advance the following initiatives:

- Iwi engagement – continuing to enhance, build and maintain positive relationships with iwi
- Mana Pasifika – continuing to recognise and engage with the arts of the Pacific.

Much of our advocacy work is delivered through existing programmes and resources (principally, staff time). In 2016/17, \$0.208 million is budgeted specifically for advocacy.

SECTION 2:

Non-financial planning and performance

Annual priorities

Measures:

No.	Name	Description	2016/17 milestones	Achievement result
G3.1	Case for the value of the arts	A compelling case for the value of the arts to New Zealanders will be created, alongside the arts sector, as part of a refreshed advocacy strategy	Refreshed advocacy strategy agreed by the Arts Council (December 2016)	The case for the value of the arts is used by the sector to advance the position of arts in New Zealand.
G3.2	Working with local government	Enhancing our relationship with local government, as important co-funders of the arts in New Zealand	Engagement around Local Government New Zealand conference (July 2016)	Local government support for the arts increases.

Core activities

Measures:

No.	Name	2014/15 Actual	2015/16 Target	2016/17 Target	Note
G3.3	Number of advocacy actions, including submissions on arts matters	26	≥6	≥8	<p>Advocacy actions include: advocacy updates and briefings to the sector (eg. research), new or significant updates to advocacy tools, and individual submissions to local and central government agencies.</p> <p>Previously measured through two measures: number of research projects and other resources delivered to the sector, and number of submissions made to government or local government on arts matters.</p>

Improving service delivery

Improving service delivery supports the following goal/objectives:

Goal	Objectives
We improve service delivery and systematically look afresh at how best to deliver activities with and for the arts sector (external/internal focus)	<ol style="list-style-type: none">1. We will systematically look at our initiatives and activities and test whether we should continue to do them, change them or invite others to take them on.2. We will simplify our current programmes and initiatives to provide clarity and enhance our focus on work that we are better placed to advance than others.3. We will routinely seek insights from users to improve their experience of our digital platforms.

What we'll do

The way we support the arts sector is a key concern for us. We'll continue to make things simpler for our customers and clients when they're engaging with us (eg, in our funding applications, our contracting and our reporting requirements). The continued roll-out of our grants management system will be the key means for achieving this, and will help give us timelier and more useful planning and reporting information for both our own decision-making and the sector's wider information. We've also recently issued our first report on the health of our arts investment programmes and will continue to update this data-set over time.

In order to provide better services in a resource-constrained environment, we'll also begin clarifying what programmes and initiatives we're best placed to deliver moving forward.

Unlike our funding spend (ie, investing, developing and advocating), no fixed sum is allocated towards improving our services. Rather, it is covered by our operating costs which are budgeted at \$7.318 million in 2016/17 and have remained at broadly the same level since 2008.

SECTION 2:

Non-financial planning and performance

Annual priorities

Measures:

No.	Name	Description	2016/17 milestones	Achievement result
G4.1	Testing our initiatives	A selection of our project-funded initiatives/activities will be tested, to see whether we should continue to do them, change them or invite others to take them on	First tranche of project-funded initiatives/activities are examined (December 2016)	Project-funded initiatives/activities are best placed to deliver into the future, or funds are freed up for other investment.
G4.2	Reducing complexity	The processes around our current programmes/initiatives will be simplified, to provide clarity and enhance our focus on work we are better placed to advance than others	First tranche of current programmes/initiatives are simplified (June 2017)	Processes around our current programmes/initiatives are simplified, making them clearer and helping us focus on work we are best placed to do.

Core activities

Measures:

No.	Name	2014/15 Actual	2015/16 Target	2016/17 Target	Note
G4.3	Percentage of clients who are satisfied with overall service received from Creative New Zealand	66%	n/a	≥70%	2014/15 baseline is based on the results of the 2015 Client Satisfaction Survey conducted by Colmar Brunton research agency (previous survey in 2011: 63%). In 2016/17, Creative New Zealand will survey its clients more frequently (at least annually) using a less formal online survey.

Improving our organisation

Improving our organisation supports the following goal/objectives:

Goal	Objectives
We become a more focused, higher-performing, learning organisation (internal focus)	<ol style="list-style-type: none">1. More focus means we give more effort to fewer things that have the most impact.2. We'll improve the tools we have to do our jobs, set and then achieve high performance expectations, enhance our learning in identified areas, and become a best practice organisation in terms of how we engage with Māori, Pasifika and diverse groups in New Zealand.3. We'll ensure that the way we improve our performance evolves over time, responding to our own successes, areas for improvement and the external environment.

What we'll do

Along with **Improving service delivery**, this area focuses on how we can carry out our work better. This area has a particular focus though on ourselves as an organisation, rather than directly delivering services to our customers and clients.

Those we serve will have an important role though in helping us understand how we can improve. We plan to seek their views on how we're going, to see where we've improved from our last customer survey in 2014/15, and where there are further opportunities to grow.

As with **Improving service delivery**, no fixed sum is allocated towards improving our organisation; resources coming from our operating costs which are budgeted at \$7.318 million in 2016/17 and have remained at broadly the same level since 2008.

SECTION 2:

Non-financial planning and performance

Annual priorities

Measures:

No.	Name	Description	2016/17 milestones	Achievement result
G5.1	Business intelligence tool	An effective business intelligence tool is implemented as part of our grants management system	Business intelligence tool is in place and starts being used by staff (December 2016)	The business intelligence tool allows all staff better and more timely insights into funding patterns and other information.
G5.2	Learning and development	Our learning and development policy is updated, including mandating individual learning plans for all staff	Policy updated and all staff have individual learning plans in place (August 2016)	Continuous learning becomes an essential element of staff performance expectations.

Core activities

Measures:

No.	Name	2014/15 Actual	2015/16 Target	2016/17 Target	Note
G5.3	Maintain or improve audit management ratings	Very Good, Very Good, Good	Good or Very Good	Very Good	This measure includes annual audit ratings for management control, financial systems and service performance information.
G5.4	Improve on 'Best Workplaces' survey – overall performance index	72.3%	≥72%	≥74%	This measure is an average of the survey's section scores, covering areas like quality and performance focus, communication and co-operation, and learning and development.

FINANCIAL PLANNING AND PERFORMANCE

WHAKAMAHERE PŪTEA MAHI

Financial planning and performance

Whakamahere pūtea mahi

This section provides our prospective financial statements for the 2016/17 year and the notes to those statements, and talks in more detail about our investment in the arts for 2016/17.

The prospective financial statements in this section are based on policies and approvals in place as at 27 July 2016 and are GST exclusive (except for payables and receivables, which are GST inclusive).

The prospective financial statements form part of the SPE and 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 2015 – actual figures from the 2014/15 Annual Report
- June 2016 – forecast figures from the draft 2015/16 Annual Report

- June 2017 – budget based on the budget approved by the Arts Council on 14 September 2016.

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 Arts Council is maintained
- manage the level of working capital to ensure liabilities are paid when due, and maintain a conservative cash management strategy – investing in term deposits and/or interest-bearing accounts with established organisations approved by the Council
- budget and manage capital expenditure within levels approved by the Council
- operate within the financial delegations approved by the Council
- operate prudently within the organisation's robust internal controls.

Our investment for 2016/17

A key focus for Creative New Zealand, and one which informs this plan, revolves around balancing revenue variability with the provision of as much reasonable certainty as we can muster in our investment and service delivery.

When planning our investment for 2016/17, we took a number of factors into account, including:

- maintaining our investment in the arts at a level that was as high as prudently possible
- the fact that a number of our funding initiatives were either naturally coming to an end, or were able to be reprioritised
- carefully looking at our own operating costs, to free up more funding for investing in the sector
- working out how we might further insulate the arts sector from fluctuations in our NZLGB funding.

Maintaining our investment in the arts

Given the late rally in forecast NZLGB funding for 2015/16, we found ourselves in a better position from which to maintain our investment in the arts sector. We now expect to invest \$40.690 million in the arts sector in 2016/17, down from the forecast \$43.723 million invested in 2015/16 but a better position than the \$38.035 million we anticipated in our earlier SPE.

Much of the reduction comes from one-off initiatives naturally coming to an end, or those where funding has been able to be reprioritised (see 'Initiatives coming to a close or able to be reprioritised' below), along with some reduction in our International funding. Funding for our Investment programmes and Arts Grants, Quick Response and Special Opportunities has increased though, as has funding for our Capability Building and Advocacy programmes.

Planned spending on major programmes for 2016/17, as compared to 2015/16 is outlined in the table below.

Investment area	2015/16 (forecast; \$m)	2016/17 (budget; \$m)
Funding:	42.405	39.243
Investment programmes	24.925	25.151
Arts Grants, Quick Response and Special Opportunities	5.593	5.951
International funding	2.309	1.890
Other initiatives (including 'flexi fund')	9.578	6.251
Capability Building	1.131	1.239
Advocacy	0.187	0.208
TOTAL	43.723	40.690

Initiatives coming to a close or able to be reprioritised

Some one-off initiatives either ended or neared completion in 2015/16, or their funding has been reprioritised for 2016/17. These include:

- a one-off grant for the new Waterfront Theatre in Auckland (total of \$4.500 million over three years; theatre opened in September 2016)
- the end of the Touring Australia pilot, which helped open up markets for New Zealand arts companies across the Tasman (total of \$930,000 over four years)
- a two-year grant to the Royal New Zealand Ballet (RNZB) to help fund live accompaniment from regional orchestras (total of \$500,000; second year of \$250,000 reprioritised in light of RNZB's additional funding received through Budget 2016).

Our longer-term support for earthquake recovery in Christchurch has also concluded. From 2010/11 to 2015/16, an additional \$4.445 million was provided to the city's arts sector in emergency and recovery funds, and other arts initiatives, over and above our regular investment into Christchurch. We'll continue to support Christchurch's revitalisation through our regular contestable grants and investment programmes, our capability building programme and through our advocacy work.

Reducing our operating costs

Our 2016/17 operating costs budget has reduced by a further \$264,000 (3.5 percent) compared to the operating cost budget set in our earlier SPE 2016/17. These further reductions have come from our salaries budget and a reduction in IT infrastructure costs, through new contracts for the provision of network, support desk and communications services (to be purchased through All-of-Government contracts). The 2016/17 operating costs budget is now \$421,000 (5.4 percent) less than that originally budgeted for 2015/16, and we are expecting to spend only a little more on ourselves this year than we did back in 2007/08.

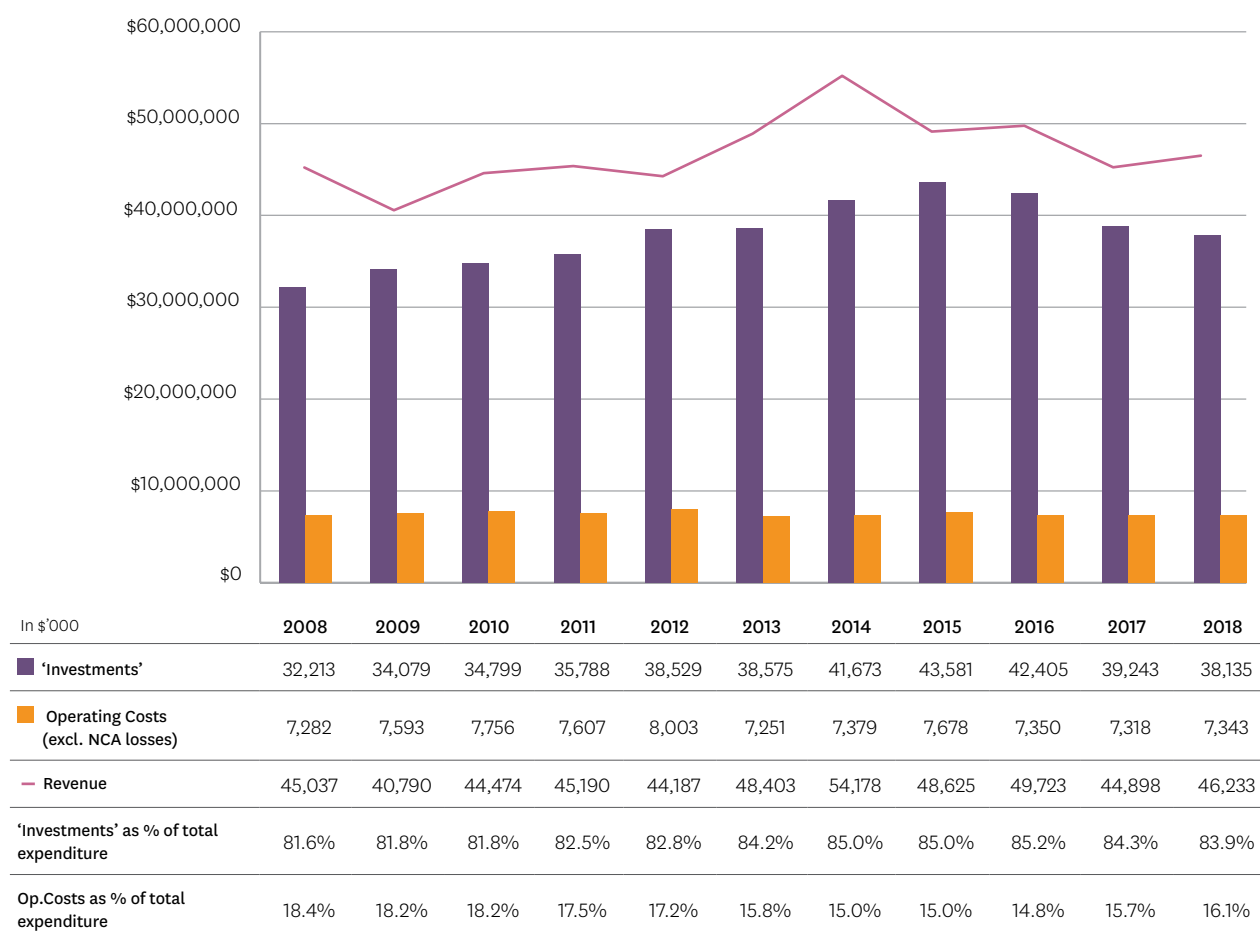
Helping insulate the arts sector from reduced funding

Given the volatility in our funding over the past year, our equity policy will remain set at a minimum of 10 percent of total revenue, or around \$4.7 million. We consider this a prudent response, which will help ensure some ability to prevent immediate 'shocks' to the sector should our NZLGB funding fall unexpectedly. We are also adding more flexibility/buffer into our budget, holding a 'flexi fund' of \$600,000 (around 1.9 percent of the projected NZLGB revenue for 2016/17). If NZLGB forecasts are tracking to budget, we will look to spend this in the fourth quarter of

the financial year, if we are sufficiently confident about the revenue forecast. If we aren't confident about the forecast, then this 'flexi fund' provides a buffer that can help absorb a shortfall.

Our longer-term investment profile is shown below. Prudent use of our reserves has allowed us to continue funding the arts sector at a higher rate over the past two years, even though our revenue was declining from the 2013/14 peak. At this stage, we are forecasting an investment of \$40.111 million in the sector in 2017/18. This will be reviewed closer to the time depending on overall revenue levels.

'Investments' vs. Operating Costs vs. Revenue



Prospective Financial Statements

Prospective statement of financial performance

for the year ending 30 June

	ACTUAL 2015 \$000	FORECAST 2016 \$000	BUDGET 2017 \$000
REVENUE			
Revenue from the Crown	15,689	15,689	15,689
Revenue from the New Zealand Lottery Grants Board	31,074	30,930	28,665
Interest revenue	1,032	599	330
Other revenue	830	2,505	214
TOTAL REVENUE	48,625	49,723	44,898
EXPENDITURE			
Funding	41,503	42,405	39,243
Capability Building	1,604	1,131	1,239
Advocacy	474	187	208
Operating costs			
Personnel expenses	4,835	4,812	4,681
Depreciation and amortisation	233	201	355
Net losses on disposal of assets	13	106	-
Other expenses	2,610	2,337	2,282
TOTAL EXPENDITURE	51,272	51,179	48,008
NET OPERATING SURPLUS / (DEFICIT)	(2,647)	(1,456)	(3,110)

SECTION 3:

Financial planning and performance

Prospective statement of comprehensive revenue and expense

for the year ending 30 June

	ACTUAL	FORECAST	BUDGET
	2015	2016	2017
	\$000	\$000	\$000
Net operating surplus / (deficit) for the year	(2,647)	(1,456)	(3,110)
Other comprehensive revenue and expense			
Revaluation of works of art	(20)	(7)	-
Total other comprehensive revenue and expense	(20)	(7)	-
TOTAL COMPREHENSIVE REVENUE AND EXPENSE	(2,667)	(1,463)	(3,110)

Prospective statement of changes in net assets / equity

for the year ending 30 June

	ACTUAL	FORECAST	BUDGET
	2015	2016	2017
	\$000	\$000	\$000
Total equity as at 1 July	15,898	13,231	11,768
Net operating surplus/(deficit) for the year	(2,647)	(1,456)	(3,110)
Other comprehensive revenue and expense	(20)	(7)	-
Total comprehensive revenue and expense	(2,667)	(1,463)	(3,110)
TOTAL EQUITY AS AT 30 JUNE	13,231	11,768	8,658

Prospective statement of financial position

for the year ending 30 June

	ACTUAL	FORECAST	BUDGET
	2015	2016	2017
	\$000	\$000	\$000
ASSETS			
Current assets			
Cash and cash equivalents	2,746	2,195	3,010
Investments in term deposits	18,500	10,000	9,000
Receivables	6,315	10,722	7,575
Prepayments	131	61	180
Total current assets	27,692	22,978	19,765
Non-current assets			
Property, plant and equipment	1,421	1,421	1,350
Works of art	1,092	1,092	1,092
Intangible assets	1,370	1,260	1,260
Total non-current assets	3,883	3,883	3,702
TOTAL ASSETS	30,820	26,861	23,467
LIABILITIES			
Current liabilities			
Grants payable	15,341	14,181	13,800
Creditors and other payables	1,692	479	509
Revenue in advance	-	11	10
Employee entitlements	424	285	350
Total current liabilities	17,457	14,956	14,669
Non-current liabilities			
Employee entitlements	41	42	40
Lease make-good provision	91	95	100
Total non-current liabilities	132	137	140
TOTAL LIABILITIES	17,589	15,093	14,809
NET ASSETS	13,231	11,768	8,658
EQUITY			
Accumulated funds	12,136	9,858	6,748
Revaluation reserves	1,095	1,088	1,088
Restricted reserves (special purpose funds)	-	822	822
TOTAL EQUITY	13,231	11,768	8,658

SECTION 3:

Financial planning and performance

Prospective statement of cash flows

for the year ending 30 June

	ACTUAL 2015 \$000	FORECAST 2016 \$000	BUDGET 2017 \$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	33,965	26,629	31,744
Interest received	962	727	347
Grant retirements and gains	122	9	120
Other revenue	345	567	77
Net Goods and Services Tax	270	38	-
Cash was applied to:			
Payments of grants	(41,427)	(44,977)	(40,992)
Payments to employees	(4,793)	(4,950)	(4,418)
Payments of operating expenses	(2,520)	(2,639)	(2,566)
Net Goods and Services Tax	-	-	(12)
NET CASH FLOWS FROM OPERATING ACTIVITIES	2,613	(8,907)	(11)
CASH FLOWS FROM INVESTING ACTIVITIES			
Cash was provided from:			
Sale of property, plant and equipment	-	-	-
Terms deposits maturing	-	18,500	10,000
Cash was applied to:			
Purchase of property, plant, equipment and intangible assets	(329)	(144)	(174)
Investment in term deposits	(18,500)	(10,000)	(9,000)
NET CASH FLOWS FROM INVESTING ACTIVITIES	(18,829)	8,356	826
NET INCREASE (DECREASE) IN CASH HELD	(16,216)	(551)	815
Add opening cash brought forward:			
Cash on hand and at bank	70	71	90
Short-term deposits	18,892	2,675	2,105
BALANCE AT END OF YEAR	2,746	2,826	2,195
Represented by:			
Closing cash carried forward:			
Cash on hand and at bank	71	90	80
Short-term deposits	2,675	2,105	2,930
BALANCE AT END OF YEAR	2,746	2,195	3,010

Notes to the prospective financial statements

Statement of accounting policies

For the years ending 30 June 2016 and 30 June 2017

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.

Creative New Zealand does not operate to make a financial return. 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.

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 majority of its funding from the New Zealand Lottery Grants Board. The New Zealand Lottery Grants Board allocates 15% of its funding 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.

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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.

Grant retirements

Grants committed in previous years are retired and recognised as revenue in the Statement of Financial Performance when:

- they are not collected by recipients within a year of being offered,
- they are no longer required for the purpose for which they were approved, or
- partial or full repayment is received from a grant recipient.

3.2. Grant expenditure

Discretionary grants are those grants where Creative New Zealand has no obligations to award on receipt of the grant application. For discretionary grants without substantive conditions, the total committed funding is expensed when the grant is approved by Creative New Zealand and the approval has been communicated to the applicant. Discretionary grants with substantive conditions are expensed at the earlier of the grant payment date or when the grant conditions have been satisfied. Conditions usually include milestones that must be met to be eligible for funding.

When multi-year agreements are entered into, amounts granted under these agreements are recognised in the Statement of Financial Performance to the extent that they relate to the current financial year. The agreed funding for the out years is conditional on programme and budget being agreed within the timeframes, and any special conditions for the drawdown of funds being met.

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.

Non-discretionary grants are grants that are awarded automatically if the grant application meets the specified criteria. 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. 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: residential property, leasehold improvements, furniture, equipment and fittings, and computer equipment.

Residential property includes the leasehold ownership of a flat in London, England (one bedroom, ground floor flat in a two flat property), gifted to Creative New Zealand from the Estate of Hilda Dawn Sturgeon. The legal title was transferred to Creative New Zealand in May 2016 and the property has been measured at fair value (refer to Donated Assets policy under Note 3.1).

All other asset 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.

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 residential property is to be revalued with sufficient regularity to ensure that the carrying amount does not differ materially from fair value and at least every three years. Fair value is determined from market-based evidence by an independent registered valuer.

All other asset classes are carried at depreciated historical cost.

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

The net revaluation results are credited or debited to 'other comprehensive revenue and expense', and accumulated to an asset revaluation reserve in equity for that class of assets. Where this would result in a debit balance of the

SECTION 3:

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asset revaluation reserve, this balance is recognised in the Statement of Financial Performance. Any subsequent increase on revaluation that reverses a previous decrease in value recognised in the surplus or deficit is recognised first in the surplus or deficit, up to the amount previously expensed, and then recognised in other comprehensive revenue and expense.

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:

Residential property	50 years	2.0%
Leasehold improvements (Auckland)	6 years	16.7%
Leasehold improvements (Wellington)	4.6 years	21.8%
Furniture, equipment and fittings	10 years	10.0%
Computer equipment	4 years	25.0%

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	8 years	12.25%

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

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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.

Revenue from the New Zealand Lottery Grants Board has been estimated for 2016/17 based on Lotto NZ's forecast payment to the New Zealand Lottery Grants Board of \$28.665 million (as published in Lotto NZ's Statement of Performance Expectations 2016/17).

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

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

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.

Our organisation

Tō tatou tari

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

We have a continuing commitment to improving the health and capability of our organisation. This includes having a robust governance structure, valid and appropriate operational policies and effective and efficient internal processes, and capable and engaged staff.

What we do

Creative New Zealand funds arts activity by New Zealand artists, arts practitioners and arts organisations, both within New Zealand and internationally. This is where most of the money we get is spent.

We fund across a variety of artforms: craft/object, dance, inter-arts, literature, multi-disciplinary, music, ngā toi Māori, Pacific arts, theatre and visual arts.

We fund the arts from three broad pools of money: General, Māori and Pacific. These pools feed all of the regular arts funding programmes. Proposals are 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 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 cultural exchanges, are specific to artforms (eg, the Prime Minister's Awards for Literary Achievement), Māori and Pacific artists and practitioners (eg, Tohunga/Tukunga – the Māori arts mentoring programme), or other criteria.

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

We also support the professional development of artists and their practice, and the management of organisations so they can grow their audiences and markets. Complementing our funding and development work, we also advocate for the value of the arts to New Zealanders.

In carrying out our work we recognise:

- 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.

We also recognise and uphold the principles of participation, access, excellence and innovation, professionalism and advocacy in our work.

Our relationships

We work with a wide range of stakeholders, including the Minister for Arts, Culture and Heritage and the Ministry for Culture and Heritage, the NZLGB, iwi, Pasifika groups, local government, individual artists/practitioners, arts organisations and, more broadly, the community. We consult with stakeholder groups when developing strategy and reviewing policies that affect the arts sector.

We also have links to international arts councils and we're an active member of the International Federation of Arts Councils and Culture Agencies.

The Arts Council

Our governing body, the Arts Council, has responsibility for policy, strategy and funding allocation. It comprises 13 members and is a unitary council, replacing the previous division of responsibilities between the Arts Council, the Arts Board, Te Waka Toi and the Pacific Arts Committee.

Council members have a wide range of skills and experience. 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. Under our Act, they form a committee to advise the Council on matters relevant to the Council's functions in relation to Māori, and any other functions the Council delegates to the committee.

Two Arts Council members are 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.

We work to ensure that:

- Council members have appropriate and timely information to make decisions
- Council members are knowledgeable about and engaged with Creative New Zealand's work
- decisions are made at the appropriate organisational level, reflecting their importance, risk and the need for timeliness
- management and staff provide appropriate support to the Council.

Policies and processes

We undertake regular reviews of internal policies, covering areas like finance, human resources, conflicts of interest and delegations. In each review, we consider the appropriateness of existing policy, best practice examples from similar organisations and compliance with legislation.

We also have a strong focus on improving the services we deliver, particularly around grants applications, decision-making and reporting processes. Service improvement has a specific focus through the relevant goal/objectives in our SOI (ie, 'We improve service delivery and systematically look afresh at how best to deliver activities with and for the arts sector').

As a part of that goal, we'll regularly assess with the arts sector that we're performing to the standards we've set ourselves. We also have a formal complaints management

system and monitor informal feedback from applicants and clients through social media and daily interaction with staff that provide us with ongoing customer feedback.

Our staff

We rely on having a skilled and engaged staff to achieve our strategic aims. As of 31 July 2016, we have 52 staff (49.21 full-time equivalent staff), based mainly in Wellington and Auckland and principally working across four teams: Arts Funding; Arts Policy, Capability and International; Business Services; and Planning, Performance and Stakeholder Relations.

Our staff have a range of experience across artforms, international market development and cultural exchange, audience development, project management, and corporate and business services. All staff are offered training and development across a variety of areas (eg, on the information technology we use, financial reporting, communication and project management).

We show our commitment to our 'good employer' obligations by maintaining and reporting against a personnel policy that includes reference to the seven key good employer elements:

- leadership, accountability and culture
- recruitment, selection and induction
- employee, development, promotion and exit
- flexibility and work design
- remuneration, recognition and conditions
- harassment and bullying prevention
- safe and healthy environment.

We also include, in our personnel policy and reporting, specific commitments to the aims, aspirations and employment requirements of Māori, ethnic or minority groups, women and people with disabilities.

More information

Further details about Creative New Zealand are on our website at:

www.creativenz.govt.nz/about-creative-new-zealand



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