



ARTS COUNCIL OF NEW ZEALAND TOI AOTEAROA

Statement of Performance Expectations

TAUĀKĪ MAHI HUA

2017/18

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Front Cover:

Antarctica - While You Were Sleeping by Joseph Michael was premiered over three nights at Auckland's War Memorial Museum as part of the Auckland Arts Festival in 2017.

The 360-degree, 1:1 scale projection on the exterior of the museum was accompanied by an immersive score by composer Rhian Sheehan, which included the cracks, creaks and groans of the icebergs.

As with previous projects, Joseph collaborated with numerous composers, creatives and technicians from around the world to recreate the exquisite Antarctic landscapes.

www.joemichael.co.nz

This Statement of Performance Expectations 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 2017 to 30 June 2018.

It is presented in accordance with sections 149B to 149M of the Crown Entities Act 2004.

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

Michael Moynahan

Chair, Arts Council

30 June 2017

A handwritten signature in black ink, appearing to read 'Caren Rangi', written in a cursive style with a long horizontal line extending to the right.

Caren Rangi

Deputy Chair, Arts Council

30 June 2017

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INTRODUCTION

KUPU ARATAKI

Foreword

Kupu whakataki

We are pleased to present our Statement of Performance Expectations for 2017/18, the second annual plan under our Statement of Intent 2016–2021.

Every day, in every corner of the country, the arts have a meaningful impact on the lives of New Zealanders. As Aotearoa's national arts development agency, we stand proudly behind those involved in the arts. From orchestra pits and art galleries to community halls and marae, we encourage, promote and support the arts for the benefit of all New Zealanders.

We begin the financial year in a strong position, owing to healthy early funding forecasts for 2017/18 from the New Zealand Lottery Grants Board. A strong 2016/17 result has also seen a rise in lottery revenue over that predicted at the beginning of the last financial year.

This gives us the opportunity to help insulate the arts sector against funding uncertainties, and it will allow us to be a more resilient investor in the year ahead. We'll also look to strengthen our own organisation's ability to support the arts sector and deliver to the strategic vision, outcomes and goals we've set ourselves as we head towards 2021.

In 2017/18, the Arts Council will deliver important elements from two of these goals. We will implement an investment strategy that will guide the way we invest in the arts sector, to ensure this investment is being put to best effect. We will also strengthen our role as a powerful advocate for the arts. With our refreshed advocacy strategy, we are poised to better demonstrate the benefits the arts can have for economic growth, regional development and stronger communities.

Across our programmes, we will work to ensure the vitality of ngā toi Māori (Māori arts), the arts of Pasifika and of the diverse cultures of New Zealand. These arts have a special, treasured place in Aotearoa and make a huge contribution to life in New Zealand. Our work will help assure their vibrancy and sustainability into the future.

Although we are passionate about our work, we are only able to develop a thriving arts sector with the generous support we receive from the New Zealand Government, the New Zealand Lottery Grants Board and other patrons, funders and partners.

We look forward to another year where New Zealand artists shine at home and abroad, and where every New Zealander has the opportunity to participate in and experience the arts.



Michael Moynahan
Chair, Arts Council



Stephen Wainwright
Chief Executive, Creative New Zealand

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 39.

Each year, Creative New Zealand publishes a statement of performance expectations (SPE) that sets out its planned activity, performance targets and forecast financial information for the relevant financial year.

The SPE sits under the 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 2017/18 financial year (ie, 1 July 2017 to 30 June 2018) and comprises two parts:

- non-financial planning and performance – describes our work for the year ahead and sets out performance measures around our outcomes and deliverables (annual priorities and core activities)
- financial planning and performance – provides our financial statements for the 2017/18 year and the notes to those statements.

We will report against these two parts in the 2017/18 Annual Report.

Given the potential for change in the level of funding we receive from the New Zealand Lottery Grants Board (NZLGB), and the timing of this advice with respect to our planning and reporting cycle, we may need to amend this SPE during the 2017/18 year as circumstances require. We will consult with the Minister for Arts, Culture and Heritage should changes be required.

Our performance framework

Te tūtuki i a mātau mahi

The 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 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.

Our strategic direction for 2016–2021 and our performance framework for 2017/18 are outlined in 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. Under this output class we will work to achieve our five strategic goals and related objectives by 2021 (refer to Creative New Zealand's strategic direction for 2016–2021 on pages 5-6).

Our goals and objectives are directly supported by our five deliverables:

- investing in the arts (external focus)
- developing the arts (external focus)

- advocating for the arts (external focus)
- improving service delivery (external/internal focus)
- improving our organisation (internal focus).

Delivering on these goals, supported by our purpose and our values (ie, our foundation), will help us achieve our outcomes and our vision (ie, 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 2017/18 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 NZLGB. In 2017/18, Creative New Zealand expects to receive:

- \$15.689 million from the New Zealand Government through Vote: Arts, Culture and Heritage
- an estimated \$33.75 million from the NZLGB. This figure takes into account Lotto New Zealand's forecast payment to the NZLGB for 2017/18, along with the average payment from the NZLGB to Creative New Zealand over the previous six years. The final expected 2017/18 payment from the NZLGB will be confirmed in July 2017.

Our strategic direction for 2016-2021



Our performance framework for 2017/18

VISION

OUTCOMES AND MEASURES

GOALS

DELIVERABLE AREAS AND MEASURES

Annual Priorities

Core Activities

DYNAMIC AND RESILIENT
NEW ZEALAND ARTS, VALUED IN AOTEAROA
AND INTERNATIONALLY

Stronger arts communities, artists and organisations as shown by:

- High-quality New Zealand art is developed**
 - # of new New Zealand works developed (across all programmes) ●
- New Zealand arts gain international success**
 - # of individuals/organisations funded by Creative New Zealand to engage internationally (across all programmes) ●
 - # of international arts activities/events funded by Creative New Zealand (across all programmes) ●

Greater public engagement with the arts as shown by:

- New Zealanders participate in the arts**
 - # of participants in arts activities funded by Creative New Zealand ●
- New Zealanders experience high-quality arts**
 - # of attendances at arts activities/events funded by Creative New Zealand ●

We regularly refine our investment to ensure that the arts continue to develop in New Zealand for New Zealanders

We develop the arts sector's capacity to succeed

We are a powerful advocate for the arts

We improve service delivery and systematically look afresh at how best to deliver activities with and for the arts sector

We become a more focused, higher-performing, learning organisation

Investing in the arts

<p>Signalling our future funding intentions</p>	<p>Investment programmes</p> <ul style="list-style-type: none"> % of investment organisations that meet or exceed expectations for overall organisational performance ● % of investment organisations that meet or exceed expectations against KPIs set in individual funding agreements ('Investment programme success rate') ● # of organisations in the investment programme: Tōtara and Kahikatea ● <p>Project funding</p> <ul style="list-style-type: none"> % of completed projects that meet/exceed expectations in funding agreements ● # of grants awarded (Grants and special opportunities, and International programme) ● # of grants awarded (Creative Communities Scheme) ● % Project completion rate ●
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Developing the arts

<p>Driving the development of arts sector organisations</p> <p>Realigning our capability and international programmes</p>	<ul style="list-style-type: none"> % of clients who agree capability building programmes align with their needs and priorities ● % of clients who rank capability building initiatives as extremely or very effective, relevant and helpful ● % of capability building initiatives delivered to the sector that have met or exceeded our expectations (new SPE measure in 2017/18) ● # of capability building initiatives delivered to the sector ●
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Advocating for the arts

<p>Working with Māori and local government</p> <p>Boosting the impact of our research</p>	<ul style="list-style-type: none"> % of advocacy actions described in the annual advocacy action plan that have met or exceeded our expectations (new SPE measure in 2017/18) ● # of advocacy actions, including submissions on arts matters ●
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Improving service delivery

<p>Aligning our business practices with our investment intentions</p> <p>Refining our systems</p>	<ul style="list-style-type: none"> % of customers and clients who are satisfied with overall service received from Creative New Zealand ● % of funding decisions made within timeframes ●
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Improving our organisation

<p>Delivering to the Investment Strategy</p> <p>Developing our people</p>	<ul style="list-style-type: none"> # Maintain or improve audit management ratings ● % Improve on Best Workplaces Survey – overall performance index ● \$ Maintain operating costs inline with agreed budgets ● # Undertake internal review of process and policy against standards ●
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- 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 outlines performance measures around our outcomes and deliverables (annual priorities and core activities). We will report on these, along with significant areas of work set out in the ‘What we will do’ sections, in our Annual Report 2017/18.

Our ability to meet the expectations in these measures depends on the level of resourcing we receive over the course of the year. Unlike many other government agencies, the degree of our revenue that is variable is high (eg, around 69 percent in 2016/17).

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

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

Despite our cautious approach, we have raised targets in certain areas. This achievement has resulted from strong performance in these areas in previous years, such as the number of individuals and organisations funded by Creative New Zealand to engage internationally, and the number of attendances at arts activities and events funded by Creative New Zealand through its investment programmes. As we note in our SOI, this is a sign of an enthusiastic, confident and productive arts sector, whose creative output is flourishing.

Two measures relating to investing in the arts and numbers of grants awarded will no longer be reported externally. We will continue to report them internally to provide context for our activities, however we aim to focus our external reporting on impact and outcome measures rather than quantitative activity measures. The performance framework will continue to evolve as we bring a more external perspective to our measures. We also plan to keep improving our data collection, so we get a more well-rounded picture of the sector’s performance.

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.

An important focus for our work in 2017/18, across the organisation and for both outcomes, will be on advancing ngā toi Māori (Māori arts) including through the development of a Māori arts strategy. In 2016/17, we partnered with Te Puni Kōkiri to develop an action plan and we supported a memorandum of understanding. In 2017/18, we will continue to develop our relationship with hapū, iwi and Māori as important advocates and co-funders of the arts in Aotearoa New Zealand.

In 2017/18, we will also advance our Mana Pasifika work by developing a Pacific arts strategy. Pacific arts have long been a priority for Creative New Zealand, and the success of Pacific arts and artists is a distinct feature of the arts landscape in New Zealand. The Pacific arts strategy will aim to set a clear strategic direction for Pacific arts and artists in New Zealand and drive Creative New Zealand’s work in this area from 2018 to 2021.

SECTION 2:

Non-financial planning and performance

We will also continue to support the creation of, and participation in, a diverse range of New Zealand arts through the implementation of Creative New Zealand's Diversity in the Arts Policy. In addition, we'll work together with Foundation North to offer the Auckland Diversity Project Fund for another year.

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.

To achieve this outcome, 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, our international programme connects high-quality artists with global markets and audiences through presentation, touring, relationship building and collaborative projects, including cultural and artistic exchange. This in turn helps them increase their income, develop their practice in relation to the international arts environment, and promotes New Zealand and its arts to international audiences.

Measures :

No.	Name	2015/16 Actual	2016/17 Target	2017/18 Target	Note
O1.1	High-quality New Zealand art is developed: Number of new New Zealand works developed (across all programmes)	314	≥360	≥360	The number of new New Zealand works includes works funded through Grants and special opportunities funding and the Investment programmes. The number 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.
O1.2	New Zealand arts gain international success: Number of individuals and organisations funded by Creative New Zealand to engage internationally (across all programmes)	275	≥150	≥150	
O1.3	New Zealand arts gain international success: Number of international arts activities and events ¹ funded by Creative New Zealand (across all programmes)	538	≥250	≥400	

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

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.

To achieve this outcome, 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 continue to broaden the opportunities for all New Zealanders to experience the arts, providing them with access to diverse artistic experiences.

Measures :

No.	Name	2015/16 Actual	2016/17 Target	2017/18 Target	Note
O2.1	New Zealanders participate in the arts: Number of participants in arts activities 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	<i>Investment programmes</i>	59,996	≥35,000	≥40,000	
O2.1.2	<i>Creative Communities Scheme</i>	158,824	≥100,000	≥150,000	
O2.1.3	<i>Project funding: Grants and special opportunities</i>	New in 2016/17	Baseline developed	Baseline developed	
O2.2	New Zealanders experience high-quality arts: Number of attendances at arts activities and events funded by Creative New Zealand:				This measure refers to audience numbers, including paid audiences, readers, viewers and attendances at free events.
O2.2.1	<i>Investment programmes</i>	1,250,415	≥955,000	≥955,000	
O2.2.2	<i>Project funding: Grants and special opportunities</i>	New in 2016/17	Baseline developed	Baseline developed	

SECTION 2:

Non-financial planning and performance

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 reallocate 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 on the next page. More information about funding programmes is available on our website:

www.creativenz.govt.nz/find-funding

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 to 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 and Tukunga)	Funding up to \$7,500, three 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), two times a year	
	Scholarships, residencies and 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 four 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	

In 2016/17, we began developing an investment strategy to systematically test the contribution of our key programmes to improving the resilience of artists and arts infrastructure and delivery of the arts to New Zealanders. The strategy has been shaped by our guiding principles, as set out in the Arts Council of New Zealand Toi Aotearoa Act 2014, and our current vision and outcome statements.

The Arts Council will approve the strategy in 2017/18, and we will implement it as our main tool for guiding investment decisions across all our funding programmes. Implementation of the Investment Strategy is linked to many of the deliverables discussed in the following page. In addition to the core funding programmes outlined above several important initiatives undertaken in 2016/17 will continue in 2017/18. These include:

- the 57th Venice Art Biennale – co-funding and leading New Zealand’s presence at la Biennale di Venezia with Lisa Reihana’s *Emissaries*
- regional pilots in Waikato and Southland – working with communities to deliver on important arts development needs

- the Auckland Diversity Project – working to increase the participation and attendance of Māori, Pasifika and Asian audiences with the arts in Auckland, and support and promote development of arts by, with, and for Māori, Pasifika and Asian individuals and communities
- the Asia Artform Exchange Fund (Stage 2) – offering New Zealand artists, arts organisations and practitioners the opportunity to build relationships and increase artistic exchange with artists and practitioners in targeted territories in Asia.

Progress on the above initiatives will be presented in Creative New Zealand’s Annual Report, both for 2016/17 and 2017/18.

In 2017/18, we are budgeting for \$40.767 million to be distributed to the community through investments or grants. We are often only a partial investor, with additional funding or 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	2017/18 milestones	Achievement result
G1.1	Signalling our future funding intentions	We develop and communicate where we will maintain and develop our investment in the arts, arising out of the new Investment Strategy.	Investment Strategy and implementation plan are agreed by the Arts Council (December 2017) and outlined to the arts sector (February 2018).	The arts sector has a clear understanding of our investment priorities and our investment shifts to match the Investment Strategy.

Core activities

Measures:

No.	Name	2015/16 Actual	2016/17 Target	2017/18 Target	Note
INVESTMENT PROGRAMMES					
G1.2	Percentage of investment organisations that meet or exceed expectations for overall organisational performance	87%	≥95%	≥95%	This measure reports on investment clients' delivery against performance in four areas: artistic, audience, financial and organisational. It includes all Tōtara and Kahikatea clients with continuous funding agreements.
G1.3	Percentage of investment organisations that meet or exceed expectations against KPIs set in individual funding agreements ('Investment programme success rate')	94%	≥95%	≥95%	This measure reports on investment clients' delivery against the key performance indicators (KPIs) in individual funding agreements. It includes all Tōtara and Kahikatea clients with continuous funding agreements.
PROJECT FUNDING					
G1.4	Percentage of completed projects that meet or exceed expectations in funding agreements	99%	≥98%	≥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.

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"> We'll identify relevant capacity areas to provide services in, which support the growth and development of the arts sector. 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. 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. Our capability building initiatives are primarily targeted at investment clients, but resources are also available for the wider arts sector.

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

The 2017/18 programme will build on initiatives introduced in 2016/17, which included two new funds as part of the Arts Philanthropy and Partnerships Programme. The Partnership Incentive Fund aims to support arts organisations to diversify sources of income, increase support from donors and business partnerships and develop their fundraising capability. The Fundraising for the Arts – Staff Placements Fund, a partnership between Creative New Zealand and Foundation North, offers selected arts organisations funding towards salary costs of a fundraising staff placement.

We will again provide initiatives tailored to investment clients with similar characteristics, to align with their development goals and to complement our funding.

The five tailored packages aim to provide support to investment clients as follows.

- **Growth** – helping organisations continue to grow and develop through developing a digital strategy and increasing skills in database management, as well improving systems, processes and reach. This package also provides training on how to diversify income so an organisation becomes more sustainable.
- **Extension** – helping organisations to develop partnerships and extend networks and reach.
- **Refresh** – helping organisations to deliver and/or extend high-quality programming and explore new opportunities for growth and development.
- **Change** – helping organisations to evaluate strategy and business planning in a time of change and/or development.
- **Building a foundation** – helping organisations to get established. This includes an induction programme with access to training resources and helps share information and build networks. It also includes an offer of targeted capability support.

The Capability Building programme will be delivered through various 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.

In 2017/18, \$1.577 million is currently budgeted for developing the arts.

SECTION 2:

Non-financial planning and performance

Annual priorities

Measures:

No.	Name	Description	2017/18 milestones	Achievement result
G2.1	Driving the development of arts sector organisations	We enhance arts organisations' development through our investment in the arts sector, linking our funding and capability building initiatives to enable future success.	Funding and capability building initiatives are linked and communicated to relevant arts organisations (June 2018).	Arts organisations are more successful in identified areas.
G2.2	Realigning our capability building and international programmes	We connect our capability building and international programmes more closely with the new Investment Strategy.	Capability building and international programmes are better integrated, with defined goals and targets to clarify what future success looks like (June 2018).	Demonstrable measures are in place to show how our investment is adding value to the arts sector.

Core activities

Measures:

No.	Name	2015/16 Actual	2016/17 Target	2017/18 Target	Note
G2.3	Percentage of clients who agree capability building programmes align with their needs and priorities	New in 2016/17	≥70%	≥70%	These measures are based on the Organisational Development Model 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 building initiatives that respond to areas of need. The survey is completed annually.
G2.4	Percentage of clients who rank capability building initiatives as extremely or very effective, relevant and helpful	New in 2016/17	≥70%	≥70%	
G2.5	Percentage of capability building initiatives delivered to the sector that have met or exceeded our expectations	New in 2017/18	New in 2017/18	Baseline developed	This new measure focuses on Creative New Zealand's assessment of the immediate results of individual capability building initiatives against the relevant objectives set for each initiative.

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 advocates for the benefits of the arts to a variety of audiences, including government agencies and local authorities. We also provide research and resources to the arts sector to help allies carry out their own advocacy around those benefits.

In 2016/17, we developed a refreshed advocacy strategy for 2016–2021, which outlines important audiences, messages and allies, as well as how we might better measure our successes in the advocacy space. The strategy is supported by annual advocacy action plans and the 2017/18 plan being developed in tandem with this SPE. A clear focus for Creative New Zealand on the most effective things to fund, through the new Investment Strategy, will also provide a better idea of what we would like to encourage others to do.

Our advocacy actions include:

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

An important focus for our work in 2017/18 will be on continuing to enhance our relationships with Māori and local government. Good progress was made on both fronts in 2016/17, including developing a memorandum of understanding and associated actions with Te Puni Kōkiri, and boosting our engagement with Local Government New Zealand and selected councils.

In 2017/18, we will also advance our Mana Pasifika work – continuing to recognise and engage with the arts of the Pacific – and communicate our messages to other audiences, like the business community, private and philanthropic funders and central government.

Much of our advocacy work is delivered through existing programmes and resources (principally staff time). In 2017/18, \$0.575 million is budgeted specifically for advocacy.

SECTION 2:

Non-financial planning and performance

Annual priorities

Measures:

No.	Name	Description	2017/18 milestones	Achievement result
G3.1	Working with Māori and local government	We will continue to enhance our relationship with Māori and local government as important advocates and co-funders of the arts in Aotearoa New Zealand.	<p>Agreements established with influential entities to drive important developments for Māori arts and culture (June 2018).</p> <p>Research on local government support for the arts is shared (September 2017), and tools to support improved responsiveness to the arts – co-created with Local Government New Zealand – are developed and shared (June 2018).</p>	<p>Our agreements with important partners are advanced, so that Māori arts develop regionally, nationally and internationally.</p> <p>Local government's responsiveness to the arts increases, as shown through more local authority arts plans and strategies, and the arts featuring as an important enabler in more local authority long-term plans.</p>
G3.2	Boosting the impact of our research	We will deliver our triennial New Zealanders and the arts research looking at attitudes, attendance and participation in the arts, and increase its role as an important advocacy tool for the arts sector.	Research commissioned, carried out and published (March 2018) and engagement plan delivered (from April 2018).	More Māori entities and local authorities partner with us in the research.

Core activities

Measures:

No.	Name	2015/16 Actual	2016/17 Target	2017/18 Target	Note
G3.3	Percentage of advocacy actions described in the annual advocacy action plan that have met or exceeded our expectations	New in 2017/18	New in 2017/18	≥90%	<p>This new measure focuses on Creative New Zealand's assessment of the immediate results of individual advocacy actions, as set out in the relevant annual advocacy action plan.</p> <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>

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 important, and we will continue to make things simpler for our customers and clients when they are engaging with us. In 2017/18, we will ensure our systems and processes are set up to best support the new Investment Strategy. This includes refining our systems to improve service delivery and operational efficiency.

In May 2017, the Government outlined 10 new Better Public Services targets, building on the success of the initial targets set in 2012. Two goals in particular will inform our work to improve our service delivery: Result 9: Business gains value from easy and seamless dealings with government and Result 10: People have easy access to Public Services, which are designed around them, when they need them.

An important focus for our work is on making it easier for staff and clients to use our grants management system. In 2016/17, clients across all of our funding programmes experienced first hand the benefits of the new online system. A new business intelligence tool was introduced in 2016/17 with the aim of rolling this out to all staff across the organisation in 2017/18. This will help give us more timely and useful planning and reporting information for both our own decision-making and the sector's wider information.

In 2017/18, we will also produce a report on the health of our arts investment programmes. Covering the period 2012 to 2016, this report will provide additional feedback and insights for our investment clients about their own performance and that of the wider portfolio over time.

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 currently budgeted at \$7.979 million in 2017/18.

SECTION 2:

Non-financial planning and performance

Annual priorities

Measures:

No.	Name	Description	2017/18 milestones	Achievement result
G4.1	Aligning our business practices with our investment intentions	We will adjust our systems and processes to best support the delivery of our investment intentions, as set out in the new Investment Strategy.	Operational changes necessary for the delivery of the Investment Strategy are appropriately planned and/or implemented (June 2018).	Systems are well placed to better serve and deliver on our investment intentions, and progress on delivering on these intentions is tracked.
G4.2	Refining our systems	We will continue to refine our systems, so as to improve service delivery and operational efficiency.	An activity statistics table is introduced across all programmes for improved reporting on the impact of our work (July 2017), and legacy systems are retired and integrated into the new Grants Management System (June 2018).	We have a better understanding of the impact our work is having, with reduced costs to our business.

Core activities

Measures:

No.	Name	2014/15 Actual	2015/16 Target	2017/18 Target	Note
G4.3	Percentage of customers and clients who are satisfied with overall service received from Creative New Zealand	n/a	≥70%	≥70%	The 2017/18 target is based on the results of the 2014/15 Client Satisfaction Survey conducted by research agency Colmar Brunton (66%). Creative New Zealand has begun surveying customers and 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.

Beginning in 2016/17, our Organisational Development Project focuses on how we can best position our organisation for future success in delivering on the goals, outcomes and vision we set for ourselves in the SOI 2016–2021. The recommendations from this project will help us in 2017/18 to identify Creative New Zealand's future development needs and begin upskilling staff in these areas.

This continues our work from 2016/17 to update our learning and development policies and practices. These were updated to include the requirement that all employees have an active, agreed development plan in place. We will also help staff to understand how their work contributes to the new Investment Strategy and identify the key skills required for its successful implementation.

In 2017/18, those we serve will continue to have an important role in helping us understand how we can improve. The 2016/17 customer survey results will indicate how we are going, help us to see where we have improved from our last survey in 2014/15 and show where there are further opportunities to grow.

As with **Improving service delivery**, no fixed sum is allocated towards improving our organisation; resources come from our operating costs, which are currently budgeted at \$7.979 million in 2017/18.

SECTION 2:

Non-financial planning and performance

Annual priorities

Measures:

No.	Name	Description	2017/18 milestones	Achievement result
G5.1	Delivering to the Investment Strategy	We will help staff understand how their work contributes to the new Investment Strategy and identify the key skills required for its successful implementation.	Staff engagement around the Investment Strategy occurs (August 2017) and key skills are identified and discussed with staff (December 2017).	Staff have a clear understanding of how they deliver on the Investment Strategy and 'investment thinking' is increased.
G5.2	Developing our people	We will identify Creative New Zealand's future development needs and begin upskilling staff in these areas.	Creative New Zealand's developmental needs are identified and prioritised (September 2017) and training initiatives are provided (from October 2017).	Capability begins to grow in areas that are critical to success.

Core activities

Measures:

No.	Name	2015/16 Actual	2016/17 Target	2017/18 Target	Note
G5.3	Maintain or improve audit management ratings	Good or very good	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	72.8%	≥74%	≥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 2017/18 year and the notes to those statements. It also talks in further detail about our investment in the arts for 2017/18.

The prospective financial statements in this section are based on policies and approvals in place as at 30 June 2017 and are exclusive of goods and services tax (GST) (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 outline 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 2016 – actual figures from the 2015/16 Annual Report
- June 2017 – forecast figures based on the actual figures on 31 May 2017
- June 2018 – budget based on the budget approved by the Arts Council on 28 June 2017.

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 2017/18

An important focus for Creative New Zealand, and one that 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 2017/18, we took several factors into account including:

- maintaining our investment in the arts at a level that was as high as prudently possible, noting the particularly strong 2016/17 result for lotteries revenue over that predicted at the beginning of that year
- continue to deliver to our strategic outcomes in a similar pattern as in prior years, noting the need to look at strengthening our own organisation's ability to support the arts sector and deliver to the strategic vision, outcomes and goals we've set ourselves as we head towards 2021
- working out how we might better insulate the arts sector from future fluctuations in our New Zealand Lottery Grants Board (NZLGB) funding.

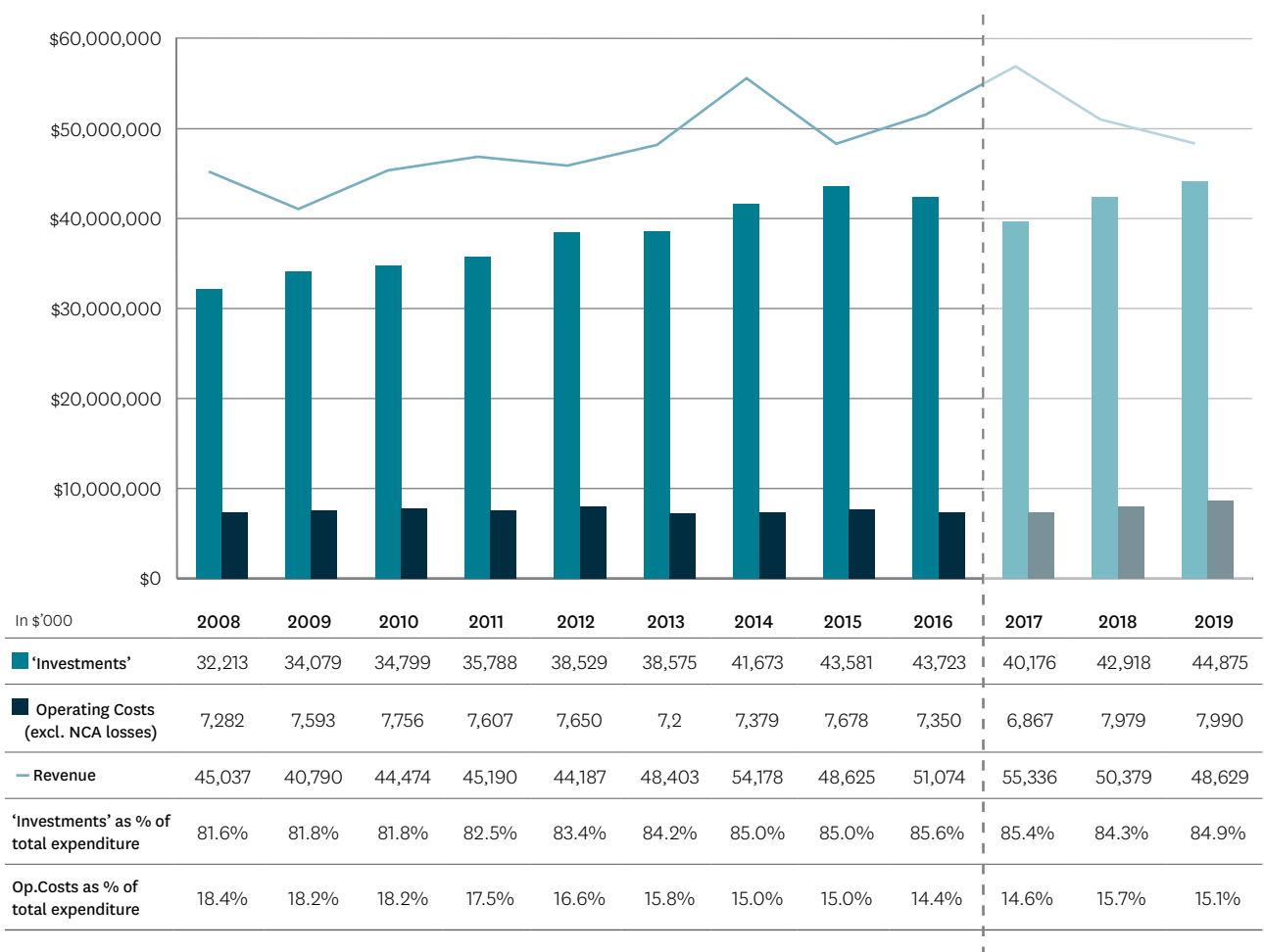
On the latter, the Arts Council amended its policy on accumulated funds from ‘the minimum “equity level” should not drop below 10 percent of total revenue’ to ‘the minimum “equity level” is accumulated funds do not drop below 15 percent of total revenue at the end of the third year of any budgeting cycle’.

Increasing the minimum level from 10 percent to 15 percent, or from around \$4.8 million to \$7.2 million, helps create a financial buffer that exceeds the largest single-year drop in actual NZLGB revenue in recent times.

Our Investment programmes are growing as more organisations are accepted into these programmes and as funding for existing organisations is increased. As a result, we are now committing more of our budget to longer-term funding agreements. The amended policy on accumulated funds will give the Arts Council the ability to better signal its longer-term investment intentions.

Figure 1 shows changes to Creative New Zealand’s investment in the arts sector, operating costs and revenue over time.

Figure 1: ‘Investments’ vs. Operating Costs vs. Revenue



2017 = forecast result for 2016/17
 2018, 2019 = current budget for 2017/18 and 2018/19, subject to change.

SECTION 3:

Financial planning and performance

Prospective Financial Statements

Prospective statement of financial performance

for the year ending 30 June

	ACTUAL 2016 \$000	FORECAST 2017 \$000	BUDGET 2018 \$000
REVENUE			
Revenue from the Crown	15,689	15,689	15,689
Revenue from the New Zealand Lottery Grants Board	30,930	38,932	33,750
Interest revenue	599	493	726
Other revenue	2,505	222	214
TOTAL REVENUE	49,723	55,336	50,379
EXPENDITURE			
Funding	42,405	38,857	40,767
Capability Building	1,131	1,128	1,577
Advocacy	187	190	575
Operating costs			
Personnel expenses	4,812	4,469	5,182
Depreciation and amortisation	201	315	340
Net losses on disposal of assets	106	186	–
Other expenses	2,337	2,095	2,457
TOTAL EXPENDITURE	51,179	47,240	50,898
NET OPERATING SURPLUS / (DEFICIT)	(1,456)	8,096	(519)

Prospective statement of comprehensive revenue and expense

for the year ending 30 June

	ACTUAL 2016 \$000	FORECAST 2017 \$000	BUDGET 2018 \$000
Net operating surplus/(deficit) for the year	(1,456)	8,096	(519)
Other comprehensive revenue and expense			
Revaluation of works of art	(7)	-	-
Total other comprehensive revenue and expense	(7)	-	-
TOTAL COMPREHENSIVE REVENUE AND EXPENSE	(1,463)	8,096	(519)

Prospective statement of changes in net assets/equity

for the year ending 30 June

	ACTUAL 2016 \$000	FORECAST 2017 \$000	BUDGET 2018 \$000
Total equity as at 1 July	13,231	11,768	19,864
Net operating surplus/(deficit) for the year	(1,456)	8,096	(519)
Other comprehensive revenue and expense	(7)	-	-
Total comprehensive revenue and expense	(1,463)	8,096	(519)
TOTAL EQUITY AS AT 30 JUNE	11,768	19,864	19,345

SECTION 3:

Financial planning and performance

Prospective statement of financial position

for the year ending 30 June

	ACTUAL 2016 \$000	FORECAST 2017 \$000	BUDGET 2018 \$000
ASSETS			
Current assets			
Cash and cash equivalents	2,195	7,825	7,841
Investments in term deposits	10,000	8,500	15,000
Receivables	10,722	15,310	8,740
Prepayments	61	450	180
Total current assets	22,978	32,085	31,761
Non-current assets			
Property, plant and equipment	1,421	337	217
Works of art	1,092	1,079	1,092
Intangible assets	1,370	1,400	1,380
Total non-current assets	3,883	2,816	2,689
TOTAL ASSETS	26,861	34,901	34,450
LIABILITIES			
Current liabilities			
Grants payable	14,181	14,200	14,200
Creditors and other payables	479	400	450
Revenue in advance	11	10	10
Employee entitlements	285	285	300
Total current liabilities	14,956	14,895	14,960
Non-current liabilities			
Lease make-good provision	42	42	40
Employee entitlements	95	100	105
Total non-current liabilities	137	142	145
TOTAL LIABILITIES	15,093	15,037	15,105
NET ASSETS	11,768	19,864	19,345
EQUITY			
Accumulated funds	9,858	17,954	17,435
Revaluation reserves	1,088	1,088	1,088
Restricted reserves (special purpose funds)	822	822	822
TOTAL EQUITY	11,768	19,864	19,345

Prospective statement of cash flows

for the year ending 30 June

	ACTUAL 2016 \$000	FORECAST 2017 \$000	BUDGET 2018 \$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	26,629	34,177	40,310
Interest received	727	500	726
Grant retirements and gains	9	133	135
Other revenue	567	183	24
Net goods and services tax	38	-	-
Cash was applied to:			
Payments of grants	(44,977)	(40,393)	(42,754)
Payments to employees	(4,950)	(4,469)	(5,169)
Payments of operating expenses	(2,639)	(2,256)	(2,232)
Net goods and services tax	-	-	-
NET CASH FLOWS FROM OPERATING ACTIVITIES	(8,907)	3,564	6,729
CASH FLOWS FROM INVESTING ACTIVITIES			
Cash was provided from:			
Sale of property, plant and equipment	-	747	-
Terms deposits maturing	18,500	10,000	8,500
Cash was applied to:			
Purchase of property, plant, equipment and intangible assets	(144)	(181)	(213)
Investment in term deposits	(10,000)	(8,500)	(15,000)
NET CASH FLOWS FROM INVESTING ACTIVITIES	8,356	2,066	(6,713)
NET INCREASE (DECREASE) IN CASH HELD	(551)	5,630	16
Add opening cash brought forward:			
Cash on hand and at bank	71	90	90
Short-term deposits	2,675	2,105	7,735
BALANCE AT END OF YEAR	2,195	7,825	7,841
Represented by:			
Closing cash carried forward:			
Cash on hand and at bank	90	90	90
Short-term deposits	2,105	7,735	7,751
BALANCE AT END OF YEAR	2,195	7,825	7,841

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 (a condition refers to an enforceable legal right of return of the transferred asset if it is not used for the specific intended purpose). 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 most of its funding from the NZLGB. The NZLGB allocates 15 percent 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 as 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 NZLGB 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.

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 the 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 the programme and budget being agreed within the timeframes, and any special conditions for the drawdown of funding 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 provides Creative Communities Scheme funding to territorial authorities throughout New Zealand to distribute in their area. Creative Communities Scheme funding to territorial authorities is considered non-discretionary; there is no application process and no substantive conditions need to be fulfilled for territorial authorities to receive the grant. This funding is expensed annually when communicated and distributed.

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.

SECTION 3:

Financial planning and 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 include 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, gifted to Creative New Zealand from the estate of Hilda Dawn Sturgeon. Residential property is carried at fair value.

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 are accumulated to an asset revaluation reserve in equity for that class of assets. Where this would result in a debit balance of the asset revaluation reserve, this balance 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)	4.58 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 because 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.

SECTION 3:

Financial planning and performance

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

Computer software	4 years	25.0%
Grants Management (GMS) and Customer Relationship Management (CRM) system	8 years	12.5%

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
- revaluation reserve
- restricted reserve.

Revaluation reserve relates to the revaluation of works of art.

Restricted reserve consists of donations and bequests entrusted to Creative New Zealand to administer for a stipulated purpose.

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 NZLGB has been estimated for 2017/18 based on Lotto New Zealand's forecast payment to the NZLGB for 2017/18, along with the average payment from the NZLGB to Creative New Zealand over the previous six

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Financial planning and performance

years. The final expected 2017/18 payment from the NZLGB will be confirmed in July 2017.

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 staffing levels will not significantly change in each of the financial years.

OUR ORGANISATION

TŌ TATOU TARI

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, 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 Pasifika artists can apply for support through the Māori or Pacific assessment streams but remain eligible to choose to apply through the general funding process as well. In this way, Māori and Pacific arts are 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 and practitioners. Others, such as internships and cultural exchanges, are specific to artforms (eg, the Prime Minister's Awards for Literary Achievement), Māori and Pasifika artists and practitioners (eg, Tohunga and Tukunga – the Māori arts mentoring programme) or other criteria.

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

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 Pasifika in 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 diverse stakeholders, including the Minister for Arts, Culture and Heritage and the Ministry for Culture and Heritage, the NZLGB, iwi and Māori agencies, Pasifika groups, local government, individual artists and 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 are 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 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 are 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 Pasifika in 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 and objectives in our Statement of Intent (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 regularly assess with the arts sector that we are performing to the standards we have set

ourselves. We also have a formal complaints management system and monitor informal feedback from applicants and clients through social media and daily interactions 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 30 June 2017, we have 46 staff (43.93 full-time equivalent staff), based mainly in Wellington and Auckland and 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, Pasifika, 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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