

2017

# Four-year Plan

May 2017

**Manatū  
Taonga**

Ministry  
for Culture  
& Heritage

New Zealand's distinctive culture enriches our lives  
**Mā tō Aotearoa ahurea ahurei tātou e whakarāwai**

# Table of contents

Table of contents.....	1
Overview of the cultural sector.....	3
Strategic direction .....	6
How do we make a difference?.....	8
What are our challenges?.....	14
Organisational capability and workforce delivery in the Ministry .....	17
Supporting the Ministry to achieve outcomes.....	19
Working with other government agencies.....	20
Funded agencies.....	21

***How we use the word 'culture'***

This Four-year Plan uses the word 'culture' in a broad way to include Māori culture and the cultures of all New Zealanders. When we refer to culture we see it as including arts, heritage, media, and sport and recreation.

***What we include in the 'cultural sector' and 'funded agencies'***

When we refer to the 'cultural sector' we are referring to the mixed (private and public) economy of producers, distributors, consumers and funders of cultural goods and services. 'Funded agencies' refers only to those agencies funded directly through the Ministry under Vote Arts, Culture and Heritage and Vote Sport and Recreation.

# Overview of the cultural sector

## Culture

- contributes to achieving a wide range of outcomes across other government portfolios
- strongly influences not only how we think and feel about our communities, but our overall sense of who we are as a people
- has wide-reaching social and economic benefits as well as cultural benefits
- is the activities, goods and services of creative and innovative individuals, groups and organisations

## Our culture makes New Zealand a great place to live, work and play

Cultural expression, engagement and understanding are fundamental to a vibrant and healthy society and help reinforce what it is to be a New Zealander. Cultural expression increases individual wellbeing, contributes to social cohesion and provides jobs and innovation in the economy.

Māori culture is central to New Zealand's uniqueness as a place, a society and a nation. Strong partnerships between iwi-Māori and the Crown are essential to ensure that Māori culture is protected and flourishes.

Culture is produced by creative and innovative individuals, groups and organisations. The activities, goods and services they create, produce, distribute and present to the world have a value which is not only cultural but also social and economic, contributing to overall wellbeing and higher living standards.

## How do we support New Zealand's culture?

Government makes a significant contribution to the broad cultural sector each year. The government invests almost \$400 million each year in heritage, arts, media and sport through Vote Arts, Culture and Heritage and Vote Sport and Recreation.

Further public support for the cultural sector is provided through other

Votes (Education and Internal Affairs, for example) and through local government. And in 2015/16 around \$86 million was provided by the NZ Lottery Grants Board to four cultural sector agencies – the statutory bodies Sport New Zealand, Creative New Zealand and the NZ Film Commission, and Ngā Taonga Sound and Vision.

The Ministry and our funded agencies have through partnerships, sponsorship and revenue generation increased the level of third-party revenue in the government funded cultural sector from \$50 million to \$80 million over the past 10 years. There is a continued focus on increasing third-party revenue, and in particular philanthropic fund-raising through trusts and foundations.

## The Ministry's role

We maximise the value of culture to increase New Zealanders' living standards by:

- Providing advice and information so that the best decisions can be made
- Giving effect to the decisions of Ministers
- Connecting government with the cultural sector through our interpretation, facilitation across sectors and influence of others
- Delivering cultural goods, services and protections that Ministers have chosen to supply directly.

The Ministry supports the Minister for Arts, Culture and Heritage, the Minister of Broadcasting and the Minister for Sport and Recreation, providing advice on where government best focuses its interventions in the cultural sector. We seek to ensure that Vote funding is invested as effectively and efficiently as possible, that it delivers the best outcomes for New Zealanders, and that government priorities are met.

Some delivery activities we are directed to undertake ourselves. For example, the Ministry has a strong track record of producing high quality historical and reference resources; these days they are primarily web-based. The Ministry has a leading role in the provision of national commemorations (including through the WW100 programme) and a range of responsibilities in relation to the protection of cultural treasures and taonga – for example, under the Protected Objects Act 1975 and the Regional Culture and Heritage Fund. We also look after the National War Memorial, and have developed Pukeahu, the National War Memorial Park.

The Ministry's work prioritises cultural outcomes but recognises their association with educational, economic and social benefits. We work closely, therefore, with a significant number of other government departments, as well as with cultural agencies.

### **About the Ministry**

The Ministry has a baseline operating budget of around \$15 million each year. We currently have additional funding for specific projects related to the centenary of the First World War and Heritage EQUIP. Baselines are set to reduce over the next 4 years, after the completion of such projects.

We have a current complement of 113 FTEs across cultural policy, monitoring of funded agencies, service delivery (including publishing, commemorations and Pukeahu), and corporate services.

The Ministry will face challenging choices as we manage cost pressures at the same time as our funding reduces. We will continue to carefully choose the activities we undertake with consideration focused on ensuring activities and projects offer the biggest impact, and meet the expectations of our stakeholders and customers.

### **The Ministry's role in the cultural sector**

A vibrant cultural sector demands durable policy settings and a level of investment to support thriving cultural activity. The Ministry has policy, legislative, delivery, regulatory, funding and monitoring responsibilities throughout a cultural sector that is extraordinarily diverse.

The Ministry is well placed to have an overview of the full range of cultural sector activities and issues, and to inform thinking, within government and the sector, on how support for culture can contribute to government's goals. The Ministry is able to maintain oversight of issues of common interest across the cultural sector, and of emerging trends that shape its development.

As well as channelling direct government funding, the Ministry is focussed on working with key non-government groups in the cultural sector to ensure that the government's interventions are the right ones. For example, the creative sector's economic contribution has been rising at twice the rate of the overall economy and we want to ensure that the regulatory and policy environment in New Zealand supports this growth.

### **The Ministry's role with funded agencies**

Through Vote: Arts, Culture & Heritage the government invests about \$320m in the crown entities and other bodies that deliver a range of high-quality cultural interventions, products and services to New Zealanders. A primary role for the Ministry, therefore, is the monitoring and support of those 15 agencies. These agencies include organisations which – through funding, regulation, advocacy and/or relationship building – adjust the environment to support the provision of improved cultural experiences to New Zealanders. Examples include NZ On Air and Heritage New Zealand. Others, such as Te Matatini and the New Zealand Symphony Orchestra, deliver directly to consumers.

The Ministry heads this cluster of directly funded agencies, engaging on specific policy, research, partnerships and development areas, including the activities being undertaken through the WW100 programme. Agencies collaborate on a range of initiatives to improve

value for money and develop new sources of funding outside government, including aligning some funding strategies.

The Ministry works with our funded agencies to ensure they remain fit for purpose in a rapidly changing environment. This includes establishing shared services, where appropriate, with the screen agencies sharing premises and finance and facilities resources.

## **Who are our customers?**

The Ministry has a very diverse group of customers – at a high level we are delivering to all of New Zealand. But within that broad grouping we can identify clear subgroups with whom we must engage, including government and funded agencies, new New Zealanders, and those who traditionally may not have felt sufficiently connected with government cultural activity such as commemorations.

We are aiming to take a more specifically customer-focussed view to determine what strategic outcomes are most important, and what interventions will achieve these outcomes. As part of a refreshed strategy the Ministry will perform an in-depth analysis of our customers, where they reside, what they want from the Ministry, and how we can provide the most value to them.

We are building our understanding of our customers, but indications suggest that the most valuable outcomes for them are:

### **Cultural understanding**

- understanding, sharing and being part of New Zealand's culture
- understanding New Zealand's history

- a sense of identity and belonging
- a connection with tangata whenua
- recognising the core values that underlie the functioning of our society and the governance structures that society operates within
- affirmation of diversity, including of the value immigrants bring to New Zealand

### **Cultural content creation, participation and engagement**

- freedom to express and create cultural content and to express cultural identity
- existence of cultural opportunities and choices, based on shared information
- experiencing high quality events that are accessible and accurate

### **Information and learning**

- accessible information about New Zealand's culture, heritage and history
- tools and activities for learning and engaging in our culture and history
- multiple platforms to obtain information, recognising New Zealander's diverse abilities and opportunities
- connections and relevance to individuals' lives and communities.

# Strategic direction

## Where do we want our sector to be?

Our distinctive culture is core to what makes New Zealand a great place to live. Cultural expression, engagement and understanding are fundamental to a vibrant and healthy society and help define what it is to be a New Zealander.

The Ministry is committed to building an even stronger cultural sector for the future, so that:

- our national identity is distinctive and inclusive, supporting social cohesion and individual wellbeing
- people here and abroad are increasingly wanting and accessing New Zealand stories told by New Zealanders
- arts, heritage, media and sport play an increasingly important role in our lives and work, are a growing part of the economy and support our nation's reputation as a sophisticated, innovative, creative and culturally diverse nation

## Where do we want the Ministry to be?

The Ministry sees itself as playing a central role in helping Ministers determine the way that the government intervenes in the cultural sector, and in giving effect to those decisions.

But New Zealanders stand to gain most from an approach that sees the Ministry work closely and effectively with the other agencies that represent government's interests in culture. To that end, three years ago the Ministry promoted the creation of a framework within which its own activities, and those of the agencies, could be located, developed, linked, measured and reviewed against agreed high-level objectives.

That framework identified five medium-term sector shifts to which the work of the Ministry and the funded agencies is best directed:

- Fostering inclusive New Zealand identity
- Supporting Māori cultural aspirations
- Front-footing transformative technology
- Improving cultural asset sustainability
- Measuring and maximising public value

The Ministry has made progress in advancing many of the activity streams which support these sector shifts – see 'How do we make a difference?' below. But we have had limited success in embedding the framework within the wider cultural sector; there has been variable uptake and support from the funded agencies. Most importantly we have not been able to describe the path to achieving the sector shifts, identify what will make the most difference, nor quantify the impacts of our intervention.

We accept that we need to do better in collaborating with our stakeholder organisations – not only in establishing shared objectives, but in finding shared pathways to their achievement, and in developing the evidence that provides compelling support for government's decisions about investment in culture.

In association with the agencies, therefore, we are working now on a revised initiative – a Cultural Sector Narrative. This will address our shared perception that we must better communicate how, collectively, we contribute to New Zealanders' quality of life, understanding and inspiration, connectedness, sense of nationhood and economic success.

The Cultural Sector Narrative will tell the story of our sector. It will outline why and how cultural activities matter for New Zealand and New Zealanders. One of the keys to the sustainability of the cultural sector is being able to articulate the value created through

cultural activities, but at the moment cultural organisations are not drawing on a strong shared understanding. Language varies in meaning across different sector groupings and disciplines, such as between heritage specialists and economists. This means that different groups can often be talking past each other.

We will develop a revised and more widely accepted framework and a common language for talking about and measuring the value we create. The Cultural Sector Narrative will help make it easier to make good choices, and to communicate the value of cultural activities to a variety of audiences, including philanthropists and sponsors, local body politicians and decision-makers, iwi, community trusts and other potential funders.

The narrative will draw together the cultural sector data and research that already exists, and identify and address significant gaps, supporting the provision of quality policy advice built on a strong evidence base and value proposition.

Ultimately all cultural sector organisations, big and small, will be able to use the narrative, supporting evidence and associated tools to communicate their value and impact to funders and decision-makers, supporters and the public.

### **Supporting the strategy and our overall effectiveness**

The development of the Cultural Sector Narrative is one key element in an overall plan to enhance the Ministry's effectiveness within the government and cultural sectors. It reflects the first of the Chief Executive's focus areas, as he articulated them to staff in early 2016:

- simplifying and clarifying strategy and then embedding it to support action

Other key action areas are:

- The Ministry Leadership Team providing more visible and collective leadership
- Describing and activating a clear common purpose and way of working
- Pivoting attention to the funded agencies, establishing a new operating model that gives proportionate attention to entities, relative to their size, risk profile and performance: *Supporting and Reporting for Cultural Excellence*
- Strengthening governance and management of work programme

The findings of the mid-year PIF review endorsed these priorities. The findings also helped give shape to some of the subprojects that will be advanced in the next period. These include definition and development of the Ministry's role in relation to Māori culture, and particularly in making Māori culture accessible to all New Zealanders – our mandate is separate to but connected with the work of Te Puni Kōkiri.

We are also interested in understanding more about the geographical spread of the demand for the Ministry and sector outputs. The prioritisation of our interventions will give consideration to the government priorities of development in the regions and engaging youth. We are planning to undertake a mapping of all cultural infrastructure across New Zealand so that our interventions can be strategically targeted to the regions and facilities that add the most value to New Zealanders.

# How do we make a difference?

New Zealand's distinctive culture enriches our lives					
<b>Government priorities</b>	Responsibly managing the Government's finances	Building a more competitive and productive economy	Delivering better public services	Rebuilding Christchurch	
<b>Cultural Sector Strategic Framework</b>  <b>Medium term sector shifts</b>	<b>Fostering inclusive New Zealand identity</b> New Zealanders have a strong shared sense of attachment to New Zealand, value diversity and are actively participating in our cultural life and democracy. New Zealand identity is strong globally.	<b>Supporting Māori cultural aspirations</b> Iwi/Māori, Manatū Taonga Ministry for Culture and Heritage and cultural sector organisations have strengthened capacity to advance Māori cultural aspirations for the benefit of Māori and for all New Zealanders.	<b>Front footing transformative technology</b> New Zealand creative practitioners and organisations have mastered skills and capabilities to better utilise technological innovation. New Zealand is recognised as a leader in enabling ease of access to, and re-use of, creative content.	<b>Improving cultural asset sustainability</b> Our most valuable cultural assets are identified and measures are adopted to ensure their protection and, where appropriate, development. There is greater transparency on how the sector is prioritising investment in cultural assets.	<b>Measuring and maximising public value</b> Decision making and choices in resourcing cultural infrastructure and cultural activity are better informed by data, evidence and understanding of the public value of culture.
<b>Why we do it?</b>	<b>Create</b> - Cultural and sporting practitioners and organisations create, produce and distribute a broad range of cultural works, experiences and activities, distinctively 'New Zealand' in form, voice and/or content. Creative talent and innovation enhance our way of life and make a valued contribution to the economy and society.	<b>Preserve</b> - Cultural practitioners and organisations collect, record, protect and present taonga for the benefit of present and future New Zealanders.	<b>Engage</b> - New Zealanders and international audiences increasingly access and engage with taonga and other cultural works, places and activities with enjoyment and understanding.	<b>Excel</b> - High achieving, talented and innovative cultural and sporting practitioners inspire high achievement in others, leading to enhanced social and economic well-being and community and national pride.	
<b>Ministry for Culture and Heritage outputs</b>  <b>What we do</b>	<b>Advise</b> <ul style="list-style-type: none"> <li>Provide advice to support decision making by Ministers on government policy relating to arts, heritage and media</li> <li>Advise on and process Board appointments</li> <li>Negotiated services to support Ministers including speeches and correspondence</li> </ul>	<b>Deliver</b> <ul style="list-style-type: none"> <li>Maintain war graves and access to memorials and other places of national significance</li> <li>Collect and preserve oral history and digital stories</li> <li>Promote cultural events and significant commemorations</li> <li>Information on and communication of New Zealand and Māori history, society and culture</li> <li>Delivery of international cultural diplomacy projects</li> <li>Delivery of the First World War centenary operating legacy projects</li> </ul>	<b>Regulate</b> <ul style="list-style-type: none"> <li>Administer legislation to protect Māori and New Zealand's cultural heritage</li> <li>Ensure legislation and policy settings remain fit for purpose in relation to fast moving technological advancements</li> </ul>		
<b>Fund and Monitor</b> • Performance monitoring and development of arts, heritage, media and sport Vote-funded agencies					
<b>Funded agencies</b>					

## Fostering inclusive New Zealand identity

### Sector Shift

**2014:** Cultural ‘infrastructure’ has not kept pace with the renewed rapid rise in the diversity of the population, along with a continued urbanisation. This dynamic requires a coordinated approach that binds our sense of what it means to be a New Zealander.

**2018:** New Zealanders have a strong sense of attachment to New Zealand, value diversity, and are actively participating in our cultural life and democracy. New Zealand identity is strong globally.

What are we doing?	
<b>Authoritative cultural resources</b>	Produce and promote significant cultural information, using a range of media, including digital and print projects aligned with the commemorations programme. Examples include the WW100 publication programme and Te Ara.
<b>Commemorations programme lead</b>	New Zealand’s commemorations programme including First World War centenary (2014-2019), 250 years since Cook landings (2019) and 125 years since women’s suffrage (2018).
<b>Pukeahu governance and management</b>	Activate Pukeahu as a centre for national commemorations, deliver an education programme for young people through the Queen Elizabeth II Pukeahu Education Centre, and manage the ongoing development of the park through the sequential installation of other nations’ memorials.
<b>Provision of military heritage in New Zealand</b>	Explore options for the effective telling of the New Zealand’s national military heritage story.
<b>Advice on civics, nationhood and identity</b>	Support cross-government work on nationhood. Promote constitutional organisations and civics and citizenship education in the capital city.
<b>Protection of significant heritage</b>	Manage the maintenance of war graves in New Zealand and abroad and administering legislation to protect symbols of nationhood and movable and found heritage.
<b>Te Tai Treaty Settlement Stories</b>	Produce a comprehensive, historically rigorous account of the recent history of Treaty of Waitangi settlements from all perspectives, including online content.
<b>Landmarks</b>	Develop, project manage and evaluate the Northland Landmarks Pilot in partnership with Heritage NZ, the Department of Conservation and MBIE Tourism. Evaluate the pilot in line with the desired impacts and explore national rollout options.

## Supporting Māori cultural aspirations

### Sector Shift

**2014:** Cultural agencies are committed to working with iwi-Māori to support Māori cultural expression. Iwi are at varying stages in the Treaty settlement process and positioning to advance their own cultural aspirations. Iwi demand a higher level of responsiveness from government and its agencies.

**2018:** Iwi-Māori, Manatū Taonga Ministry for Culture and Heritage and cultural sector organisations have strengthened capacity to advance Māori cultural aspirations for the benefit of Māori and for all New Zealanders.

What are we doing?	
<b>Managing post-settlement relationships</b>	As one of the core group of government agencies to support the Treaty settlement process, we have over 50 relationship agreements which will rise to 100 by 2020. We are actively managing our relationships with key iwi to ensure these needs are met and providing guidance to iwi in the development of their cultural plans to support their cultural aspirations and priorities in a post-settlement environment.
<b>Protection of taonga</b>	Ongoing conservation of newly found taonga. Examine the government's obligations with regard to care and ownership of taonga.
<b>Auckland volcanic landscape</b>	Explore the feasibility of establishing Auckland's unique volcanic landscape as a World Heritage site of Outstanding Universal Value, working with the Department of Conservation and the Ministry of Foreign Affairs and Trade.
<b>Supporting Māori cultural talent</b>	Targeted initiatives to address gaps and opportunities in the delivery of support for Māori creative artists and performers, including Te Matatini. Work with iwi to develop their preferred options for provision of services.
<b>Protection of taonga tūturu</b>	Manage the care of newly found taonga tūturu and the process of transferring ownership and kaitiakitanga.
<b>Working with the cultural sector</b>	Lead the cultural sector in delivering more than our legal obligations and building recognition that iwi/Māori culture is intrinsic to New Zealand's identity.
<b>Te Reo me ngā tikanga Language and culture</b>	Lead the cultural sector and collaborate with government agencies on shared initiatives that will ensure te reo and tikanga – Māori language and culture are increasingly central to our identity as New Zealanders

## Front-footing transformative technology

### Sector Shift

**2014:** New Zealand creative practitioners and organisations have the skills and capability to deliver quality cultural experiences but uptake of transformative technologies to enhance production, distribution and access is variable.

**2018:** New Zealand creative practitioners and organisations have mastered skills and capabilities to front-foot technological innovation. There is greater scope to select and manage production, distribution and access. New Zealand is recognised as a leader in enabling ease of access to, and re-use of, creative content.

What are we doing?	
<b>Content Regulation in a Converged World</b>	Review and update media legislation, to ensure it remains fit for purpose and reflects the changing digital environment.
<b>Convergence</b>	Support the cross-Government convergence work programme, including a study of the copyright and registered designs regulation led by MBIE.
<b>Supporting funded agencies</b>	Work with cultural agencies to support the innovative and cost-effective use of digital technologies to create work and engage with audiences. Examples include NZ On Air's diverse digital media projects which are made available on new and different platforms.
<b>Sector skills development</b>	Help creative industries increase competitiveness and productivity, raise the value of exports and create jobs for New Zealanders.
<b>Access to government funded material</b>	Work in partnership with other agencies to improve public access to Crown-funded and owned material.
<b>Digital cultural content</b>	Invest in digital content to provide authoritative cultural content accessible to New Zealanders.

## Improving cultural asset sustainability

### Sector Shift

**2014:** Many of New Zealand's cultural facilities are largely dependent on local government resourcing outside the main urban areas and vulnerable to declining rating bases. The Canterbury earthquakes have highlighted the challenges all communities face in maintaining cultural assets, skills and capabilities.

**2018:** There is greater clarity on the most valuable cultural assets and priorities for investing in cultural infrastructure (tangible and intangible) over time within available resources.

What are we doing?	
<b>Monitoring funded agencies</b>	Provide advice to Ministers on the performance and financial strength of key cultural and media sector agencies.
<b>Supporting income diversification in the cultural sector</b>	Conduct research and provide advice on opportunities to augment public spending, in particular through philanthropy, informed by research findings. Support the sector to raise more revenue from non-government sources.
<b>Supporting the Canterbury recovery</b>	Support the recovery from the Canterbury earthquakes through representation on various governing groups contributing to a range of cultural initiatives in greater Christchurch.
<b>Heritage EQUIP</b>	Implement the fund framework, prepare public information and make grants from the Earthquake-prone Heritage Buildings incentive fund for supporting earthquake strengthening of privately owned heritage buildings.
<b>Maintaining vitality of cultural activities</b>	Difficult choices are needed to allocate government support across the range of performing arts activities and entities throughout the country, particularly given the shifting regional demographics of New Zealand. We need to prioritise government funding as well as generating efficiencies and augmenting public funding, with a particular focus on development in the regions.
<b>Regional Culture and Heritage Fund</b>	Support strategic regional capital redevelopments in the sector and provide advice and guidance around capital construction projects. Map the current state of cultural infrastructure across New Zealand to identify the regions and projects in which investment will benefit New Zealanders the most.

## Measuring and maximising public value

### Sector Shift

**2014:** Decision-making and choices in the cultural sector rely on expert judgement but there is an underdeveloped understanding of the public value of culture.

**2018:** Decision-making and choices in resourcing cultural infrastructure and cultural activity are better informed by data, evidence and understanding of the public value of culture.

What are we doing?	
<b>Cultural Sector Narrative</b>	Develop a shared Cultural Value Framework for talking about and measuring the value that we create for New Zealanders. Improve our evidence about the value of culture through data and research, and build up a strong base for making decisions about current and future investment.
<b>Ministerial servicing</b>	Provide support to Ministers across three portfolios, to enhance decision making.
<b>Co-ordinating research across the sector</b>	Co-ordinate research across the sector and beyond to maximise the availability of data available to support cultural and media decision making.
<b>Cultural Sector Strategic Framework</b>	Embed the use of the Cultural Sector Strategic Framework as a decision-making tool across the cultural and media sector.
<b>Creative sector copyright study</b>	Support an MBIE-led study of copyright and registered designs regimes in the creative sector to understand the impact of technology on the sector.
<b>Promoting New Zealand internationally through cultural diplomacy, screen co-productions and Pacific broadcasting and sport</b>	Deliver International Cultural Diplomacy Programme to achieve broader government objectives. In partnership with the Ministry of Foreign Affairs and Trade, we are actively engaged in negotiating international screen co-production agreements for film and television.

# What are our challenges?

The cultural sector is characterised by potential, creativity and innovation, but also by very real funding constraints for many, though not all, of the agencies that operate within it. In intervening in the sector the government must carefully consider where the best public value for the cultural dollar resides, and make choices about investment in the light of the prevailing strategic priorities.

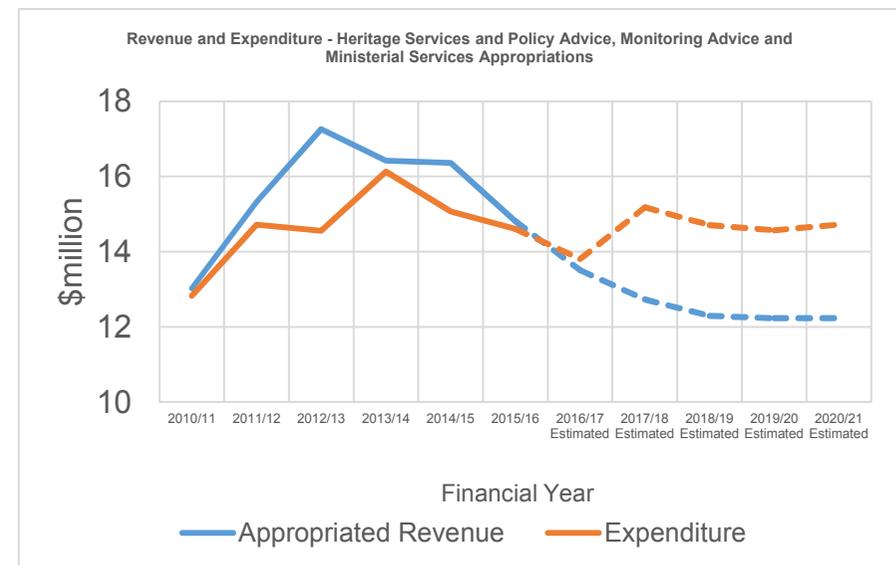
Overall public funding to the sector has been static, and the government funded cultural sector faces challenges in making the desired shifts in the priority areas outlined above. New Zealand's population is increasingly diverse and, by their very nature, those cultural interventions that are intended to support a more inclusive national identity must be meaningful for very different groups of people. Variable uptake of technologies (from both providers and consumers) and other disparities in access similarly complicate decisions about how best to intervene most effectively in the sector. The Ministry will continue to drive a programme of action to advance the sector shifts that, over time, will be increasingly informed by the development of the Cultural Sector Narrative.

In the meantime, the Ministry (as outlined above) and sector agencies are certainly taking steps to compensate for static funding and a diversifying public by targeting key groups, creating partnerships, utilising technologies, and seeking to broaden the reach and appeal of the high quality cultural products and experiences that our work makes possible. In the sector agencies, Creative New Zealand has established the Auckland Diversity Project Fund which, in partnership with Foundation North, supports projects by arts organisations that engage with Māori, Pacific and Asian communities in the Auckland Region. NZ On Air funds diverse digital media projects, on different platforms, to reach new audiences. The Ministry's own policy advice explicitly addresses issues of access to cultural experiences and technologies, for example. And we will be considering more closely the specific needs of our customers as we develop our historical resources and reference material, operationalise Pukeahu National War Memorial Park and its education centre, and create meaningful commemorative events.

## Making choices to manage cost pressures within the Ministry

But the Ministry will face particular challenges over the next few years in sustaining its own operation. We have previously been able to absorb cost pressures through prudent fiscal management, and managing underspends effectively. We are now in a position where we are fully utilising our baseline funding to deliver an expanded programme of outputs, and trade-offs will need to be made – or extra funding found.

The below graph shows the actual financial position of the Ministry from 2010/11 to 2015/16 and the forecast financial position to 2020/21.



In out years we are forecasting cost pressures from the following:

- Significant new projects, to which no new operational funding was attached – Landmarks, Pukeahu Education programme and Pukeahu operating costs are funded from within existing baselines. These would all benefit from further investment to maximise the assets we have developed, but no further prioritisation from within baselines is possible.

- Major commemorations projects, including Cook 250 and Women's suffrage, which are being planned but for which we do not have funding. Neither do we have dedicated funding to provide core capability for commemorations co-ordination, although we have a mandate to co-ordinate commemorations across government.
- Giving effect to our legislative obligation (under the Protected Objects Act 1975) to care for newly found taonga tūturu; this often requires expensive conservation treatment where we have limited ability to control costs
- The development of the Cultural Sector Narrative to describe the value of our work and develop the nature and evidence to support decision making about interventions in the cultural sector – essential work for the long term which will nevertheless use resource over the upcoming period
- Research and publishing projects (including Te Tai Treaty Settlement Stories) and managing the technological advances to ensure that our content is easily available to our audiences through the platforms they use. We are suffering an existing technology deficit and without further investment, there is a risk that our content will become less useful to our core customers as it is less available on new and emerging platforms.
- Wages and salaries – the midpoints of our salary ranges sit about 3% below the market medians, but the average salaries we pay our staff are substantially lower than that and this gap is increasing across our salary ranges. This impacts on our ability to recruit and retain high calibre staff.
- Increased premises rent

Since staff costs make up between 70 and 80% of our costs as a department, the Ministry's primary option for managing within baselines is to reduce the number of staff we employ, which will also enable us to remunerate at a rate closer to the market.

There are also some areas of operation that could be reviewed to see what staffing mix is most appropriate. It is likely that any staffing changes would affect a combination of managerial and non-managerial positions.

There are risk associated with organisational structure changes. A

reduction of staff would have a direct impact on the outputs we will be able to deliver and the level of advice and service we are able to provide. The type of risk depends on the roles that are affected.

Other options that the Ministry can consider to reduce cost pressures include reducing our rental expense by subleasing floor space in our offices, reducing our investment in research and publishing projects, using non-departmental funding to cover overhead costs in the department related to administering the funding and other small efficiency savings.

These changes may impact on our operations in the following ways:

- signature projects compromised – for example, we need to be able to better demonstrate the value of culture but may not be able to commit optimum resource to the Cultural Sector Narrative
- reduced responsiveness to other strategic policy issues - unable to take a longer term approach to regional infrastructure mapping, ensuring heritage buildings are protected, and understanding how the cultural sector contributes to a creative economy
- risk of breaching legislative requirements
- inability to deliver a commemorations programme for significant New Zealand commemorations
- less authoritative and current history and reference content available
- administrative backlog from scaling back activities related to taonga tūturu
- inability to maximise use of assets in which we have already invested, including Pukeahu and the education centre and our existing content
- a technology deficit that becomes more difficult and expensive to recover from if we do not keep our technology up-to-date, with attendant consumer resistance and operational inefficiencies
- issues with staff retention due to reduced opportunities, and a less attractive environment

It is clear that over the next period the Ministry will have to be more targeted with its interventions and deliver more in partnership with

others. While we will continue to manage and contribute to several partnership projects with allied agencies in the cultural sector, the public sector and the private sector, our experience is that to achieve a productive partnership we do need to make a contribution alongside

others.

# Organisational capability and workforce delivery in the Ministry

This section looks at the Ministry's own workforce capability and delivery. For more information on the funded agencies, please refer to the section on funded agencies in this Plan.

## Organisational culture

We are focused on fostering an organisational culture within the Ministry that will support our delivery of government objectives rather than simply develop a prescriptive statement. Our organisational culture determines how we go about doing our work.

We are leading some work across the organisation to better understand our organisational culture, link it to our strategic direction and understand how we are best placed to operate to achieve the greatest impact.

## Workforce strategy

We are focused on building a workforce that:

- has a customer focus and understands the value cultural activities and products create for New Zealanders
- is deliberate about our work programme, based on evidence and value
- connects and influences across government, the cultural sector and beyond
- is autonomous and confident so that leaders are freed up to do this through a more autonomous workforce
- understands the context we operate in and makes sound decisions
- automates processes where possible and intervenes where government investment is highest or reputation is most critical
- brings government perspective to cultural sector and customer perspective to government

## Talent management

The results in the recent Ministry engagement surveys have highlighted that career development opportunities at the Ministry are not meeting people's expectations. This result is partially due to the size of the Ministry which limits career development options within. More can be done around talent management internally and the Chief Executive and MLT have committed to this via initiatives such as Coaching for Success, career conversations and increasing secondments. In addition, we are working with the State Services Commission (SSC) on tier two and tier three talent management across the public sector, as part of the Leadership Insight programme. By July 2017 we will have incorporated the State Sector common approach to talent management for all staff.

A talent management approach provides our people with career development opportunities aligned with their career aspirations, either in the cultural sector or the wider public sector.

It will increase mobility of talent across the government and cultural sectors, supporting collaboration and better outcomes. We have to manage the risk that this can create a less stable workforce but ultimately provides the best environment for encouraging a committed and productive employees.

Talent management also provides succession planning opportunities from key talent pools. Succession planning will be an important element of our talent management process, particularly as 15 per cent of Ministry staff are over 60 years of age, and we need to consider critical positions with incumbents in the later years of their career.

## Change leadership

The PIF review and staff engagement survey results demonstrate the strong relationship staff have with their manager and immediate team, but there is work to do to help people understand and connect with the bigger picture.

We want our strategy to guide how we make decisions about the work we engage in.

## Iwi/Māori engagement

*Te Arataki* – the Ministry’s Māori Engagement Strategy – has been refreshed to reflect the Ministry’s updated role in engaging with iwi/Māori, especially with regard to post-settlement protocols. The Ministry has an ongoing responsibility to deliver cultural outcomes for New Zealand in recognition of our unique Māori heritage in Aotearoa/New Zealand.

We are building specific workforce plans into our work programme to ensure we are able to deliver on expectations. We know this will involve growing and recruiting a higher level of capability to support iwi/Māori engagement.

### Te Arataki Wānanga

The purpose of the Te Arataki Wānanga is to provide the Ministry with support and leads the development of Te Arataki and the cultural sector framework to support Māori cultural aspirations.

Te Arataki Wānanga is a forum of independent experts engaged to provide advice on within a cultural framework. The wānanga advises us and assists MLT in identifying issues, finding solutions and fostering the links between iwi/Māori arts, culture and heritage initiatives and the Crown (the Ministry).

## Management of the Ministry’s work programme

Planning and prioritising the ministry’s work programme emerged as a significant theme throughout the PIF process.

An important component of our culture shift will be to become more deliberate about the work we do because we understand the value of what we do and priorities therefore become easier to see.

Over the next four years we aim to have:

- our work programme aligned to our organisational strategy
- clear, unambiguous priorities because we understand our customers; we evidence the value what we’re doing; we have clarity over what we are achieving in the medium term as an organisation through government and within the cultural sector
- our second tier leaders have the ability to maintain a governance role in monitoring the work programme, rather than being

preoccupied with operational delivery

- tier three leaders focus on the operational leadership of the work programme
- robust programme and project management principles applied to our work programme, enabling us to be adaptable and work on the most important things.

## ICT capability

The Ministry has systems and technology that enables staff to work in a mobile and flexible environment, utilising digital services. The Ministry’s premises has a secure wireless network that allows staff the flexibility to work where convenient to them, while having full access to core systems. We have adopted a desktop telephony system that ensures staff can remain contactable throughout our premises, or when working away from the office.

Our infrastructure resides in a secure and resilient vendor data centre and we have transitioned to the Infrastructure as a Service (IaaS) model. IaaS has improved systems stability and provides the flexibility to adjust resources to meet the Ministry’s ICT needs. It is also the foundation for the adoption of future common capabilities.

The Ministry is working on a new information systems strategic plan (ITS) that will capture the future ICT needs of the Ministry. The plan will describe and align future investments in ICT systems and new technology initiatives, to support the Ministry’s strategic objectives detailed in the Statement of Intent and other governance documents.

The plan has been informed by representatives across the organisation. Their input has ensured the ITS focuses on business needs and the identification of technology required to deliver the Ministry’s strategic objectives.

At a high level there are three main streams of work detailed in the ITS:

- identifying the ‘right things’ to focus on
- gaining insight on what the Ministry invests resources on; and
- improving access to New Zealand’s historical content.

# Supporting the Ministry to achieve outcomes

What are we doing?	
<b>System improvements</b>	
<b>Improving programme/project management disciplines</b>	We intend to build project and programme management skills as a core capability for the Ministry. This will help us set up the scope of a project or programme before it begins.
<b>Refining information management</b>	Consolidation of all tools for records into an online security system and implement a retention and disposal plan for all files.
<b>Improving agency monitoring and evaluation</b>	Reviewing our performance monitoring function to move towards a performance focused rather than compliance focused service, to add value to the oversight provided by entity boards.
<b>Improving people capability</b>	
<b>Coaching for success</b>	Embedding a coaching culture across the organisation that encourages development, increases productivity and engagement, establishes clear expectations for our people that makes us better at decision-making, collaboration and communication.
<b>Talent management</b>	Implementing a more structured talent management framework, in line with the SSC led programme across second and third tier.
<b>Quality of Policy Advice</b>	The Quality of Policy Advice work to date has delivered the technical tools and capability required for our policy team to operate more effectively. We need to support and embed the work of the Quality of Policy Advice initiative and the challenge now is to achieve long-term behavioural change in order to get the desired impact.
<b>Engaging with iwi/Māori</b>	
<b>Te Arataki Wānanga</b>	The Te Arataki Wānanga provides us with support and leads the development of Te Arataki and the cultural sector framework to support Māori cultural aspirations.

## How will we know if we are successful?

Improving levels of staff engagement to 32 percent engaged and no more than 8 percent disengaged

Current performance: 27 percent engaged to 8 percent disengaged

# Working with other government agencies

Many initiatives undertaken by the Ministry at a central government level involve partnerships with other agencies, with the Ministry acting in either a lead or subsidiary role. This ensures that our work complements that of other departments in achieving government's objectives. The table below outlines some of the key institutional relationships the Ministry and funded agencies have with other parts of government.

Agency	Activity supporting the cultural sector
Canterbury Earthquake Recovery Authority	Christchurch recovery
Department of Conservation	Heritage sites; world heritage, Landmarks, Heritage property rationalisation
Department of Internal Affairs	Gaming and lotteries; local government; National Library; Archives New Zealand; First World War centenary; nationhood
Department of Prime Minister and Cabinet	Heritage, nationhood
Ministry of Business, Innovation and Employment	Film; broadcasting; convergence of telecommunications and content, copyright and intellectual property; radio spectrum; trade/cultural diplomacy; tourism; major events
Ministry of Education	Cultural opportunities in curricular and co-curricular learning experiences; UNESCO; nationhood
Ministry of Justice	Elections interface; convergence of telecommunications and content; Treaty Settlements, nationhood
Ministry for the Environment	Resource management
Ministry of Foreign Affairs and Trade	Repatriation; international law; cultural diplomacy; First World War centenary, broadcasting to the Pacific
Ministry of Health	Sports strategy, Disability Action Plan
Ministry of Pacific Island Affairs	Pacific Island Language Strategy
New Zealand Defence Force	Commemorations including First World War centenary, provision of military heritage
Office of Disability Issues	Disability Action Plan
Office of Treaty Settlements	Settlement protocols
Office of Veterans' Affairs	Commemorations including First World War centenary; war graves
Statistics New Zealand	Cultural sector research and measurement
Te Puni Kōkiri	Broadcasting; archiving of broadcast content; Māori Language Strategy; other support for Māori culture and heritage

# Funded agencies

## Funded agencies

The Ministry funds 15 Crown entities and non-government organisations (NGOs) in the arts, heritage, media and sport sectors. These agencies are primarily involved in the provision of cultural services to New Zealanders.

The Ministry provides around \$320 million of Crown funding to these cultural agencies each year. The major beneficiaries of this funding are NZ On Air (40 percent of the total), Sport NZ (25 percent) and Te Papa (13 percent).

One of the major assumptions the Ministry has made in developing this Four-year Plan is that our funded agencies (as well the Ministry) will be able to continue to make efficiency savings and grow third party revenue where appropriate, in order to deliver services within our existing baselines (which are declining in real terms).

## Crown funding

Crown funding (including lottery profits) as a percentage of total agency revenue has remained largely static at around 77 percent over the past nine years. However, this disguises considerable variation amongst funded agencies – some are far more reliant on Crown funding than others.

Crown funding has increased by an annual average five percent over the past nine years, largely due to increases in Lottery funding. Once again, this disguises considerable variation across the portfolio. Most of this increase has gone to Sport NZ (+\$51 million) and NZ On Air (+\$28 million) – the rest have achieved very little growth in Crown funding.

The organisational form and primary function of the funded agencies are summarised in the following table.

	Service Provider	Funder	Regulator
<b>Crown entity</b>	Te Papa Heritage New	New Zealand On Air	Broadcasting Standards Authority

	Zealand* NZSO Radio New Zealand International	Sport NZ Creative New Zealand NZ Film Commission	Drug Free Sport New Zealand
<b>NGO</b>	Royal New Zealand Ballet Ngā Taonga Sound & Vision Antarctic Heritage Trust New Zealand Music Commission Te Matatini		

Note: Heritage New Zealand is also a regulator, and the NZ Music Commission and Te Matatini are also funders.

## Lottery Grants Board funding

Four funded agencies benefit from the receipt of agreed proportions of Lottery Grants Board funding. The sector also benefits from Lottery funding received via specialist and/or regional distribution committees.

Only four cultural agencies receive a fixed share of profits from the Lottery Grants Board (LGB) – Sport New Zealand (which receives 20 percent of LGB profits), Creative New Zealand (15 percent), the New Zealand Film Commission (6.5 percent) and Ngā Taonga Sound & Vision (0.5 percent) - so the benefits of Lottery funding have not been shared equally across the sector.

Until 2013/14, these agencies benefited from a trend increase in LGB funding, which helped to relieve some of the pressure from increasing costs in the sports, screen and arts sectors. After peaking at \$105 million in 2013/14, LGB funding to these agencies declined to \$90 million in 2014/15 and \$86 million in 2015/16. Agencies that rely on Lottery funding need to carefully manage these fluctuations to ensure their sustainability.

As part of the approach to managing government's investment across the cultural sector, the Ministry conducts 'shared priorities' discussions with Creative New Zealand and the New Zealand Film Commission on the possible allocation of any additional unanticipated funding they receive from Lottery profits to maximise collective impact across the sector.

Therefore, statutory agencies responsible for funding activity in the cultural sector face different challenges from those in the sector who are primarily operational and service delivery agencies.

### **Improving agency monitoring and evaluation**

The Ministry's Performance Improvement Framework review noted that '...monitoring is generally regarded as compliance-focused rather than performance-focused, and not adding value to the oversight provided by entity boards'.

The Ministry has responded to this challenge by initiating a review of its performance monitoring function. As part of this review, funded agencies have been asked to provide feedback on the outcomes and specific improvements they would like to see as a result of the review.

### **Government functional lead expectations**

None of the Ministry's funded Crown entities are subject to the direction issued on 22 April 2014 in relation to ICT. However, in 2015 Creative New Zealand did work in partnership with the Ministry to explore the feasibility of a common IT infrastructure.

As a Crown agent, Sport NZ is subject to the direction issued by the Minister of Finance and Minister of State Services on 22 April 2014 in relation to property management. Sport NZ is working with the Property Management Centre of Expertise to give effect to the direction.

### **Details of funded agencies**

The next section outlines in more detail the strategic choices and challenges facing the individual agencies that we fund through Vote Arts, Culture and Heritage and Vote Sport and Recreation. A summary of the common challenges, choices and risks faced by our agencies are summarised below.

#### **Cost pressures**

Many of our funded agencies are facing significant cost pressures over the short-to-medium term. These cost pressures primarily relate to rising salaries, growing demand for services and – in some cases – a need for capital investment.

Despite reasonably modest salary increases being forecast, these have a significant cumulative impact on the bottom line due to the high proportion of costs attributable to salaries.

Meeting demand growth for the services provided by many of our funded agencies will also result in cost pressures and/or increasingly difficult trade-offs being made over the forecast period. Part of the demand growth being experienced by cultural agencies is due to technological change, and growing demand for digital content in particular.

The need for capital investment will also cause cost pressures for some of the Ministry's funded agencies over the coming four years. This is a significant issue for Te Papa in particular, which has committed to a major renewal of its exhibition spaces at the same time as completing an intensive infrastructure upgrade. It is also a significant issue for Heritage New Zealand, which is embarking on a major capital project to renew the Melanesian Mission, and redevelopment of the Lyttelton Timeball Station.

The need to earthquake-strengthen various buildings and performance venues also represents a potential risk – and cost - to the operations of the Royal NZ Ballet, NZ Symphony Orchestra and Ngā Taonga Sound & Vision over the forecast period.

### **Diversity**

Responding to an increasingly diverse New Zealand population is another key challenge faced by our funded agencies. Most of our agencies are responding to demographic trends and New Zealand's growing ethnic diversity by reviewing policies and programmes, and changing funding priorities. Where relevant, they are also investing in digital platforms and content to increase the range of delivery platforms.

### **Agency responses**

The Ministry's funded agencies are responding to these challenges through a range of initiatives, including: increased third-party revenue, reprioritisation, organisational realignment and cost reviews. In some instances, agencies have carried vacancies to save money, while others have reduced their level of service.

Where appropriate, funded agencies will continue to increase non-Crown revenue by investing in their fundraising capacity and capability and leveraging their commercial and stakeholder networks.

Managing the changes required to respond to the challenges outlined above will continue to represent a significant risk to the Ministry's funded agencies over the coming four years.

# Arts Council of New Zealand Toi Aotearoa (Creative New Zealand)

## Agency profile

Creative New Zealand (CNZ) is Aotearoa's arts development agency, working to encourage, promote and support the arts for the benefit of all New Zealanders (section 3, Arts Council of New Zealand Toi Aotearoa Act 2014).

Governed by the Arts Council, CNZ's vision is for *dynamic and resilient New Zealand arts, valued in Aotearoa and internationally*, through stronger arts communities, artists and organisations and greater public engagement with the arts.

An autonomous Crown entity under the Crown Entities Act 2004, CNZ supports arts development through investing in artists, arts practitioners and arts organisations; building the arts sector's skills and capability; and advocating for the arts to decision- and policy-makers.

## Strategic intentions and risks

CNZ's Statement of Intent (SOI) 2016–2021 sets out the organisation's medium-term strategy. The SOI sets out five main strategic goals, each supported by a number of objectives.

1. We regularly refine our investment to ensure that the arts continue to develop in New Zealand for New Zealanders
2. We develop the arts sector's capacity to succeed
3. We are a powerful advocate for the arts
4. We improve service delivery and systematically look afresh at how best to deliver activities with and for the arts sector
5. We become a more-focused, higher-performing, learning organisation.

CNZ's Statement of Performance Expectations (SPE) 2016/17 explains how the SOI will be delivered to, with a mix of annual priorities and core deliverables that support achieving the goals/objectives.

**CNZ's funding environment is the main strategic risk to the organisation's ability to deliver to the sector.** CNZ receives Crown funding through Vote Arts, Culture and Heritage, which has remained static since 2009/10 at \$15.689 million per annum.

More variable is the revenue from the New Zealand Lottery Grants Board (NZLGB), which makes up close to two-thirds of CNZ's overall revenue. The NZLGB grant is currently set by Cabinet agreement at 15 percent of the funds received by the NZLGB for distribution (ie, the profits generated and passed through to the NZLGB by Lotto NZ).

While the NZLGB grant has generally increased over time, rising from \$21.31 million in 2006/07 to a peak of \$37.38 million in 2013/14, it dropped to \$31.07 million in 2014/15 and fell slightly again in 2015/16 to \$30.93 million. The 2016/17 year has been a more positive one for Lotto NZ, and CNZ is now forecasting \$35.93 million in NZLGB funding for 2016/17.

NZLGB only offers indicative figures at the start of each year for the expected grant for that year. The actual amount received from Lotto NZ for disbursement depends on lottery sales, the size and frequency of jackpots and other factors outside of entities' control.

The inherent volatility in this funding environment has a significant destabilising effect on those who rely on CNZ's investment as cornerstone funding, which is leveraged, and their ability to plan with reasonable confidence.

Other high-level risks to achieving each of CNZ's strategic goals are outlined in CNZ's SOI.

CNZ has a workforce of around 50 FTEs, which has remained at this level for many years (50.4 FTE in 2009/10; 49.21 FTE as of 31 July 2016). There are no significant risks in meeting workforce needs to address the intended strategy outlined in the SOI and SPE.

## Challenges and choices

The NZLGB grant to CNZ continues to fluctuate from year to year.

This uncertainty makes it very challenging for CNZ's investment clients to plan with confidence. Many of those clients have three- to five-year contracts with CNZ, which is desirable as it enables them to plan ahead with some certainty. CNZ would also like to confidently build on more recent investments it has made in improving access to the arts, in sector capability-building and in growing international markets for artists and arts organisations; the full returns on such investments take time to achieve.

For 2016/17, when the funding forecast was for \$28.665 million, the Arts Council took a number of approaches to helping mitigate the risk of a volatile funding environment. The Council aimed to maintain its investment in the arts at a level that was as high as prudently possible – an equity policy of holding reserves of a minimum 10 percent of total revenue is in place, which will rise in 2017/18 to 15 percent of total revenue at the end of the third year of any budgeting cycle. CNZ considers this a prudent level, which will help ensure some ability to prevent immediate 'shocks' to the sector should NZLGB funding fall unexpectedly.

CNZ is continuing to keep a tight rein on its own spending. Operating costs for 2016/17 were budgeted at \$7.318 million, only slightly higher than the \$7.282 million spent in 2007/08.

CNZ has also added more flexibility/buffer into its budget, holding a 'flexi fund' of \$600,000 (around 1.9 percent of the earlier projected NZLGB revenue for 2016/17). If NZLGB forecasts are tracking to budget, CNZ will look to spend this in the fourth quarter of the financial year, if there is sufficient confidence about the revenue forecast. If CNZ is not confident about the forecast, then this 'flexi fund' provides a buffer that can also help absorb a shortfall.

A static or reduced funding environment inevitably has consequences for the arts sector, which has been the earlier recipient of funding growth. From within its capability-building programme, CNZ will continue to support arts organisations to improve their own

performance, including their financial sustainability.

# Royal New Zealand Ballet

## Agency profile

The Royal New Zealand Ballet (RNZB) is an intrinsic part of New Zealand's national heritage. Formed in 1953, it receives a proportion of its operating income from the New Zealand government through the Ministry for Culture and Heritage. The company is an NGO and operates as a Charitable Trust. It is a versatile company of 34 dancers (2016) and tours regularly to urban and regional centres around New Zealand with the education programme taking work into communities nationwide. The company also tours internationally, as a leading cultural ambassador for New Zealand. The RNZB is one of New Zealand's most exciting and creative performing arts companies.

## Strategic intentions and risks

The RNZB is proud of its reach across the nation, fulfilling its purpose to deliver the highest quality classical and contemporary ballet to the widest possible audiences. However, in recent years, the company has had to reach into its reserves to preserve its core purpose and sustain operations. The RNZB has had to make prudent choices about the repertoire, scale of touring circuits and live music provision. As a consequence, many growth and capability initiatives went on hold, but 2016 has also heralded great successes.

The recent funding increase from central government, coupled with increased revenue generated by the RNZB through significant sales at the box office, sponsorship, individual giving and development now allows the RNZB to plan more confidently for the future. With cash reserves replenished, it is better positioned to meet its strategic plan and reach new heights, artistically and organisationally.

The RNZB is committed to touring throughout New Zealand and takes pride in the fact that it tours more extensively than any other New Zealand arts organisation. In 2016 it presented 62 domestic performances across nine centres from Invercargill to Auckland. Touring gives the RNZB's

dancers vital performance opportunities, and delivers brand growth, sponsorship profile and accessibility for all New Zealanders. The RNZB's intention is to continue to reach New Zealand's main centres and to reach even further into New Zealand's regional centres by extending its domestic touring circuit, through a revised model of the popular Tutus on Tour. In 2017, RNZB will perform 70 performances in 16 centres. It will continue to deploy its education and community participation activities, ensuring that the programme is inclusive and accessible. In addition to workshops in schools and school's matinees offered at accessible prices, the RNZB offers free community events, open days and accessible performances catering for disabled audiences.

The new Tutus on Tour model has been developed to ensure that a strong presence of high quality performance and education activity can be delivered more widely to New Zealanders, while the RNZB mitigates the significant costs associated with touring.

2016 was the first full year of programming for Francesco Ventriglia since he assumed artistic leadership of the company in late 2014. His programming has provided not only high-quality productions and record box office results, but also new opportunities to extend and engage audiences. The RNZB aims to capitalise on positive momentum from recent artistic and development successes by presenting exciting seasons of repertoire that include works commissioned specifically for the RNZB, new interpretations of timeless classics, presentations of existing favourites, and the introduction of iconic international works never before seen on New Zealand stages. Dancer numbers will need to be increased in order to enable the production and presentation of the larger classical ballet repertoire. The RNZB will commission works by some of New Zealand's and the world's leading choreographers, and will continue to excite, educate and engage its loyal audiences while also working to build new audiences.

Finally, in 2015/6 the RNZB re-examined its operational priorities and the organisation's ability to deliver to them. Following acceptance of the recommendations from this Review, targeted work is being undertaken to

ensure the RNZB has and maintains a robust company infrastructure, including IT infrastructure and organisational capabilities. The RNZB is implementing new strategies in marketing and audience development, and is developing commercial strategy initiatives to strengthen and diversify income streams. These organisational improvements will provide a foundation for its long-term sustainability and ensure the RNZB is securely positioned to meet future challenges.

## **Challenges and choices**

### **Operating Model**

The 2015/16 Review provided the RNZB with new ideas on how to organize our activities, prioritise investment into areas to deliver new outputs and different ways of operating; and at the same time maintaining prudent financial ratios and efficient operations.

In seeking to meet its strategic goals, the RNZB's ongoing challenge is to balance artistic aspirations and strengthening of earned income streams with a number of competing priorities including, but not limited to, attracting and retaining dancers and staff, touring/venue costs, live music provision, H&S and organisational capability improvements. Rising challenges include availability of and increased rates for contract technical staff in specialist roles, increasing venue hire charges and rising accommodation rates in peak/high occupancy seasons, all of which drive up the RNZB's production and touring costs.

Wellington City Council has consistently offered assurance that all costs associated with the RNZB's relocation and business disruption during the seismic strengthening project will be covered by council. However, a risk remains that the RNZB could be deemed responsible for (currently) unexpected costs associated with the relocation and/or seismic strengthening project.

### **Earned Income**

The RNZB is proud that it continues to generate revenue in excess of that received in government funding. Its ability to increase earned income in a small market that is saturated with international product is not an easy task. However, the RNZB is extending current relationships, and the recent increase in government funding has given the company a lift that is being

backed by supporters and audiences alike. Challenges to earned income exist and the RNZB is cognizant of the need to stay ahead of vulnerable income streams through considered revenue generation strategies.

Key challenges in this area are:

- A sinking lid on trust funding
- Securing new corporate funding in the New Zealand arts sector. Although the RNZB has been successful in retaining corporate sponsorships and moving some to multi-year agreements, which minimises risk and frees up staff time for new approaches
- Box office income (though representing a proportionally greater part of income than most performing arts organisations) is always influenced by many factors that are out of the RNZB's direct control, and so remain a relative risk each season. The RNZB's strong audience development strategy – to retain existing and develop new audiences - coupled with greater emphasis on CRM data usage will be critical in working to mitigate this risk
- Individual Giving income relies on building relationships with regular ticket purchasers; being reliant on venues for access to the data for one-off use coupled with our limited access to and ability to hold/retain ticket data is a significant barrier. Ultimately the RNZB aspires to manage its own in-house ticketing system; this is commonplace within other arts companies around the world and has been proven to be very beneficial.

### **Attracting and Retaining Staff**

The RNZB currently lags in terms of remuneration levels for both artists of the company and staff. The 2016 Strategic Pay survey discloses that the Not for Profit sector lags 16% on average behind equivalent roles in the commercial sector. A significant piece of work to be undertaken is development of a recruitment, retention and remuneration strategy. This strategy work will address benchmarking, salary banding, job sizing, recruitment and retention strategies, professional development plans, career progression opportunities within the organisation and career transition support for RNZB artists.

## **Live Music Provision**

Live orchestral accompaniment requires significant financial investment; the cost of engaging orchestras in the four main centres for two productions per year is circa \$600,000. In 2015/16, the RNZB received funding of \$250,000 per annum from CNZ to allow the RNZB to hire CNZ funded orchestras. From 2017, as before, the RNZB will fund live orchestral accompaniment (when included in programming) from RNZB's own resources.

## **Health & Safety**

Ensuring the health and safety of its employees is paramount to the RNZB.

There are many aspects to the RNZB's Health & Safety requirements, including overseeing the health and wellbeing of artists to ensure they can perform at the optimum level and management of its Wellington premises which include studios, wardrobe and office facilities as well as a production workshop.

Particular current health and safety challenges for the RNZB are:

### **St James Theatre Complex Seismic Strengthening**

The St James Theatre, as a yellow-stickered building, needs seismic strengthening which will take around 12 months to complete. WCC's desire to deliver strengthening to 67%, coupled with their need to manage existing venue commitments and have the appropriate timeframe to secure/fit-out temporary premises for the RNZB, means that strengthening work is currently due to begin immediately after the New Zealand Festival in 2018. A 12-month timeframe to complete the strengthening work means that, in order to minimise disruption and ensure that the company's activities can be maintained and delivered during that time, the RNZB is assuming a 24-month relocation period. Discussions with Wellington City Council are ongoing and positive in regards to securing suitable temporary premises.

### **Domestic Touring**

The RNZB is reliant on a multitude of venues to be fit-for-purpose to support our performance activities. New Zealand has a wide range of venues, some of which can cater to larger repertoire and smaller venues

that are unable to accommodate mainstage productions and are therefore served by the Tutus on Tour model. A key challenge relating to touring is varying levels of venue infrastructure, including stage floor surfaces (some not fit-for-purpose), and local crew capabilities.

# New Zealand Symphony Orchestra

## Agency profile

The New Zealand Symphony Orchestra (NZSO, Te Tira Pūoro o Aotearoa) is the nation's full-size professional symphony orchestra with a complement of 90 musicians. Established in 1946, the NZSO is now a Crown Entity and operates under the New Zealand Symphony Orchestra Act 2004 which requires it to perform to an international standard. The NZSO's Vision is 'providing world class musical experiences that inspire all New Zealanders' supported by its Mission 'deepening and expanding musical connections and engagement with our communities'.

Each year the NZSO can perform over 100 concerts in communities across New Zealand to audiences in excess of 100,000 people. Many more hear the NZSO through Radio New Zealand broadcasts, accompanying ballet and opera, in film soundtracks and recordings for CD and download. In 2017, the NZSO will be celebrating its 70th anniversary with a birthday concert on the actual date of the inaugural performance, 6 March 1947/2017.

## Strategic intentions and risks

The key drivers of the NZSO are quality and coverage. The NZSO has an overriding strategy to constantly develop excellence in performance and expand audiences for live performances and other forms of dissemination of its music. To give effect to this strategy the NZSO works to maximise revenue from all sources and minimise costs through operational efficiencies.

The NZSO's government appropriation had been fixed since 2008. Whilst the Orchestra has been effective in boosting non-government revenue to partially offset the impact, activity levels had been steadily declining. The Orchestra received additional funding of \$1.2m per annum in Budget 2016 and this has enabled an increase in touring concerts and additional schools and family concerts to be scheduled.

However, there is still capacity for increases in live performances in New Zealand communities. The NZSO will continue to develop its non-

government revenue to fulfil this capacity to the greatest extent possible. However, as non-government revenue currently accounts for around 30 percent of total revenue, increased income from these sources is unlikely to meet the full potential audience capacity.

The strategy to develop excellence in performance is accomplished by building strong artistic leadership with the appointment of maestro Edo de Waart, as Music Director. An experienced orchestra builder he has made considerable advances in enhancing the orchestra's sound and artistry in his inaugural season in 2016. The NZSO has an ongoing programme of trialling prospective titled conductors in selected guest appearances as part of its succession planning.

International exposure is an important strategic driver of the pursuit of excellence. During the term of the Four Year Plan the NZSO intends to undertake a further international tour to capitalise and build on the success and benefits of the 2010 European tour.

Artistic excellence is also the outcome of the strategy to secure a suitably appointed permanent home for the NZSO. The Orchestra has been working with the Wellington City Council on a project for the NZSO to take up permanent residence in the Wellington Town Hall following the completion of earthquake strengthening. Subsequently, Victoria University joined the initiative with proposals to relocate the NZ School of Music to the City Council campus to form a Music Hub with the NZSO.

This is an important initiative which will provide major benefits for the NZSO. These include opportunities for new sources of income, new performance products, new digital services in the dissemination of the Orchestra's music to wider audiences and improvements to operational flexibility. Significant risks to realising this project are delays in decision making by project partners and sourcing the additional funding required to set up the new premises.

Audience development is a key strategy for the NZSO. There is ongoing assessment of pricing options to ensure the Orchestra is accessible to the wide range of demographic groups with special packages for families, young people and students and free and low cost concerts. Research into audience preferences and audience feedback is built into marketing and development strategic planning to inform the design of new concert products and activities and to maximise engagement with the NZSO. The

impact on box office revenue needs to be factored into pricing models.

The Orchestra Sector Review published by the Ministry for Culture & Heritage in 2013 recommended that the sector establish a leadership body and that the NZSO take a leadership role. The NZSO has acted on these recommendations. The Association of Professional Orchestras Aotearoa (APOA) has been set up and the NZSO takes an active role including reporting on national orchestra services provided by the sector each year. This collaborative and leadership role is ongoing and will encompass joint projects and extended engagement with the wider orchestral sector over the Four Year Plan period.

## **Challenges and choices**

As with most performing arts organisations, the NZSO continues to face cost pressures and by managing activity levels a modest surplus of \$114,000 was achieved in 2015 against a budgeted deficit of \$125,000. The 2016 baseline increase enabled the Orchestra to perform more concerts and regional tours. With the additional funding, the Orchestra has been able to schedule 7 extra performances in the second half of 2016, 77 in total against a budgeted 70 (+10%). The additional funding is forecast to improve the financial result for 2016 to a modest surplus of \$100,000

against a budgeted deficit of \$278,000.

In 2017, live performances across New Zealand will increase again with a budgeted 86 performances across 19 different communities. This is budgeted to achieve audiences in excess of 101,000 against the 2016 estimated total of 90,000. The NZSO undertakes to reach all the New Zealand towns and cities with urban populations in excess of 50,000 every year – there are 13 such communities in New Zealand. In 2016 and 2017 the NZSO has reached all of those centres as well as an increasing number of regional cities and towns including Ruatoria, Martinborough, Kerikeri, Blenheim, Gisborne and others. Achieving a balance in the number of performances in the larger cities such as Auckland (16+ concerts in 2017) and medium cities such as Napier (5 concerts in 2017) is a challenge. Under the Functions of the governing legislation, the NZSO is a touring orchestra and in 2017 direct orchestral touring expenses are budgeted at just over \$2.3m. The NZSO continuously refines touring models and recognises that over the period of the Four Year Plan changes to the dissemination of music, in-particular through digital channels, as well as demographic changes in New Zealand society are likely to have an impact on the demand for live concerts in terms of frequency, location, content and timing.

# Te Matatini

## Agency profile

Te Matatini Society Incorporated, branded as Te Matatini Kapa Haka Aotearoa is the recognised national organisation of Māori traditional performing arts. Their governing body comprises senior kapa haka representatives from 13 regional rohe, and sets the strategy for 'fostering, developing and protecting traditional Māori performing arts in the pursuit of excellence'. Administration at a national level is led by a Chief Executive and team of five to six staff.

Te Matatini has a 45 year history of competitive kapa haka, first begun in 1972 when it was established as the Polynesian Festival Committee. They have now shifted their focus to the management of a biennial Māori Traditional Performing Arts festival with a competitive forum for kapa haka groups. The organisation underwent further changes resulting in its current structure as Te Matatini Society Incorporated in 2004, that is an NGO, and a not-for-profit organisation registered under the Incorporated Societies Act 1908 and the Charities Act 2005.

Te Matatini received an appropriation increase of \$700,000 in 2016/17 bringing its annual funding up to \$1.948 million. The Ministry for Culture and Heritage monitors the organisation's financial and non-financial performance. Other main funding comes from ticket sales, grants and sponsorships derived from the biennial national festival, and contracts from government agencies for specific kapa haka related projects.

## Strategic intentions and risks

Te Matatini National Committee is developing a ten year Strategic Plan to 2026. The Strategy will reconfirm the role of Te Matatini,

indicating organisational direction into the future, and building on the many accomplishments of Kapa Haka communities. The overarching aims of the Strategy will articulate a strong desire to lead these communities, culminating in a future where Te Matatini and its activities are at the heart of Māori performing arts, language and life.

Te Matatini has identified seven Key Result Areas for 2016/17:

- Rohe development
- Business growth
- National event effectiveness
- Youth development
- Kapa haka excellence
- Kapa haka development
- Public image

Their work to foster and showcase kapa haka has grown in response to the importance of the national festival, and the ongoing challenge of securing funds and support for the development of kapa haka more generally. In addition to their core administrative responsibilities, over the last six years they have:

### Fostering the future

- Contributed funding support, judging and guidance to primary and secondary schools' kapa haka regional and national festivals.
- Trialled digital platforms to reach new audiences and engage them in the very best kapa haka to offer.

## New partnerships

- Forged strategic and sponsorship partnerships with NZ Post, Kiwibank and The University of Waikato, Te Puni Kokiri and the Ministry of Education.

## Cultural diplomacy

- Te Matatini has worked with the Ministry and New Zealand's top artists and composers to create the theatrical production *Arohanui* as part of the 2011 Real New Zealand Festival programme of events; and delivered showcase performances at the New Zealand themed 2012 Frankfurt Book Fair.
- Supported Team New Zealand's 2013 America's Cup Challenge in San Francisco.

## NZ Inc

- Performed at the 2014 Edinburgh Military Tattoo alongside NZDF personnel.
- Delivered the Haka show for the 2014 Edinburgh Fringe Festival.
- Regular performers at the South Pacific Festival held every four years.
- Represented Oceania in Bangkok at the 2014 Inaugural Olympic Awards recognising the 12 best Olympians from London and Sochi Olympic Awards.
- World Expo 2010 Shanghai China.
- Performed at the 2009 Venice Biennale.
- Completed a number of trade mission delegation as the cultural component.

Te Matatini's operating model hinges on the ongoing 'supply' of compositions, performers and artistic innovation from regional members; and the provision of showcase opportunities that resonate with members and partners. The high level model is illustrated below:

Local and regional		National administration	
<b>Composers, tutors and performers</b>	Talent and content pipeline	Reputation & Brand	<b>Biennial National Festival (rotated to each region)</b>
<b>Fundraising, facilities and administration</b>	Financial contributions	Funder & sponsor relationships	<b>Broadcast and online audience reach</b>
<b>Whānau, hapū and local communities</b>	Regional participation	Audience & market development	<b>New showcase initiatives &amp; products</b>

The following framework outlines the Te Matatini draft strategic intentions and outcomes.

<b>KAUPAPA: To foster, protect and develop kapa haka through the pursuit of excellence</b>			
<b>Taumata Tirohanga:</b> Kapa haka is an expression of national identity we can all engage with, take pride in, and be shaped by.			
<b>PRIORITY AREAS AND OUTCOMES:</b>			
<b>WHĀNGAI</b> <b>Kapa haka Excellence</b> The pursuit of excellence drives high quality performances and productions.	<b>MANAAKI</b> <b>Knowledge Protection</b> Kapa haka knowledge is protected and preserved for the enjoyment of all.	<b>WHAKATIPU</b> <b>Kapa haka Growth</b> Kapa haka growth is stimulated through increased engagement and investment.	<b>PŪĀWAI</b> <b>Audience Growth</b> Kapa haka excellence is showcased to a wide and diverse audience.
<b>Enabling Initiatives (current)</b>			
<ul style="list-style-type: none"> <li>• Promote standards of performance excellence and share best practice</li> <li>• Support programme and new composition development</li> <li>• Create a model of excellence for kapa haka productions</li> <li>• Foster and protect Te Matatini's reputational capital and brand excellence.</li> </ul>	<ul style="list-style-type: none"> <li>• Maintain mātauranga, and third party IP, compliance systems.</li> <li>• Develop Te Matatini's kapa haka archive.</li> </ul>	<ul style="list-style-type: none"> <li>• Strengthen relationships with public, private and community sector strategic partners</li> <li>• Work with MCH to build an evidence base on the economic impact and contribution of kapa haka to social, cultural and economic outcomes</li> <li>• Foster direct merchandise and other commercial revenue streams for re-investment in kapa haka.</li> </ul>	<ul style="list-style-type: none"> <li>• Deliver the organisation's premiere showcase: the biennial national Te Matatini Festival</li> <li>• Support the delivery of the 13 regional (qualifying) festivals</li> <li>• Provide funding and support for national primary and secondary school kapa haka competitions</li> <li>• Ensure all New Zealanders can access festival performances through free-to-air broadcasting.</li> </ul>

# New Zealand Music Commission

## Agency profile

The New Zealand Music Industry Commission Te Reo Reka o Aotearoa (trading as the New Zealand Music Commission) is a Trust based in Auckland. The stated vision of the Music Commission is 'a successful music industry in New Zealand'. Its mission is to 'support the growth of the music industry in New Zealand, culturally and economically, at home and abroad'.

The Music Commission receives \$1.578 million per annum through Vote Arts, Culture and Heritage, and \$0.287 million per annum through a contract with the Ministry of Education.

## Strategic intentions and risks

The Music Commission's work supports New Zealand music practitioners to have the resources and tools to grow their opportunities and successes both domestically and internationally. The Music Commission's strategic focus is that New Zealand music remains a key part of the national cultural conversation and can compete in an evolving and diverse international music environment.

The Music Commission has achieved strong industry support by having a matched-funding export development scheme that grows artist capability to earn forex income; adding value to small business expertise; supporting the national development organisations the Music Managers Forum and Independent Music NZ; championing an annual New Zealand Music Month to raise the profile of New Zealand music; facilitating and producing upskilling and capability building resources and events; working with young people in schools across New Zealand; and building a Board with credible expertise and industry engagement.

The Music Commission has completed its new Strategic Plan 2016 – 2020, for the period beginning 1 July 2016. In developing this plan, extensive consultation was undertaken across the music sector, with 34 participants from industry bodies and businesses, and an additional

feedback group of young people aged from 16 to 20.

The key themes that emerged from this feedback were:

- Creating sustainable careers for artists and industry is vital for the future development of the sector
- A global focus is necessary for New Zealand based music companies - both to survive locally and thrive globally.

As the sole government-funded music agency that supports both the business development and export needs of the NZ music industry, the Music Commission has developed a proactive programme that addresses the issues and opportunities for the sector, whilst managing the increasing demand for the Music Commission's services.

## Challenges and choices

The Music Commission has experienced a continuing increase in demand for the services it provides over the past three years. This is a result of the growth in opportunities for the economic and cultural potential of the contemporary popular music sector, particularly as the NZMC is now the only Government-funded agency in New Zealand tasked specifically with supporting music export growth. The cost pressures have been compounded by static government funding (since 2011/12) and an incremental decline since 2009 in the overall support for the promotion of New Zealand music overseas by other agencies.

The Music Commission has scaled its work programme and support to the available resource for the past nine years, reducing and streamlining costs wherever possible and absorbing operational cost pressures. This included utilising its reserves to maintain service delivery. As the organisation was projecting to fully deplete its reserves by year-end 2015/16, a full financial performance review was undertaken and a cost reduction plan was implemented. For the Music Commission to continue achieving its objectives, it considers these reductions are not sustainable in the long term, but the organisation will continue to constantly review expenditure and be reactive to changes and opportunities.

Although the Music Commission has proven adept at prudent use of resources, the key challenge faced by the organisation is any further rationalisation could lead to an inability to deliver on its strategic priorities and the needs of the sector. Subsequently, the Music Commission's contribution to the Government Priorities and the Ministry for Culture and Heritage Sector Outcomes would be diminished.

# Heritage New Zealand

## Agency profile

Heritage New Zealand Pouhere Taonga (Heritage NZ) operates under the Heritage New Zealand Pouhere Taonga Act 2014. Heritage NZ's purpose is to promote the identification, protection, preservation and conservation of the historical and cultural heritage of New Zealand.

Heritage NZ receives \$12.988 million of funding from the Crown through Vote Arts, Culture and Heritage.

## Strategic intentions and risks

As set out in its latest [Statement of Intent](#), Heritage NZ's focus over the next 15 months will be on:

- Establishing the National Historic Landmarks List
- Building public support for heritage through engagement and by working together with the community, property owners and heritage volunteers
- Focusing on the most significant places
- Working with iwi to conserve Māori heritage
- Improving the regulatory environment for heritage.

Earthquake-prone building policy continues to be a key focus of Heritage NZ's work with owners and local government, and has required considerable policy input with government departments developing new approaches to ensuring public safety in the wake of the Canterbury experience.

Heritage NZ is embarking on a major capital project at Melanesian Mission, Auckland, to strengthen and revitalise this property. A decision has been made to delay the redevelopment the Timeball Station, Lyttelton, following the careful deconstruction of this iconic place following the Canterbury Earthquake, until after the Melanesian Mission project is established.

Heritage NZ aims to generate around 20 percent of its income through membership fees, property income, grants, interest and bequests. In



2015/16 self-generated income was 22 percent of its total funding; its projected self-generated income for 2016/17 is 20 percent.

Post-settlement Treaty obligations are increasing for Heritage NZ. As no additional funding has been provided for these increased obligations Heritage NZ will need to prioritise these alongside other statutory obligations it is also required to deliver.

The workforce comprises 107 FTEs around the country in mostly property management and operational roles, providing conservation advice to owners of heritage properties. The workforce increases significantly by using fixed term and casual staff during the summer periods when our properties are open for tourism activities and other events. There are some risks in meeting workforce needs to address the strategy outlined in its SOI referenced above.

## Challenges and choices

The significant cost pressures facing Heritage NZ relate primarily to personnel costs, which account for approximately 55% of our total costs. Even at a prudent 1.5% CPI adjusted salary, approximately \$150,000 is required to be absorbed within a fixed base-line on a cumulative annual basis. This makes no allowance for performance adjustments or ability to move from a lower-quartile paying employer, meaning recruitment and retention is becoming a much greater risk to the organisation.

This will be funded by doing less preventative maintenance at our properties which will increase deferred maintenance and repairs in future years.



# Museum of New Zealand Te Papa

## Agency profile

Te Papa was established by the Museum of New Zealand Te Papa Tongarewa Act 1992 and is an autonomous Crown entity under the Crown Entities Act 2004. Its statutory purpose is to be a forum for the nation to present, explore and preserve the heritage of New Zealand's culture and knowledge.

Te Papa's funding is almost equally split between Crown funding through Vote: Arts, Culture and Heritage under the Museum Services output class and non-Crown funding sources from commercial activities, exhibition revenue, grants, investments, donations and sponsors.

## Strategic intentions and risks

Te Papa aspires to be the cultural heart of New Zealand. Its vision is - changing hearts, minds and lives.

Te Papa's implementation of a multi-year integrated programme of renewal that commenced in 2014/15 includes a comprehensive revitalisation of its exhibition spaces, a transformation of its digital presence, intensive infrastructure upgrades and a focus on revenue growth to support these aims. The impacts Te Papa aims to achieve include:

- Being the cultural heart of New Zealand – underpinned by the principle of Mana Toanga
- Growing New Zealanders' understanding of who we were, are and can be
- Being a dynamic repository of cultural and environmental artefacts
- Being a world leader in the harmonisation of the physical and digital experience.

The new Statement of Intent for 2017 – 2021 (under development) will outline the once-in-a-generation journey to reimagine the role of the national museum and its future delivery plans.

# Tongarewa

## Challenges and choices

Cost pressure/Challenge	Choices
Personnel costs – estimated increase at 2% for FY 17/18 and expectation that will be consistent for the next four years. This is during a period of significant capital investment and exhibition renewal which increases risk.	Possible choices include trade-off against other operating costs; and/or revenue growth; and/or review of operating models.
Depreciation – increasing rapidly due to significant capital programme.	Te Papa has a small operating base, and a comparatively large depreciable asset base. This imposes a real cost to the P&L to maintain the balance sheet. For example, for 2016/17 depreciation is expected to be 24% of total revenue, and forecasting out to 2020/21 assuming similar revenue levels is likely to be around 30% of total revenue. With a requirement to deliver at least \$6m cash each year to fund exhibition renewal that reduces the revenue available to fund depreciation and increases the proportion of depreciation to available revenue to 26% this year and 34% in 2020/21. This has the effect of creating ever increasing EBIT deficits and continues the

Cost pressure/Challenge	Choices
	current unsustainable financial model to maintain the asset base.
Storage capacity	Te Papa is at steady state storage capacity. With renewal of static exhibitions planned over the next five years additional space is required. Possible choices include the need to capital fund additional storage space for long term storage, a programme of long term lending to other institutions (MCH has indicated support of a funding bid for this purpose), or de-accessioning of collections.
IT costs moving from capital to operating	Like many agencies Te Papa's IT strategy is to move away from on premise data storage to cloud. There are clear resiliency benefits to doing so. While this reduces the need to replace capital assets over time and as a result reduces depreciation, it does have the effect of increasing operating costs. Across the sector this will be creating similar cost pressures. Allied with the depreciation pressure above, this requires further discussion with MCH with regard to treatment and quantum of Crown funding.

# Ngā Taonga Sound & Vision

## Agency profile

Ngā Taonga Sound & Vision (Ngā Taonga) was formed in August 2014 from the merger of the New Zealand Film Archive Ngā Kaitiaki O Ngā Taonga Whitiāhua, Sound Archives Ngā Taonga Kōrero and the Television New Zealand Archive. Established as a charitable trust in 1981 as the New Zealand Film Archive, its constitution and name was amended to 'The New Zealand Archive of Film, Television and Sound Ngā Taonga Whitiāhua Me Ngā Taonga Kōrero' in July 2014 to encompass the increased mandate of the new organisation.

Ngā Taonga is bound by the Charitable Trusts Act 1957 and the Charities Act 2005 respectively. The archive is a prescribed archive under the Copyright Act 1994 and permitted to show and play vision, sound and related material from its collections. Its annual financial statements are audited annually by independent auditors, BDO Wellington.

Ngā Taonga Sound & Vision's purpose is to collect, share and care for New Zealand's audio visual taonga based on its strategic values of conservation, connection and creativity. Ngā Taonga is a kaupapa-centred organisation built on the principles of the Treaty of Waitangi/te Tiriti o Waitangi.

Ngā Taonga provides professional audio visual collection management, preservation and digitisation services to a broad range of depositors, stakeholders and Crown agencies. It aims to grow access to its collections and public appreciation of New Zealand's audio visual heritage through:

- Increased online access to these taonga
- Improved public awareness and community programmes (cinema and community screenings and education activities); and
- Stronger partnerships.

Ngā Taonga is governed by a Board comprising six Trustees, three of whom represent Māori interests.

It currently employs 71 staff across four sites in Wellington, Lower Hutt

(Avalon), Christchurch and Auckland. Additional off-site storage facilities in Wellington Central and at Plimmerton and Titahi Bay are owned or leased.

## Strategic intentions and risks

In July 2016 Ngā Taonga released its new *Strategic Plan 2016-2024 Te Mahere Rautaki* along with a new *Four Year Plan 2016-2020 Mahere a Whā Tau*.

The primary strategic intentions and related risks are:

**A.** Build a solid, stable foundation for the audio visual archive for all New Zealanders.

Risks associated with achieving this intention:

- The archive is unable to secure sufficient financial resources to retain a capable and sufficient workforce and/or maintain appropriate infrastructure, systems and processes. This will have a negative impact on Ngā Taonga's commitment to successfully deliver on the Key Result Areas in its *Strategic Plan 2016-2024*.

**B.** Re-imagine outreach and engagement, and showcase the collections and the work of the archive in the best possible light.

Risks associated with achieving this intention:

- The archive is unable to secure additional and sufficient technical and financial resources to implement a comprehensive and ongoing digitisation programme for the TVNZ Collection and its other sound and vision collections. This will result in diminished capacity to increase on-line access to these collections.
- The archive is forced to continue to operate in dated and earthquake prone facilities. This will undermine its intention to significantly increase public access to the collections, raise awareness of what Ngā Taonga does and increase engagement with diverse audiences.

### C. Re-connect and engage with iwi and Māori in the spirit of partnership.

Risks associated with achieving this intention:

- The archive is unable to maintain and enhance Māori capability and capacity within the organisation and/or fails to implement systematic and transparent processes for the management of Māori collection items. This will undermine its intention to significantly increase engagement with iwi and Māori.

### D. Ensure that the staff and collections of Ngā Taonga Sound & Vision are safely housed.

Risks associated with achieving this intention:

- The archive is unable to realise either option (see below) for its existing building at Taranaki Street in a reasonable time frame, leaving staff and collections housed in potentially unsafe premises.

## Challenges and choices

Significant changes within Ngā Taonga over the past four years present numerous opportunities along with some challenges. These include:

- Keeping pace with advances in technology
- Remaining relevant and accessible
- Working better and leveraging enhanced partnerships with iwi and Māori, and other organisations
- The impact of change on staff, from:
  - The option, if agreed to, of strengthening and updating its Taranaki Street facilities and
  - Establishing strong infrastructure and systems.

Choices:

- The current levels of technical and financial resources available under existing baseline funding limit our ability to implement a comprehensive and ongoing digitisation programme for the TVNZ Collection.

- As part of a wider programme to rationalise its accommodation portfolio Ngā Taonga is currently considering two options for its existing building at Taranaki Street:

To stay, strengthen the building and undertake a redevelopment of its facilities at a rough order of costs of \$14.985m (strengthening at \$4.58m and redevelopment at \$10.405m)

- Sell the building and relocate activity and storage currently housed at Taranaki Street to alternative and appropriately fitted-out accommodation. This option will still require additional redevelopment costs, and be accompanied by new costs in rent

The need for a capable workforce and has meant Ngā Taonga has identified cost pressures in salaries to ensure the archive continues to attract and retain staff in key areas.

Ngā Taonga will improve the management and sharing of New Zealand's audio visual heritage through strong, cohesive collaborative partnerships with other heritage, cultural and archive institutions. Ngā Taonga will also be working to ensure that rights clearance processes are clear and efficient.

Ngā Taonga will continue to adopt kaupapa-centred values and practices in the way it operates. It will improve its acquisition and sharing of Māori broadcast material through better engagement with iwi and Māori to meet its commitments to the Ministry and Te Māngai Pāho, iwi and Māori, and all New Zealanders.



# Antarctic Heritage Trust

## Agency profile

The Antarctic Heritage Trust (Trust) is an independent charitable trust, incorporated under the Charitable Trusts Act 1957 NZ and registered as a charitable entity under the Charities Act 2005 NZ.

The Trust was established in 1987. The Trust's mission is to conserve, share and encourage the spirit of exploration. The Trust cares for the remarkable expedition bases of early Antarctic explorers including Captain Robert Falcon Scott, Sir Ernest Shackleton, Carsten Borchgrevink and Sir Edmund Hillary. It shares the legacy of exploration through outreach programmes and encourages the spirit of exploration through expeditions to engage and inspire a new generation.

## Strategic intentions and risks

The Trust's vision of 'inspiring explorers' embraces the challenge of engaging with and encouraging young people to explore today's world whilst conserving the Antarctic explorers inspiring legacy on behalf of the international community. The 2015-2020 strategic plan, with four measurable goals, supported by defined strategies are to:

1. Conserve Antarctica's heritage under the Trust's care for future generations.
2. Share the world's greatest polar exploration stories.
3. Encourage youth to explore the physical world to educate and inspire them.
4. Improve financial sustainability and independence.

Half way through the current five year strategic plan and with a new Chair in place, 2017-18 may see a refreshed strategic plan.

## Challenges and choices

Government provides funding for the Trust's operational costs. This allows the Trust to leverage third party funding domestically and internationally to support both its programme of conservation in New Zealand's Ross Dependency and its programme of outreach, education and engagement.

A challenge for the Trust is to ensure the Government continues to support its operational and visitor programme in Antarctica.

As guardians of global heritage, the Trust operates internationally. The Trust will continue to focus nationally and internationally to receive funds for its front line projects, whilst continuing to endeavour to absorb operational cost pressures impacting on its core operations, noting baseline funding has been static since 2008. The Trust will be looking in the next 12 months to strengthen its administration team and will see increased pressure on its baseline funding.

# New Zealand Film Commission

## Agency profile

The New Zealand Film Commission (NZFC) is an autonomous Crown entity established under the New Zealand Film Commission Act 1978. It has statutory responsibility to 'encourage and participate and assist in the making, promotion, distribution and exhibition of films' that reflect New Zealand and New Zealanders, or are produced and creatively controlled in New Zealand.

The NZFC provides grants and equity financing to New Zealand filmmakers to assist in the development and production of feature films and short films. NZFC is active in the marketing of New Zealand films here and overseas, and is a key provider of funding for training and professional development within the industry. The NZFC is the competent authority for New Zealand's international film co-production agreements and administers the Government's production incentives schemes including the New Zealand Screen Production Grant (NZSPG). On 1 August 2015 the NZFC assumed Film NZ's role to attract international productions to New Zealand.

The NZFC receives nearly two-thirds of its revenue from the Lottery Grants Board, as well as significant public funding through the Ministry for Arts, Culture and Heritage (Ministry) and Ministry of Business, Innovation and Employment (MBIE). Additional revenue is derived from sales of funded films.

NZSPG grants for New Zealand productions are funded via the Ministry to NZFC, who then pass the grant on to the applicant. Grants for international productions are paid directly to the applicant by MBIE after the applications are approved by the NZFC panel.

## Strategic intentions and risks

The NZFC assists the growth of an industry that brings cultural and economic benefits to New Zealand and New Zealanders. It supports

filmmakers make films that audiences, critics and prestigious international festivals appreciate. It aims to contribute production financing to at least 12 new feature films each year.

While helping feature films get made and seen remains a core priority, the NZFC is now placing more emphasis on supporting career development, in part by helping filmmakers travel internationally to film markets and screen industry events in order to meet and develop relationships with the right people to get their next projects made. NZFC staff attend an expanding number of key international markets and A-list festivals each year in order to support premiere screenings of New Zealand films and also to maintain and build on relationships with sister agencies, festival selectors, sales agents and financiers. Asia, and in particular China has become a key focus for the NZFC as, with the assumption of Film NZ responsibilities, has Hollywood.

Growth and sustainability of the domestic screen industry is another priority and in 2014 the NZFC selected four screen sector businesses for multi-year financing through a new initiative called the Business Development Scheme (BDS). In 2015 the NZFC introduced Boost, a more modest business development scheme designed to accelerate the slates of active producers and enable successful screen businesses to move films from their slates more quickly into production. Through this scheme five producers were initially supported, with another five producer entities supported in mid-2016.

NZFC receives \$5.4 million Crown funding through Vote Arts Culture and Heritage, and a further \$1.3 million per annum from MBIE. It also receives a fixed proportion (6.5%) of Lottery Grants Board income which varies each year (2015/16: \$13.403 million, down from \$13.46 million in 2014/15). A small amount of income is also generated from film investments (2015/16: \$1.675 million, up from \$650,000 in 2014/15). The NZFC also administers around \$15 million a year (on average) for the New Zealand Screen Production Grant (NZSPG), which is managed through a multi-year appropriation and fluctuates greatly based on the number of eligible

productions.

The workforce (excluding short term contractors) currently comprises 35 FTEs (30 based in Wellington and 5 in Auckland) that manage the funding allocation and operate targeted interventions to assist the screen sector such as Talent Development and Marketing. The introduction of the NZSPG has created additional responsibilities and work pressure for the NZFC, but the agency is actively managing its workforce needs to cope with the additional demand.

There are no significant risks at time of writing, but the NZFC is currently having to actively manage the growing interest in and demand for NZSPG grants. If the multi-year appropriation for both New Zealand and International grants were to be altered or curtailed materially, then there will be damage to New Zealand's reputation as a preferred screen production destination, as well as an impact on the economic contribution of the screen sector.

## **Challenges and choices**

In August 2015 the NZFC assumed the responsibilities of locations agency Film NZ and five staff relocated to the NZFC premises joining the international, incentives and marketing teams. In the last 12 months a key focus has been the full integration of the two organisations, which has now been achieved.

Due to static funding NZFC's will have limited resources to promote New Zealand as a preferred screen production destination in the years ahead. While at the moment international interest in New Zealand is high, this may not be the case in the future, if due to lack of funds there is insufficient or erratic effort and investment put into promoting New Zealand internationally.

Over the last few years the NZFC has been able to manage growing demand for its funds by gradually running down its accumulated equity. In the 2015/16 year despite budgeting a loss, the NZFC recorded a \$2.0 million surplus, in part as a result of the commercial success of *Hunt for the Wilderpeople*. The budget for 2016/17 shows a \$2.0 million loss. After

the end of the 2017/18 financial year it is expected that accumulated equity will have dropped to a level at which no further depletion would be prudent. In future years the NZFC will need to run balanced budgets. This can be achieved, but will involve regular reviews of funding programmes, staffing levels and a likely reduction in certain industry support initiatives.

# NZ On Air (Broadcasting Commission)

## Agency profile

NZ On Air (the Broadcasting Commission) runs competitive public media funding schemes to improve content choices for audiences. The majority of its funds are fully contestable<sup>1</sup>, priorities are set in the Broadcasting Act, and funded content is free to access.

Each year NZ On Air co-invests in over 1,000 hours of professionally - produced content for broadcast and online; around 250 professionally-produced and marketed music tracks; provides incentives for content innovation; and assesses and supports the best media options for audiences with multiple languages<sup>2</sup> and interests.

The flexible model ensures value for money is optimised:

- Public funding can shift quickly in response to market and audience trends
- The best ideas with the best business and creative cases receive support after intensive analysis
- No one platform or service is automatically favoured
- Transparent data: the quantum of every funding decision is made public
- An agency of just 18 staff can efficiently manage over \$130m and several hundred contracts each year

NZ On Air has also led New Zealand's investment in digital media content as viable options emerged. But it can no longer meet demand due to a combination of:

- Changing audience demand for multiplatform content and interactivity.
- The successful ultrafast broadband (UFB) rollout.
- Rising demand for production investment plus production cost increases.

## Strategic intentions and risks

To respond to the challenges of the changing environment, NZ On Air has introduced a new strategy, the New Zealand Media Fund (NZMF). Effective from 1 July 2017, the NZMF provides a simple, flexible approach to navigating a dynamic environment, bringing New Zealanders quality local content, songs and stories made to surprise and delight. This is a platform-neutral approach and has been welcomed as a positive innovation, putting NZ On Air well ahead of similar agencies internationally in dealing with digital disruption. However, its success is threatened with ongoing static funding.

NZ On Air has already:

- Conducted ongoing reviews; changed and cut funding outputs
- Run its reserves down by \$15.7m to close to the minimum viable level
- Put more pressure on funding applicants to reduce budgets and seek more co-investment
- Cut and adjusted what it can, which is now reducing the volume of content investments. Inflation has decreased its purchasing power for funded content by \$8.8m since 2010

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<sup>1</sup> Included in NZ On Air's slate is funded service Radio New Zealand which has funding allocated directly by Ministers. Not included is Māori Television (MTS), a Treaty-based language intervention. MTS received a \$10m increase in the 2015 Budget.

<sup>2</sup> For example our funded 12 access radio stations stream NZ content in over 40 languages to assist ethnic communities

- Managed the rising costs of platforms which has decreased funding available for content by another \$6.6m since 2010
- Kept its own operating costs strictly in check at less than 3% of revenue

And it will find further savings of \$4m, by cutting existing content, to make space for new general projects.

## **Challenges and choices**

NZ On Air will continue to prune its slate and encourage third party investment to meet cost pressures.

However, it will need to make increasingly tougher choices about the type of content it can fund. Linear broadcast content is where the majority of audiences are, for now, yet it is vital NZ On Air meet rising demand for multiplatform content so that the sector can continue to upskill and grow. It needs to provide for a content –rich digital future.

In order to continue to add to NZ On Air's suite of funded content and focus on innovation and new platforms, it needs to rebalance its investment options. This will mean a choice between continuing to invest in mainstream supported content, and new innovations. The introduction of the NZMF is a starting point but without any change in funding, investment choices will become significantly more challenging, and put at risk the level of NZ content we can support and the platforms we fund.

# Broadcasting Standards Authority

## Agency profile

The Broadcasting Standards Authority (BSA) is an independent crown entity established under the Broadcasting Act 1989. The BSA is a tribunal which oversees the broadcasting standards regime and provides the public with a free and independent complaints service with respect to broadcasting standards with which broadcasters must comply.

The BSA's purpose is to oversee New Zealand's broadcasting standards regime so it is fair to all New Zealanders by balancing the broadcaster's right to freedom of expression with their obligation to avoid harm.

## Strategic intentions and risks

The BSA's vision is for fairness and freedom in broadcasting. Its overarching goal is to ensure New Zealanders have increased confidence that the broadcasting standards regime fairly balances the broadcaster's right to freedom of expression with their obligation to avoid harm.

The New Zealand media environment is continuing to change and converge rapidly and this has meant the BSA's governing legislation is increasingly outdated. In August 2016, the Minister of Broadcasting announced that the BSA's jurisdiction will be extended to include on demand content (excluding news and current affairs, and user generated content). The BSA is working with the Ministry to ensure the effective implementation of this reform.

The risk during the reform phase is for the BSA to remain responsive and ensure that the system continues to work as effectively as it can with respect to its existing obligations, whilst also readying itself to take on the wider mandate.

The BSA's Statement of Intent 2014-2018 sets out its current strategic framework in more detail, and will be revised prior to 30 June 2017 once the details and impact of the proposed reform on the BSA's strategic framework and objectives have been fully assessed.

## Challenges and choices

The BSA is cognisant that it operates in a tight fiscal environment. Against this background, the BSA continues to review its services to ensure they are efficiently and effectively provided. The BSA places high value on shared public services where this is available to manage its expenditure.

The BSA is funded through a combination of government funding and broadcaster levies. As broadcaster levy returns may vary from year to year, BSA monitors and manages reserves closely. The BSA has returned some funding to Treasury in recent years as levy returns had risen. In the fluid broadcasting environment and in the face of reform activity it is not possible to predict whether levy returns will remain at current levels. The BSA will continue to manage any fluctuations.

In light of the recently announced reform to extend the BSA's jurisdiction, there is a possibility that the size and scale of the BSA's operation may increase over time. The extent of such increase is uncertain. The BSA expects that any cost pressures resulting from this reform in the next two years will be covered by reliance on existing reserves and additional levy funding received from on-demand providers. If the demand on BSA's services increases substantially some further funding may be requested from government in years 3 and 4.

# Radio New Zealand Limited

## Agency profile

RNZ is a Crown entity established under the Radio New Zealand Act 1995, which operates in accordance with its Charter and operating principles (Section 8 of the Radio New Zealand Act).

RNZ is mostly government funded, through NZ On Air and the Ministry for Culture and Heritage, with a small proportion of its income (approx. 7%) generated from third party revenue. Consistent with the appropriations, RNZ provides high quality, diverse, comprehensive and independent radio and online content to New Zealand and Pacific audiences.

## Strategic intentions and risks

There are five key elements of success which RNZ sees as integral to achieving its statutory obligations while responding to the environmental challenges, and delivering on its strategic intent.

These are:

### 1. Producing and Broadcasting a Diverse and Unique Range of Services;

RNZ's objective is to optimise its Charter performance with regard to the type and range of services and content it provides to New Zealanders and the Pacific Region.

### 2. Making Its Services Available and Accessible Where and When New Zealanders Want;

The Charter requires RNZ to use the most effective means of delivery and it must also respond to changes in the media landscape and meet the needs of its audience.

### 3. Providing a Public Broadcasting Service That Is Important To, and Valued By, New Zealanders;

This is an essential requirement of a successful public broadcaster.

### 4. Attracting and Retaining Audiences;

RNZ's content must appeal to audiences, recognising the changing demographics, ethnic mix, geographic spread and the changing media consumption habits of its audiences.

### 5. Being Financially Viable;

RNZ must be able to operate within its available funding. This requires prudent control of its cost structure and effective management of its assets. Crown funding has remained static for eight years and changes to cost structures will be an ongoing requirement not just to balance the budget but also to re-allocate funds into new technologies and online initiatives.

## Challenges and choices

### Challenges

RNZ's cost pressures come from the following factors:

### 1. Managing the impact of inflation on operating costs every year while funding remains static;

Even at a relatively modest 1% - 1.5% per annum, inflation adds between \$350,000 and \$600,000 to RNZ's cost structure every year. This needs to be managed, and while cost reductions and efficiency measures are an essential and ongoing part of RNZ's business, it is not possible to achieve this level of savings every year for a sustained period of time, without at some point there being an impact on the quality and/or quantity of RNZ's services.

## **2. Addressing legacy infrastructure issues;**

The condition of many of RNZ's fixed assets, buildings and equipment is poor due to the accumulated effects of age, deferred maintenance and limited upgrading over many years now. Addressing these in an orderly and planned manner is difficult within the current financial constraints and critical failures regularly require RNZ to absorb unplanned costs. A significant proportion of these issues relate to RNZ's AM transmission network, which is expensive to maintain, and requires significant investment to keeping the network operational.

## **3. In many areas RNZ's technology has fallen behind;**

RNZ finds it difficult to accommodate the cost of significant upgrades into its capital expenditure plans when much of its available capex has to be diverted into responding to legacy infrastructure issues. New technology capex also usually increases operating expenditure through higher depreciation, maintenance and support costs etc.

## **4. Maintaining traditional services while also building its competence and relevance in the new digital era.**

Traditional radio still remains a strong preference for large sectors of the NZ population, so RNZ must strive to maintain current services while responding to the changing media environment and changing audience preferences by providing more new content on new platforms. While there is a lot of cross over, there is also the need for additional budget allocations for digital-specific outcomes if RNZ is to keep pace with these developments.

## **Choices**

1. With static funding RNZ could accept operating in deficit and use its reserves, but only until they are depleted. Maintaining a breakeven position in future years, given the challenges above, can only be achieved with compromises in other areas.

2. RNZ can place a higher priority on maintaining its existing traditional radio services and hold back its development in the new media areas.

This will help preserve its standing with the existing radio audiences, but this audience will eventually decline, so this is not a future-focused strategy.

3. Alternatively, RNZ can place a higher priority on its new media development and reduce or retire some of its traditional radio services earlier than it might otherwise want to do. Online audiences are growing exponentially and this is where the future lies for RNZ, but meeting the demands of that new audience may have to come at the expense of traditional radio services and audiences.

4. RNZ could sell some of its assets, especially land and buildings. This is a favoured option as RNZ's plans for the future are to become "infrastructure-lite" and it has already commenced a process to sell the building it owns in Auckland.

Longer term RNZ should also be considering the balance of its land and building holdings which primarily relate to its AM transmission network. A decision to sell some of, or all of, these assets requires a consideration as to the future of the AM network.

While a sale of these assets will generate significant cash proceeds, it does not, on its own, resolve the issue of ongoing operational funding versus ongoing operational costs. This option would need to be accompanied by an agreement with the Crown whereby it returned the proceeds from this sale in return for an appropriate level of additional operational funding.

# Sport New Zealand

## Agency profile

Sport New Zealand (Sport NZ) is a Crown entity, operating under the Sport and Recreation New Zealand Act 2002 to “promote, encourage and support physical recreation and sport in New Zealand”. Its functions are set out in Section 8 of the Act.

Funded by both Government appropriations and New Zealand Lottery Grants Board revenue, Sport NZ invests directly in the sport and recreation sector, and leads the country’s sport system in working towards achieving the following strategic outcomes:

More kids in sport and recreation	More New Zealanders involved in sport and recreation	More New Zealand winners on the world stage
Progress in all areas of a world-leading sport system		

High Performance Sport New Zealand (HPSNZ) is a wholly owned Crown Entity Subsidiary of Sport NZ. Its purpose is to provide a one-stop shop to support high performance athletes in their endeavours to win on the world stage.

## Strategic intentions and risks

The new Sport NZ Group Strategic Plan 2015-20, covers all areas of Sport NZ’s work. It is underpinned by the Group’s two strategies; High Performance Sport NZ Strategy to 2020 and the Community Sport Strategy to 2020. These strategic documents chart a course, to ensure Kiwis continue to both participate and win in sport, and that sport enriches

lives and inspires us.

Strategic intentions are further outlined in the Sport NZ Statement of Intent 2015 to 2020, including how success will be measured along the way. Sport NZ remains focused on getting more young people and adults active, which we will do through this Community Sport Strategy, and produces more winners on the world stage, which we do through a High Performance Strategy, delivered by High Performance Sport NZ.

Our Community Sport Strategy remains focused on getting more Kiwis, especially young people, into sport. Our evidence and insight indicates a shift in how we get people active, from a supply/partner focus to a participant focused, system-led approach. This requires a greater understanding of the changing needs of participants – what today’s participants want - rather than what the sport and recreation system has traditionally supplied. It also requires prioritisation of work around the areas of the sport and recreation system that can best get all Kiwis active.

Sport NZ believes that if New Zealanders are to continue to participate and win in sport we need all young people to develop the skills and confidence needed for life-long involvement. We need access to good quality active recreation, play and PE, strong clubs and competition pathways, and we need to reduce barriers to participation. And we need Kiwis to continue to win on the world stage, so future generations are inspired to do the same.

For this reason, Sport NZ’s focus areas are:

- Young People
- Low-Participation Communities
- Participants in Competitive Sport
- Leading High Performance Sport
- Competitive Sport (including Talent Identification)
- Leading High Performance.

The operating environment - along with key risks (and their mitigations) to delivering strategy identified by Sport NZ - are outlined in its Statement of Intent (Appendix 2, page 32 & 33).

## Challenges and choices

### Revenue Volatility

Annual Lotteries revenue numbers are not known until the end of the financial year. 2015/16 was an excellent example whereby we experienced a number of forecasting changes during the year at crucial times in our financial planning. The actual results only being achieved with a late series of jackpot runs in the last two months.

Currently, Lotteries make up more than 60% of Sport NZ revenue (excl. HPSNZ Crown funding). Financial planning factors in the potential for fluctuations in LottoNZ profits.

At the beginning of a four-year investment cycle (prior to approving investments) Sport NZ relies, in part, on LottoNZ forecasts. However, it becomes more problematic should forecasts significantly change during the investment cycle.

### Forecast Outlook to 2020

Based on improved LottoNZ forecasts, the additional Crown funding for HPSNZ received in Budget 2016 and tightening of operating expenditure, Sport NZ forecasts a small closing Public Equity position of \$2m by 2020 (previously reported as a shortfall to 2020 of \$13.7m).

Cash flow pressures will remain as public equity reduces further exposing Sport NZ to the volatility of LottoNZ forecasts and will require further reprioritisation of expenditure to maintain prudent equity levels.

### Managing within baselines

Sport NZ continues to take proactive steps to manage within current forecasts, with the following plans in place:

- Cost reviews – continue to review operating expenditure across the Group to ensure expenditure is aligned to priorities
- Organisation fit-for-purpose – An organisational realignment is underway within Sport NZ to ensure maximum effort and resourcing is aligned to the High Performance Sport NZ and Community Sport Strategies and low-impact work is stopped
- Alternative Revenue Streams – work across a number of areas for additional revenue for the Group and/or wider sector. The highly successful Black Gold (philanthropic) programme secured \$9.069m in donations for Rio 2016. We are exploring options for commercialisation of the Sport NZ and HPSNZ brands and other revenue streams
- Prioritisation – ultimately, it will be necessary to continue to make strategic choices across both the High Performance Sport NZ and Community Sport strategies to ensure funding is targeted to the areas of greatest impact within the current financial constraints
- By the end of 2016 we will have approved a revised reserves policy which, inter alia, will ensure that we manage within existing base lines to a minimum equity level.

### Additional cost pressures

Sport NZ has a challenge across both its high performance and community sport portfolios to both maintain current investment levels and seek further improvement.

### High Performance Sport NZ (HPSNZ)

With the best ever performance by NZ Olympic and Paralympic Teams in Rio (as measured by total medals), focus is now on ensuring continued success in Tokyo 2020. Tokyo will offer a new set of challenges including increasingly competitive and well-resourced nations across our targeted sports, increasing costs of running high performance programmes and pressure to retain our world-leading staff in a competitive international employment market for high performance specialists. .

The new funding in Budget 2016 of \$4m per annum over four years will

help protect HPSNZ's current investment in the high performance system.

To ensure our funding is maximized for best impact, we will continue to apply our stringent investment strategy over the next four years.

The success of the high performance sport system in New Zealand continues to be driven by a top-down targeted investment strategy, in which sports with the greatest medal potential receive the support required to win on the world stage within our financial constraints. This is essential if NZ is to continue to achieve medal targets in Tokyo and beyond.

### **Community Sport**

New evidence shows that sport participation in NZ is declining, consistent with other nations. The Trends report shows a 7.7% drop in adult participation rates over the last ten years. A significant decrease in sport participation has been seen in young adults (down 13.9%), lower income households (11.7%), Pasifika peoples (11.4%) and Māori (8.4%). The 2014/15 NZ Health Survey reported an increase in rates of physical inactivity (from 10% to 14%).

Evidence shows that physical activity has a positive effect on the length and quality of life. There is a significant economic cost of physical inactivity, in 2010 this cost was \$1.3 billion<sup>3</sup>.

There are significant cost pressures to maintain and increase participation. We are continually required to balance our investment and expertise to ensure our current partners are able to maintain and grow participation whilst also seeking opportunities to further emphasise young people and low-participation communities. Both areas are vital to increasing activity.

The Community Sport strategy is seeking to increase activity through a focus on improving the quality of experience received by young people.

Sport NZ's Play.sport approach aims to improve the quality of physical

education, improve physical literacy leading to a life-long love of being active in children. Play sport has a focus on capability building that is much broader than just within schools (i.e., clubs, parents and communities). Play sport currently operates in two pilot communities (Upper Hutt and part of Waitakere). We are hoping to expand the pilot to a further three regions and thereby allow us to test other models and provide additional evidence that won't be gathered from existing sites. It also allows us to test different ways of working – rural versus metro and working with different providers (Iwi and RSTs). The evidence will help us make future decisions on improving physical literacy (through higher quality PE, physical activity and sport). Without additional funding we will continue to operate the pilot across the two existing sites.

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<sup>3</sup> The Costs of Physical Inactivity Toward a regional full-cost accounting perspective. Market Economics Ltd, Wellington Regional Strategy, Waikato Regional Council and Auckland Council. 2013

# Drug Free Sport New Zealand

## Agency profile

Drug Free Sport New Zealand (DFSNZ) is an independent Crown Entity originally established by the New Zealand Sports Drug Agency Act 1994, and is continued by the Sports Anti-Doping Act 2006. DFSNZ is responsible for implementing and applying the World Anti-Doping Code in NZ;

- Sports Anti-Doping Act 2006
- Crown Entities Amendment Act 2004.

## Strategic intentions and risks

Drug Free Sports NZ's strategic vision is a sporting environment that universally rejects cheating through the use of prohibited substances and methods. To achieve this, we employ three primary drivers:

1. Education, informing and nurturing athletes and athlete support personnel
2. Enforcement, incorporating deterrence and detection
3. Influence through national and international collaboration.

DFSNZ has recognised a need to execute a shift in how we achieve the strategic direction through the three drivers above. This came about through recognition of the increasing pressures faced by young athletes and the need to provide opportunities for athletes and their support personnel to equip themselves with the knowledge to compete clean. Research has shown the most effective method to deter doping is to engage with young athletes, building a strong base of good ethical and moral decision making rather than just advising on what they can and cannot take or the consequences of doping. As a result, DFSNZ has

developed a discussion document outlining our thinking and proposed changes to the way we engage with stakeholders to achieve our vision. The document can be viewed [here](#). The proposals set out in this document received universal support and have formed the basis for DFSNZ's Statement of Intent 2017-21.

## Challenges and risks

Simply continuing to do what has been done in the past will not enable DFSNZ to evolve and improve its programmes to meet the changing needs of athletes and the sporting community. DFSNZ needs to apply some funds to the development of new tools and approaches to its programmes or we will fail to engage our target audiences.

In 2012/13 Drug Free Sport NZ (DFSNZ), reduced testing in order to invest in a more intelligence based approach. New funding in budget 2016 has made it possible to balance the cost of an intelligence based approach with suitable levels of testing. This provides a better balanced anti-doping programme for the next four years. New funding means that the testing programme is now comparable with similar National Anti-Doping Organisations. There is a risk, however, that the World Anti-Doping Agency may impose new or costlier testing protocols. In that case, DFSNZ would have to re-prioritise across all its programmes. This may include critical sector engagement initiatives to build support for the new Anti-Doping strategy.

Failure to engage early and well with sector stakeholders may limit the impact of the Anti-Doping strategy. DFSNZ will mitigate this risk through strengthening collaboration with stakeholders for shared outcomes.

