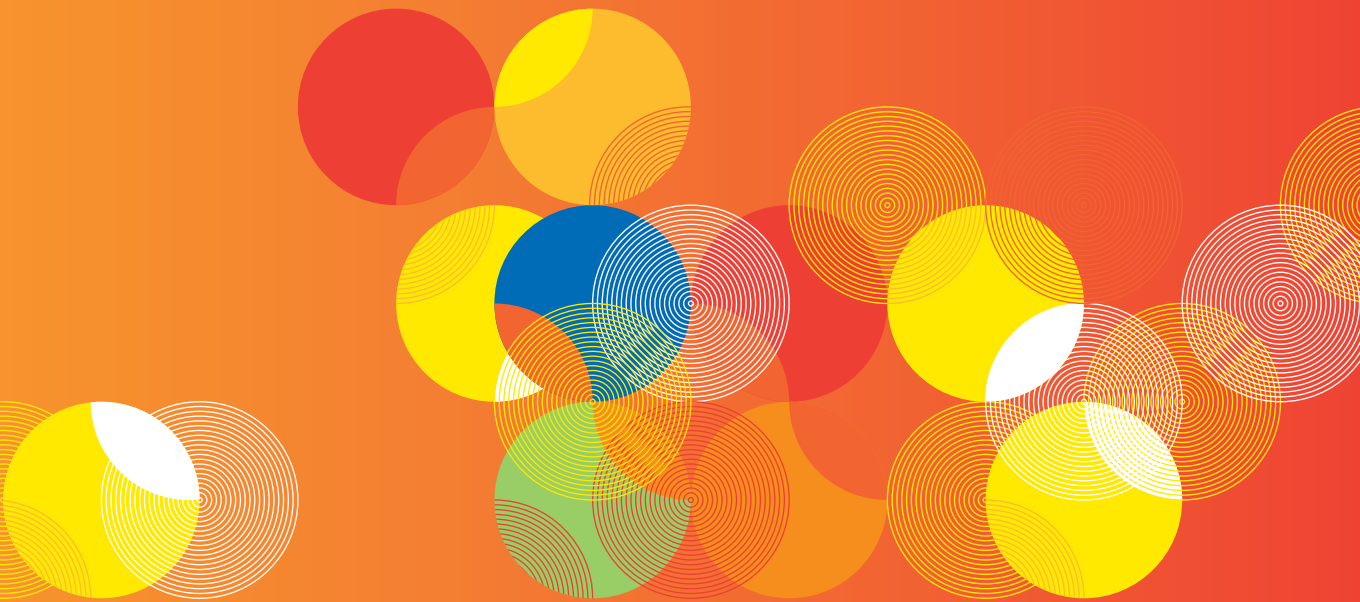




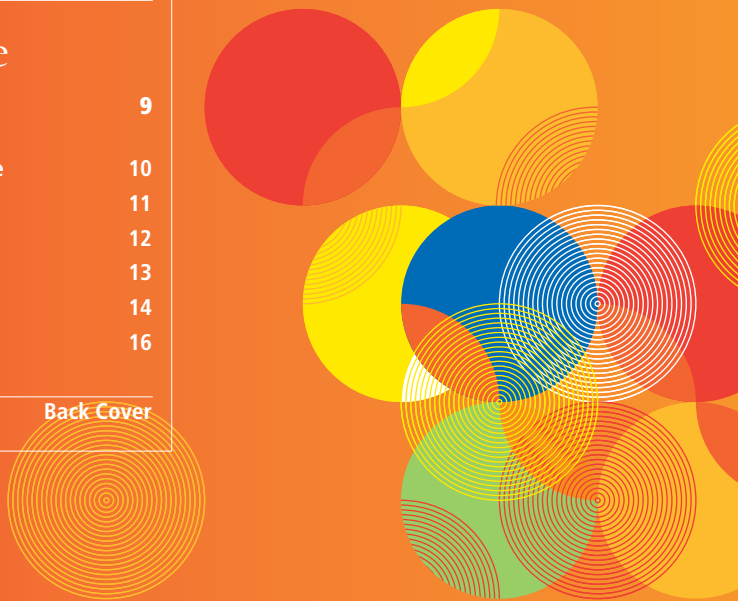
2007-10

Statement of Intent





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Statements from NZ On Air and the Minister



This Statement of Intent (SOI) for the three years 2007 – 2010 is produced in accordance with sections 141 and 142 of the Crown Entities Act 2004.

NZ On Air is looking forward to a period of refocusing and of growth. We are uniquely placed to promote innovation in broadcasting and new media, to defend public broadcasting principles, and to take the risks required to enable the production of, and access to, creative New Zealand content that would not otherwise be made in a primarily commercial environment.

As our strategy develops to adapt to new technology and changing audience behaviours, there will be implications for legislation and policy. Increasingly the audience for New Zealand content will be global, as well as local, and this will influence the parameters of our role going forward.

The forecast financial statements and underlying assumptions in Part 2 of this document have been authorised as appropriate for issue by the board of NZ On Air in accordance with its role under the Crown Entities Act 2004. It is not intended to update the forecast financial statements subsequent to presentation.

NEIL WALTER
CHAIR

JUDY CALLINGHAM
DEPUTY CHAIR

In accordance with section 149 of the Crown Entities Act 2004 I agree to present this Statement of Intent of NZ On Air before the House of Representatives

HON. STEVE MAHAREY
MINISTER OF BROADCASTING
DATE: 12 JUNE 2007



PART 1:

Strategic issues 2007–2010

What we do ¹

NZ On Air celebrates New Zealand identity and culture by supporting a unique range of broadcast programmes and broadcasting entities. Our prime focus is on the audience.

We have varied functions set out in the Broadcasting Act 1989, broadly covering television, radio, music and archiving. We are an autonomous Crown entity in terms of the Crown Entities Act 2004.

Mission Statement

To be an independent leader in promoting local content and diversity in broadcasting.

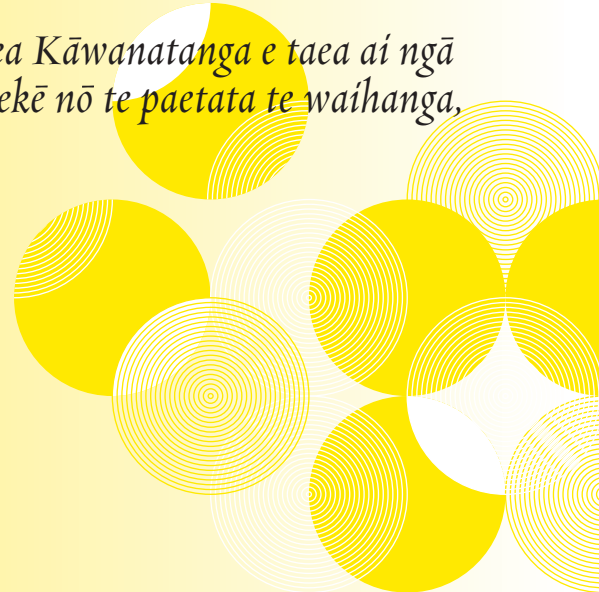
Kia tū hei ngārahu motuhake, hei whakatairanga i ngā, hōtaka nō te paetata, hei whakanui hoki i te kanorau i te ao pāpāho.

Purpose

To be the principal source of Government funding for providing and preserving a diverse range of local content.

Hei mātāpuna pūtea Kāwanatanga e taea ai ngā tūmomo hōtaka rerekē nō te paetata te waihanga, te tiaki.

1. Section 141(1)(a) and (b) Crown Entities Act



Our environment

New Zealand's broadcasting landscape is in transition. We will be spending much time this year charting a new direction for NZ On Air.²

It's an exciting time to be thinking ahead. While the speed of broadcasting change is remarkable, there are some constants that are standing the test of time.

For nearly 20 years NZ On Air has been an integral part of the broadcasting landscape. We are unique in the world. We partner with broadcasters and content creators, representing the voice of the people to ensure local content makes a key contribution to our national identity as New Zealanders, as citizens of the Pacific and as members of the international community.

NZ On Air is widely seen as one of the best creations of deregulation. We have helped stimulate both the growth of new and different local content, and the development of significant independent production and music industries.

Contestable funding best-practice means we take pains to ensure that local content is where the audiences are, that the best ideas are funded, and that the level of subsidy is appropriate. Thus we support content made both for free-to-air public and commercial broadcasters, large and small; ensure public access to our broadcasting heritage through independent archiving; champion the development of NZ music and work hard on behalf of audiences and the taxpayer to ensure the best outcomes.

Our independent, arms-length and transparent funding procedures constitute a strong discipline that keeps the focus on the most important matter – content provision for diverse audiences made by a variety of content creators.

Our philosophy has been constant since our inception. We achieve our goals by:

- building and maintaining partnerships
- promoting incremental shifts in attitude, rather than seeking rapid gear shifts
- maintaining clear and open communication with content creators and broadcasters
- being helpful and supportive to stakeholders
- providing high quality information and advice
- careful stewardship of scarce resources – making necessary choices in the allocation of funds³

This philosophy has survived a number of sea changes in our environment. At present a key strategic issue for us is how to enter and navigate a fragmenting digital environment in a way that encourages creativity, celebrates our national identity, promotes public access and provides value for our investments. Technology change also means that increasing production costs will continue to challenge us.

Digital media open up the way that people view, listen, access and experience media. We are committed to responding to the opportunities the digital era opens up for local content on New Zealand's screens, the airwaves and, increasingly, online. We plan to be at every significant point where we can promote New Zealand identity and culture through audio/visual content.

These environmental changes are challenging all traditional broadcasting organisations as audiences fragment, advertising revenue is affected, and electronic media options continue to grow. The music industry is in the throes of a necessary exploration of new business models as online access and use of music - legal and illegal - intensifies. We too will feel the impact as calls on our funding are made from an increasingly varied number of stakeholders.

Thus a further strategic issue is how to ensure that local content is made in significant quantity to be noticed, valued and accessed by relevant target audiences while respecting the rights of content creators.

Finally, the public policy environment is also changing. At top level, the Government is promoting three strategic priorities for New Zealand: economic transformation, families young and old, and national identity. NZ On Air's work contributes to all three but at the most strategic level we are a major and influential supporter of services that make a key contribution to the national identity of all socioeconomic groups in New Zealand. Few other entities have our breadth of delivery.

2. The 5 Year Plan, our strategy for 2003-2008 has 2007/8 as its last year

3. The 5 Year Plan (NZOA) p19. This philosophy is also relevant to Goal 6 of the Development Goals promoted by the State Services Commission ('trusted state services')

In 2005, the Minister of Broadcasting published the Government's broadcasting Programme of Action.⁴

Its vision – *New Zealand Broadcasting: a shared space, informing and enriching a changing society* – is one that continues to drive NZ On Air's strategies today. The Programme's four principles of universality, diversity, independence and quality are concepts that have underpinned our work since our inception.

There are several ideas mooted in the Government's Programme of Action that, in addition to the wider environmental shifts noted above, would affect our structure and role. The Programme suggests the following, some aspects of which have already been implemented:

- identifying a sound basis for determining the appropriate level of public funding for broadcasting, to guide future budgetary priorities within the Programme of Action
- directly funding the National Pacific Radio Trust (Niu FM)
- possibly directly funding Radio New Zealand
- maintaining TVNZ's access to NZ On Air funding as well as providing direct government funding (for Charter and two digital channels)
- suggesting that the Broadcasting Standards Authority be the guardian of the principles of public broadcasting

4. <http://www.mch.govt.nz/publications/public-broadcasting/public-bdcast.html>

One of the Programme's proposed actions is 'to re-examine NZ On Air's statutory definitions and functions so that it can support a more diverse range of content'.

Another is to investigate alternative processes for funding broadcasters (including the allocation of block funding for broadcasters rather than on a programme-by-programme basis).⁵ The latter would be a radical change for television in particular.

We look forward to continued discussion of these matters in the expectation that NZ On Air's unique role in protecting, promoting and developing local content, public broadcasting principles and shrewd expenditure of public funds, continues to be valued and supported.

However it is business as usual for the moment. Bearing all this in mind, our key initiatives for 2007/2008 are set out below. If the Broadcasting Act is amended to enable us to consider growing audiences across a range of digital platforms, it is clear that the demands on limited funding allocations will increase.

Television

- contribute to national identity by providing contestable funding for innovative television content, this year focusing on children's and comedy output in particular
- focus on quality and diversity, continuing to fund programmes that could not be made on a commercial basis

5. Programme of Action page 13.

- review funding policies and processes to ensure the right mix of the right programmes is reaching a range of audiences important to NZ On Air
- promote the inclusion of Māori perspectives in mainstream programmes and provide Māori programming to audiences important to us
- maintain an Innovation fund and consider ways to contribute to digital initiatives in a cost-effective way if public funding is appropriate

Radio

- help protect editorially-independent public radio by ensuring Radio New Zealand (RNZ) is adequately funded on an arms-length basis so it can continue to deliver world class services
- fund community Access radio stations that meet our criteria and offer community groups the opportunity to make and broadcast programmes
- fund Pacific Island radio in areas with significant Pacific Island populations
- support specialist radio production for a variety of radio outlets including programming for children and young people, comedy/drama, spiritual programming and programming about Māori issues

NZ Music

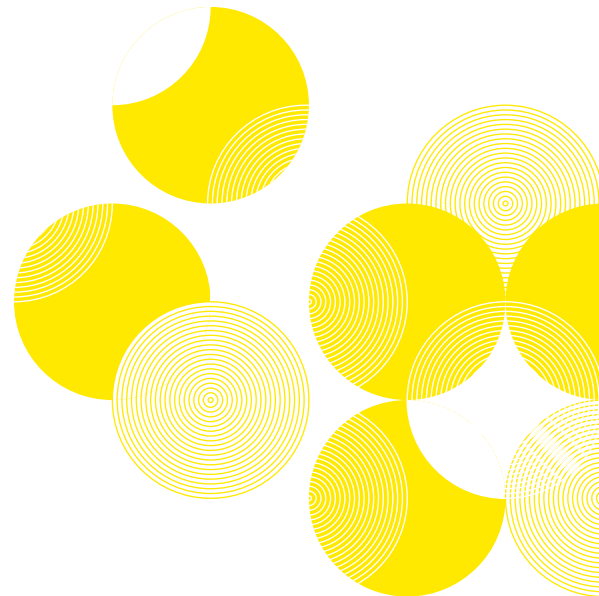
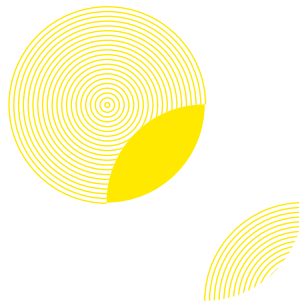
- maintain and strive to better the 20% local music content levels achieved on commercial radio under the NZ Music Code over the last five years
- build on the initial success of the Phase Five plan to promote NZ music internationally to contribute to the further development of NZ music at home. Our focus in 2007/2008 will be college radio in the US and establishing a UK beachhead to supplement the work we have already done to establish a Phase Five presence in Australia and elsewhere in the US

Stakeholder Services

- maintain a focus on transparent and accountable funding processes
- maintain high-quality decision-making and contracting processes
- evaluate the success of the Phase 4 music plan
- align our goals and objectives both with those of Government and of the relevant sectors of the television, radio and music industries

Digital/Archives

- complete a digital strategy for NZ On Air
- develop a significant new project to take advantage of the opportunity the digital era presents to facilitate access to local content ⁶
- support targeted archiving activity and develop ways to coordinate and share publicly funded material



6. This may also be relevant to Goal 3 of the Development Goals promoted by the State Services Commission ('networked state services')

Outcomes and Impacts ⁷

The Crown Entities Act 2004 requires us to develop outcomes, impacts and objectives. Our outcomes structure is set out overleaf and we shape our activities to contribute to one overarching outcome:

We organise our activities into four main areas of impact: broadcasting funding, NZ music promotion, digital and archiving initiatives, and stakeholder services. Each of these impacts has key objectives, is underpinned by relevant research and consultation with stakeholders, and has an embedded Māori strategy.

The tasks to achieve and measure the effectiveness of these objectives are set out in the Statement of Service Performance in Part 2 of this document. ⁹

We partner with other entities and agencies to deliver projects where possible and practical. ¹⁰

OUTCOME

Innovative, visible local content promoting New Zealand identity and culture for the 21st century ⁸

*He hōaka ariari nōte paetata, i hua ake te puna auaha,
hei whakatairangi i te ahurei me te ahurea o Aotearoa,
mōte rautau hou*

Forecast Expenditure

	Forecast 2007/8		SOI Budget 2006/7	
	\$ 000	%	\$ 000	%
Television	71,670	61.9	69,664	63.2
Radio	33,142	28.6	31,183	28.3
NZ Music	5,200	4.5	5,046	4.6
Digital/Archives	2,500	2.2	1,264	1.1
Transmission	-	-	90	0.1
Administration	3,277	2.8	2,910	2.7
Total Expenditure	115,789		110,157	

7. Section 141(1)(c) Crown Entities Act

8. This is relevant to Goal 5 of the Development Goals promoted by the State Services Commission ('accessible state services')

9. Section 141(1)(d) Crown Entities Act

10. This is relevant, in part, to Goal 4 of the Development Goals promoted by the State Services Commission ('coordinated state services')

KEY GOVERNMENT GOAL:

National identity

OUTCOME:

Innovative, visible local content promoting New Zealand identity and culture for the 21st century

<p>IMPACT: Television & Radio audiences have local content choices extended</p>	<p>IMPACT: Profile of NZ Music raised</p>	<p>IMPACT: Unique content made easily available</p>	<p>IMPACT: Contestable funding spent appropriately</p>
<p>Television</p> <p>OBJECTIVES:</p> <p>T1. Apply funding to projects that extend the free-to-air TV schedules</p> <p>T2. Serve a variety of audiences</p> <p>T3. Be an effective voice for promoting public broadcasting principles</p> <p>T4. Ensure Māori language and culture are represented in mainstream television</p>	<p>Radio</p> <p>OBJECTIVES:</p> <p>R1. Help protect Radio NZ's independence by arms-length funding and monitoring of RNZ National and RNZ Concert stations</p> <p>R2. Support radio for targeted communities (Access, Print Disabled Radio, and Pacific Island language programmes)</p> <p>R3. Fund programmes for commercial radio targeting audiences important to NZ On Air</p>	<p>Music</p> <p>OBJECTIVES:</p> <p>M1. Maintain NZ music content on commercial radio at 20% and strive to grow content beyond 20%</p> <p>M2. Ensure that there are opportunities on radio to promote difference and diversity in New Zealand music</p> <p>M3. Fully implement Phase Five plan to fuel growth in the NZ music economy</p>	<p>Digital/ Archiving</p> <p>OBJECTIVES:</p> <p>D1. Complete a digital strategy for NZ On Air leading up to analogue switchoff</p> <p>D2. Facilitate pilot projects that foster public access to the digital space</p> <p>D3. Ensure archiving services are coordinated and delivered</p>
<p>Stakeholder Services</p> <p>OBJECTIVES:</p> <p>S1. Ensure accountability of funding framework and processes</p> <p>S2. Ensure NZ On Air is connected and integral to local content broadcasting</p> <p>S3. Ensure a strong, relevant store of knowledge is built and shared through research and consultation</p>			

Organisational health and capability¹¹

We are a small entity that takes pride in applying limited resources to achieve our statutory funding tasks rather than to infrastructure. There is no equivalent organisation internationally and certainly none where so many positive outcomes are delivered by such a small team. Our staff members are flexible, highly skilled and deeply committed to our goals.

This means we must be careful to stay focused. We have had several staff changes in recent months and will spend the upcoming months ensuring new staff are well inducted and have sufficient support. We are also fortunate to have retained several long-standing staff members who provide our institutional memory and a deep knowledge of their specialist areas.

Our good employer and personnel policies are formally recorded and include a commitment to equal employment opportunities. We do not permit harassment or discrimination of any type.

To enhance our capability over the next three years we will maintain and develop policies that ensure:

- Human resource planning is considered when we develop new strategies
 - **Measure:** HR impacts incorporated in new plans
- Equal employment opportunity principles are incorporated in staff selection and management, to achieve as diverse a workforce as possible and practical given our small size
 - **Measure:** EEO principles included in all relevant documents and practices
- Recruitment, training and remuneration policies focus on attracting and retaining skilled, flexible and knowledgeable team players
 - **Measures:** Full time staff turn over will be no more than 3 people per annum
 - Individual staff training plans introduced
 - Superannuation plan introduced
- Our office environment and equipment are safe and well maintained
 - **Measures:** Annual capital expenditure and maintenance programme carried out
 - Each new employee has an individual ergonomic analysis of their dedicated workspace
 - Zero tolerance of harassment, bullying and discrimination

Reporting to the Minister¹²

We are an autonomous Crown entity governed by a board of six members appointed by the Minister of Broadcasting. The Minister is advised of, and agrees with, our intentions as signalled in this SOI.

The Minister may not direct us in regard to cultural matters, nor may any Minister or Ministerial representative direct us in respect to particular programmes or other statutorily independent functions (s44 Broadcasting Act, s113 Crown Entities Act).

The Minister of Broadcasting may issue directives that we are to:

- (a) have regard to relevant government policy (s104 Crown Entities Act) or to
- (b) amend any provision in our SOI (s147 Crown Entities Act) or to
- (c) provide funding to Radio New Zealand (s44(1A) Broadcasting Act)

The Ministers of State Services and Finance may jointly issue a directive that we should comply with whole of government directions (s107 Crown Entities Act).

We provide quarterly reports to the Minister outlining progress against targets set out in this SOI.

11. Section 141(1)(e) Crown Entities Act. This section also acknowledges Goals 1 and 2 of the Development Goals promoted by the State Services Commission ('employer of choice' and 'excellent state servants')

12. Sections 118 and 141(1)(g) Crown Entities Act

Key measures¹³

The main financial and non-financial measures that we will use to assess our performance over the next three years are:

FINANCIAL:

- Apply funding from the Crown to activities prescribed in the forecast financial statements
 - **Measure:** Compliance kept under review by Board's Audit and Risk Committee
- Ensure commitment and cash flow management procedures are aligned
 - **Measure:** Uncommitted public equity at year end is less than 3% of total budget
- Maintain efficiency and effectiveness by focusing expenditure on our funding responsibilities
 - **Measure:** Administration budget is less than 4% of total funds

NON-FINANCIAL:

- Ensure New Zealanders continue to value NZ On Air's contribution to diversity in local content
 - **Measures:** Annual independent research reports confirm that -
 - More than two thirds of respondents agree that NZ On Air supports programmes and activities important to New Zealanders
 - More than two thirds agree that NZ On Air provides good quality and interesting programmes and services
 - More than 60% of respondents support encouraging more radio stations to play more New Zealand music

13. Section 141(1)(f) Crown Entities Act

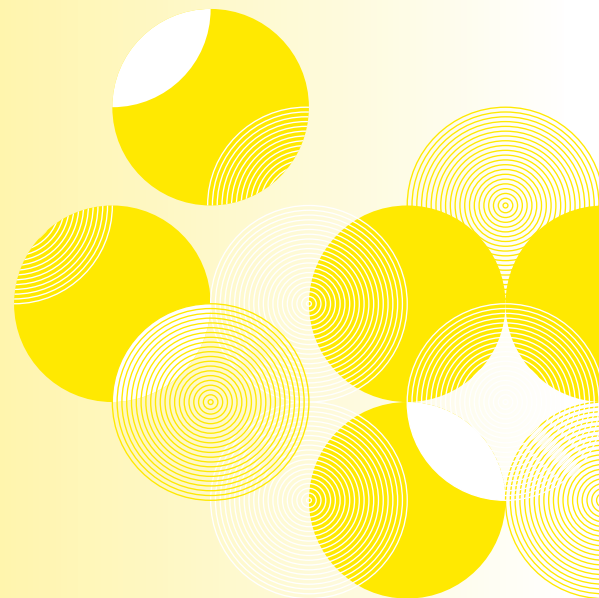
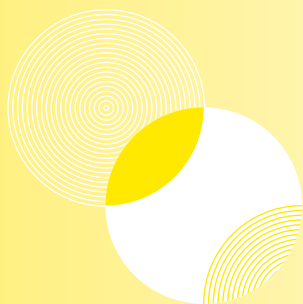
PART 2:

Measuring performance 2007 – 2008

The following statements provide targets, budgets and performance measures for the year ending 30 June 2008, in accordance with s142 of the Crown Entities Act.

- Forecast Statement of Financial Performance
- Forecast Statement of Financial Position
- Forecast Statement of Movements in Equity
- Forecast Statement of Cash Flows
- Statement of Accounting Policies
- Forecast Statement of Service Performance

There are no other relevant performance measures which need to be devised or disclosed (ss142(1)(c) and (e))



Forecast Statement of Financial Performance

to the year ending 30 June 2010

	Note	Forecast Actual 2006/2007 \$ 000	Budget 2007/2008 \$ 000	Budget 2008/2009 \$ 000	Budget 2009/2010 \$ 000
Income	1				
Crown revenue		106,671	109,813	109,813	109,813
Other revenue		5,306	4,400	4,500	4,500
Total Income		111,977	114,213	114,313	114,313
Operating Expenditure					
Administration and consultation		2,864	3,222	3,224	3,216
Depreciation		46	55	55	55
Total Operating Expenditure		2,910	3,277	3,279	3,271
Funding Expenditure	2				
Television	3	71,416	71,670	70,500	70,200
Radio	4	31,209	33,142	33,142	33,142
New Zealand Music		5,188	5,200	5,200	5,200
Digital/Archives	5	1,623	2,500	2,500	2,500
Total Funding Expenditure		109,436	112,512	111,342	111,042
Total Expenditure		112,346	115,789	114,621	114,313
Net (deficit)/surplus for the year		(369)	(1,576)	(308)	0
Public Equity 1 July	6	2,253	1,884	308	0
Public Equity 30 June		1,884	308	0	0

Notes

- Income comprises revenue applied to all output classes.
- No provision has been made for transmission coverage (community radio) funding. No applications have been received since 2003. Funding for remote TV coverage was retained by the Ministry for Culture and Heritage and has been paid directly to TVNZ since 2002. Should any relevant applications be received NZ On Air will consider them on their merits.
- TV expenditure will exceed the 2006/7 SOI budget forecast of \$69.664m. This has been funded from reserves. The additional \$2m funding included in the Government's Budget announcement in May 2007 has been included in the television budget.
- The \$1.142m additional funding for Radio New Zealand included in the Government's Budget announcement in May 2007 has been included in the radio budget.
- Allowance for new initiative.
- Public Equity has been restated by \$58,000 as a result of full adoption of NZ IAS 19 - Employee Benefits.

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

Forecast Statement of Financial Position for the year ending 30 June 2008

		Forecast Actual 2006/2007 \$ 000	Budget 2007/2008 \$ 000
Current Assets			
Cash and cash equivalents	1	57,600	56,779
Trade and other receivables		1,500	1,500
Total Current Assets		59,100	58,279
Non-Current Assets			
Property, plant and equipment		72	75
Total Non-Current Assets		72	75
Total Assets		59,172	58,354
Current Liabilities			
Trade and other payables	2	595	600
Funding liabilities		56,693	57,446
Total Current Liabilities		57,288	58,046
Public Equity		1,884	308
Total Liabilities and Public Equity		59,172	58,354

Notes

1. Cash and cash equivalents includes cash at bank and term deposits.
2. Payables include employee entitlements.

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

Forecast Statement of Movements in Equity

for the year ending 30 June 2008

	Forecast Actual 2006/2007 \$ 000	Budget 2007/2008 \$ 000
Public Equity at beginning of the year	2,253	1,884
Plus: Net Operating Surplus/(Deficit)	(369)	(1,576)
Total recognised revenues and expenses for the period	(369)	(1,576)
Total Public Equity at end of the year	1,884	308

Note
1

Notes

- Public Equity has been restated by \$58,000 as a result of full adoption of NZ IAS 19 - Employee Benefits.

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

Forecast Statement of Cash Flows

for the year ending 30 June 2008

	Forecast Actual 2006/2007 \$ 000	Budget 2007/2008 \$ 000
Cash Flows From Operating Activities		
Cash Provided from:		
Crown revenue	106,671	109,813
Interest income	4,144	4,163
Other income	1,085	325
Total Cash Provided From Operating Activities	111,900	114,301
Cash Applied to:		
Payments to broadcasters & programme producers	(109,082)	(111,759)
Payment to suppliers and employees	(3,021)	(3,363)
Total Cash Applied To Operating Activities	(112,103)	(115,122)
Net Cash Inflows/(Outflows) from Operating Activities	(203)	(821)
Opening Cash	57,803	57,600
Closing Cash	57,600	56,779

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

Statement of Accounting Policies

Reporting Entity

The Broadcasting Commission (NZ On Air) was established by the Broadcasting Act 1989, and is an autonomous Crown entity in terms of the Crown Entities Act 2004.

Our functions and responsibilities are set out in the Broadcasting Act 1989.

Reporting Period

The reporting period for these forecast financial statements is to the year ending 30 June 2010.

Statement of Compliance

These financial statements have been prepared in accordance with New Zealand Generally Accepted Accounting Practice (NZ GAAP). They comply with New Zealand equivalents to International Financial Reporting Standards (NZ IFRS) as applicable to public benefit entities and no exemptions have been made.

The forecast financial statements have been prepared in accordance with Financial Reporting Standard No. 42 relating to prospective financial statements. The information in the forecast financial statements has been prepared to comply with the Crown Entities Act 2004 and may not be appropriate for purposes other than complying with the requirements of this Act.

Statement of Significant Assumptions¹⁴

The forecast financial statements are based on assumptions and estimates concerning the future but based on historical experience. Actual results may vary materially from the forecast information. Funding targets are based both on our own priorities and discussions with broadcasters and producers, but are estimates only. Funding approvals are made only on receipt of a satisfactory proposal that enables us to fulfill our statutory obligations and that proposes terms acceptable to us.

Key assumptions are:

- Crown revenue will not change from that forecast
- Our statutory functions and duties remain unchanged
- Broadcaster stakeholders do not materially vary their own plans
- No eligible applications for radio transmission coverage subsidy are received
- A review of our approach to the NZ IFRS does not result in material change to current practice

Summary of Significant Accounting Policies

The accounting policies set out below have been applied consistently to all periods presented in these forecast financial statements, and in preparing the opening NZ IFRS statement of financial position as at 1 July 2006 for the purposes of the

transition to NZ IFRS. The transition to NZ IFRS has had no material effect on the forecast financial performance, financial position and cash flow of NZ On Air.

The policies used in the preparation of these forecast financial statements are expected to be used in the future for reporting historical general purpose financial statements.

Measurement Base

The measurement base adopted is that of historical cost modified by the revaluation of certain assets and liabilities as identified in this statement of accounting policies.

The accrual basis of accounting has been used unless otherwise stated. These financial statements are presented in New Zealand dollars and rounded to the nearest thousand (\$000).

Other relevant accounting policies

• Revenue

Revenues are derived and recognised as follows:

- Crown revenue from the Government is recognised as revenue when it is received
- Sales revenue from NZ On Air funded programmes is recognised as revenue when the income is received
- Interest income is derived from investments held to maturity, and is recognised on an accrual basis
- If applicable, other income is recognised at the time the services are rendered

14. Section 142(1)(d) Crown Entities Act

- **Trade and Other Receivables**

Trade and other receivables are initially measured at fair value and subsequently measured at amortised cost less any provision for impairment. A provision for impairment is established when there is evidence that NZ On Air will not be able to collect all amounts due according to the original terms of receivables.

- **Property, Plant and Equipment**

Property, plant and equipment include computer equipment, office equipment, furniture and fittings, and leasehold improvements. Property, plant and equipment are shown at cost, less accumulated depreciation and any impairment losses.

- **Depreciation**

Depreciation is provided on a straight line basis on all property, plant and equipment at rates that will write off the cost of the asset over its useful life. The depreciation rates have been estimated as follows:

Computer equipment	3 years
Office equipment	5 years
Furniture and fittings	6 years
Leasehold improvements	6 years

- **Employee Benefits**

Employee entitlements to salaries and wages, annual leave, sick leave, redundancy payments and other similar entitlements are recognised in the Statement of Financial Performance when they accrue to employees. Entitlements are reported at the amount expected to be paid.

- **Taxation**

Income Tax: NZ On Air is exempt from the payment of income tax in accordance with s51 Broadcasting Act 1989.

GST: The financial statements are prepared exclusive of GST.

- **Broadcasting Funding Expenditure**

The allocation of funds to broadcasting services is treated as expenditure when the allocation is approved by the Board and committed against the current year's income. Expenditure therefore includes funds committed but not paid out at the year-end. The funds not paid out are recorded as funding liabilities in the Statement of Financial Position.

- **Cost Allocation Policy**

All expenditure not used to fund broadcasting services has been allocated to administration expenditure.

- **Operating Leases**

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

- **Financial Instruments**

NZ On Air is a party to financial instruments as part of its normal operations. These financial instruments include bank accounts, short-term deposits, trade payables and trade and other receivables.

There are no known significant concentrations of credit risks.

For financial instruments the carrying amount is adjusted to fair value if the carrying value is not a reasonable approximation of fair value. All revenues and expenses in relation to financial instruments are recognised in the Statement of Financial Performance.

- **Cash Flows**

Cash and cash equivalents includes cash in hand, deposits held at call with banks, and other short term liquid investments.

Operating activities includes cash received from all income sources of NZ On Air and records the cash payments made for the supply of goods and services, and the funding to broadcasters and programme producers.

Investing activities are those activities relating to the acquisition and disposal of long-term assets and other investments not included in cash equivalents.

Financing activities comprise those activities relating to the change in equity and borrowings of NZ On Air.

Forecast Statement of Service Performance

Unless otherwise stated, the time period for the following performance targets is the year ending 30 June 2008.

OUTPUT CLASS 1:

Television

BUDGET:

\$71,670,000

Objective

T1. Apply funding to projects that extend the free-to-air TV schedules

T2. Serve a variety of TV audiences

T3. Be an effective voice for promoting public broadcasting principles

T4. Ensure Māori language and culture are represented in mainstream television

Target

1.1 See Table 1 on the next page

2.1 Fund programmes in at least 5 different genres to ensure a wide range of programmes are made
2.2 Fund programmes across a range of broadcasters

3.1 Develop a content strategy for the digital television environment and promote widely
3.2 Ensure NZ On Air is recognised and included in public broadcasting policy development

4.1 Review Te Rautaki Māori by 30 September 2007

Measure

- Table 1 funding and hours targets met or exceeded
- Public Opinion Monitor benchmarks are maintained or improved

- Table 1 funding and hours targets met or exceeded
- Public Opinion Monitor benchmarks are maintained or improved
- Policy for broadcast funding reviewed and implemented by 30 June 2008

- Strategy completed by 30 November 2007
- Quarterly meetings with MCH and public broadcasters

- Review of Te Rautaki Māori completed and goals achieved by 30 June 2008

Table 1: TV Funding and Hours Targets

In keeping with the above objectives and strategic actions NZ On Air will allocate funding to the specific genres as follows:

Television programme funding		2007/2008		2006/2007	
		Target hours	Budget \$ 000	SOI target hours	Budget \$ 000
Programme Type	Notes				
Drama		55	24,820	51	22,095
Comedy	1	41.5	6,125	29	8,180
Children's Drama	2	19.5	7,280	12	5,080
Documentaries		89.5	7,782	84	8,200
Special Interest Programming					
Children and Young People	3	416.5	10,094	386	11,360
Arts, Culture and Performance	4	44.5	3,465	68	3,059
Innovation		10	1,000	10	1,000
Disability Services (includes funding for Captioning)	5	20	3,241	20	3,150
Minorities including Ethnic		126.5	6,493	117	5,950
Development		N/A	480	N/A	700
Regional Television	6	N/A	890	N/A	890
Total		823	71,670	777	69,664
Children's Repeats	7	230	-	230	-

Notes on significant variances:

- The increase in **Comedy** is sustained by supporting several cost effective series.
- One extra series budgeted for **Children's Drama**.
- No provision has been made this year for animation, which is a high cost production genre.
- The **Arts, Culture and Performance** genre has a reduced target as a planned 40-hour music series for 2006/7 did not eventuate due to third party funding not being available.
- Provision for one extra series.
- This is the penultimate year of the Government's four-year Budget package for regional television.
- As in previous years we have included a provision for a benchmark number of children's programme repeats as recommended by the Television Local Content Group.

OUTPUT CLASS 2:

Radio

BUDGET:

\$33,142,000

Objective

R1. Help protect RNZ's independence by arms-length funding and monitoring of RNZ National and RNZ Concert stations

Target

- 1.1** Negotiate an arms-length funding agreement that recognises editorial independence
- 1.2** Encourage RNZ to meet annual Charter targets to achieve diversity in public broadcasting
- 1.3** Encourage RNZ to meet agreed annual Broadcasting Act content provisions to achieve diversity in public broadcasting

Measure

- Funding agreement renegotiated with RNZ by 30 September 2007
- Provide funding of no less than \$29,074,000 to RNZ
- Targets in Tables 2 and 3 achieved

The funding agreement between NZ On Air and Radio New Zealand requires RNZ to deliver services to help NZ On Air meet its responsibilities under the Broadcasting Act 1989. These are:

Table 2: RNZ Targets for NZ On Air

Types of Programmes and Services	RNZ National (Note 1)	RNZ Concert (Note 1)
Total broadcast hours including:	8,784	8,784
NZ content programmes which includes:	7,800	-
- Māori language and culture	350	-
- Special interest	340	-
- NZ drama	200	-
% of NZ music on rotata (Note 2)	33%	-
% of NZ composition	-	3.5%
% of NZ music performance	-	14%
% of population able to receive transmission (Note 3)	97%	92%

Notes

- 1.** Subject to final agreement with RNZ.
- 2.** In addition to the New Zealand music content on rotata, RNZ National produces and broadcasts feature programmes on New Zealand music.
- 3.** This is the proportion of the population able to receive RNZ National and RNZ Concert via terrestrial transmission. As a result of an arrangement with Sky Television, 100% of the country is able to access a RNZ National or RNZ Concert signal via a Sky satellite dish and decoder.

Table 3: Radio New Zealand Targets

Target programme hours devoted to the fulfilment of Radio New Zealand's Charter functions are:

Charter Functions (Note 1)	RNZ National (Note 2)		RNZ Concert (Note 2)	
	Annual Broadcast Hours	% Total Hours	Annual Broadcast Hours	% Total Hours
A. Intellectual, scientific and cultural development. Informed debate and critical thought.	7,466	85%	(Note 3)	
B. Information, special interest and entertainment. Reflect cultural diversity including Māori language and culture.	7,729	88%	88	1%
C. Varied interests within the community. Information, educational, special interest and entertainment.	1,668	19%	8,784	100%
D. Musical, dramatic and performing arts. New Zealand and international composers, performers and artists.	2,020	23%	8,520	97%
E. Nationwide service, highest quality. Sense of citizenship and national identity.	8,784	100%	(Note 3)	
F. Comprehensive, independent, impartial, balanced news and current affairs. Regional perspective.	2,635	30%	175	2%
G. Comprehensive, independent, impartial, balanced international news and current affairs.	1,054	12%	88	1%

Notes

- Particular programmes produced and broadcast by either RNZ National or RNZ Concert have been assessed in terms of the contribution that the programme makes to RNZ's statutory Charter functions. Most programmes contribute to more than one Charter function.
- Subject to final agreement with RNZ.
- While RNZ Concert's programmes may broadly meet the intentions of Charter functions A and E, its primary role is to provide services intended by function D.

R2. Support radio for targeted communities

2.1 Provide funding for a variety of Access radio stations to extend the breadth of community radio programming

2.2 Provide funding for Radio for the Print Disabled to enable audio-based information services

2.3 Provide funding for a minimum of 10,000 hours of Pacific Island radio programmes to extend the breadth of available radio programming

2.4 Provide funding for ethnic radio programmes to extend the breadth of available radio programming

- A minimum of eleven Access stations have funding agreements executed by 30 December 2007
- An average of 60% of programmes on funded Access stations will meet the needs of s36(c) audiences
- Funding agreement with targets for Radio for the Print Disabled executed by 31 December 2007
- At least 10,000 hours of programming of interest to Pacific peoples produced and broadcast primarily in their native languages on Radio 531pi in Auckland and Samoa Capital Radio in Wellington by 30 June 2008
- At least two ethnic radio programmes will receive start-up funding by June 2008

R3. Fund programmes for commercial radio targeting audiences important to NZ On Air

3.1 Provide funding for commercial radio projects which meet NZ On Air's objectives under s36(c) of the Broadcasting Act 1989:

- 150 hours of youth and children's programmes
- 3 spiritual/ethical programmes
- 1 Māori issues programme

3.2 Provide funding for up to two comedy/drama programmes for broadcast on commercial, student, and/or iwi radio

- 95% of funded programmes syndicated and/or networked in multiple radio markets by 30 June 2008
- Programmes produced and broadcast by 30 June 2008

OUTPUT CLASS 3:

NZ Music

BUDGET:

\$5,200,000

Objective

M1. Maintain NZ music content on commercial radio at 20% and strive to grow content beyond 20%

Target

1.1 Fund at least 20 Phase Four albums by artists with a commercial radio airplay track record to increase likelihood of commercial radio airplay of NZ music

1.2 Expand the radio repertoire base by funding 20 radio singles by new artists with commercial radio airplay potential

1.3 Deliver at least 11 Kiwi Hit Discs to every radio station on air in NZ to increase accessibility of NZ music at radio stations

1.4 Contract independent New Zealand music promoters (pluggers) to work the Kiwi Hit Disc at radio to increase visibility of NZ music at radio stations

1.5 Maintain a vigorous New Zealand music promotions programme to support the campaign for airplay for NZ songs and increase visibility of NZ music

1.6 Incentivise repertoire-owners to achieve significant commercial radio airplay with self-funded, self-promoted songs to increase local music content

1.7 Fund at least 170 music videos to support the campaign to achieve radio airplay

Measure

- 20 albums funded by 30 June 2008
- At least 90% of the singles released from Phase Four Albums will achieve a Top 40 airplay placing*

- 20 radio singles funded by 30 June 2008
- At least 80% of the songs will achieve a Top 40 airplay placing*

- 11 volumes of Kiwi Hit Discs produced and distributed
- At least 75% of the tracks will achieve a Top 40 airplay placing*

- Two pluggers contracted in the year to 30 June 2008
- At least 75% of the Hit Disc tracks will achieve a Top 40 placing*

* "Top 40 airplay placing" means a RadioScope NZ Airplay Chart Top 40 peak placing

A programme of promotions covers:

- at least 3 NZ music showcases
- 11 issues of *Fresh NZ Music* magazine
- at least 3 artist road trips
- NZ Music Month in association with NZ Music Commission
- Sponsorship and national free-to-air television broadcast of the annual *NZ Music Awards*

- Radio hits rebates provided for up to 20 records that achieve significant airplay (excluding Phase Four Albums and New Recording Artist songs)

- 170 New Zealand music videos funded by 30 June 2008
- 100% of videos played on music television in NZ

	<p>1.8 Establish partnerships with music television providers to increase opportunities for music videos to play on free-to-air television</p> <p>1.9 NZ music radio programmes air on targeted commercial radio stations and networks to increase profile of NZ music</p> <p>1.10 Maintain NZ On Air membership of NZ Code Committee to monitor progress against 20% commercial radio target</p>	<ul style="list-style-type: none"> • Funding provided to free-to-air music television providers, if required, to ensure videos are broadcast • Up to six syndicated or networked radio programmes will be produced and broadcast on commercial radio outlets in the year to 30 June 2008 • Commercial radio NZ music target of 20% met or exceeded.
<p>M2. Ensure there are opportunities on radio to promote difference and diversity in New Zealand music</p>	<p>2.1 Assist broadcast of NZ music shows on specialist stations to extend range of NZ music heard</p> <p>2.2 Music by Māori musicians will be promoted to every radio station on air in NZ to extend range of NZ music heard</p> <p>2.3 Funding will be provided for “te reo radio hits” – Māori language songs that have commercial radio cross-over potential</p>	<ul style="list-style-type: none"> • At least 6 specialist stations will produce and broadcast programmes that feature NZ music generally not heard on commercial radio • Four volumes of Iwi Hit Disc produced and distributed • Up to three songs with at least 50% te reo lyric content will be funded for recording and delivery to radio via Kiwi or Iwi Hit Disc
<p>M3. Fully implement Phase Five plan to fuel growth in the NZ music economy</p>	<p>3.1 Implement an international radio (and music television) airplay promotion plan to increase the profile of NZ music internationally</p>	<ul style="list-style-type: none"> • Five 5-act NZ music samplers produced and distributed to selected tastemakers in radio and music media in four target territories – Australia, US, UK and Canada • At least one NZ music feature published every three months in a leading radio and music industry trade magazine in each target territory • At least one agent or plugger contracted in each target territory to service Phase Five samplers and maintain the tastemaker networks • Phase Five music represented in at least 4 key international music trade fairs – MIDEM in Cannes, SXSW in Austin Texas, MUSEXPO in Los Angeles and CMJ Music Marathon in New York

[continued]

- Up to four NZ music radio shows produced for international and local radio syndication
- Up to ten independent plugging campaigns to support the release of radio singles by NZ artists in at least one target territory will be funded on a joint-venture basis with the repertoire-owners

OUTPUT CLASS 4:

Digital Initiatives & Archiving

BUDGET:

\$2,500,000

Objective

- D1.** Complete a digital strategy for NZ On Air leading up to analogue switchoff (ASO)
- D2.** Facilitate pilot projects that foster public access to the digital space
- D3.** Ensure archiving services are coordinated and delivered

Target

- 1.1** Strategy agreed by Board by 30 June 2008
- 2.1** Identify at least one significant pilot project to be scoped and ready for execution by 30 June 2008
- 3.1** Public use of funded collections enhanced. At least:
 - 1440 hours of TV programmes archived
 - 210 hours of TV programmes preserved
 - 1300 hours of radio programmes archived
 - 1900 hours of radio programmes preserved

Measure

- Targets set out in strategy achieved on or before deadline
- Project plan completed, approved and underway with milestones met by 30 June 2008
- Benchmarks agreed with providers by 30 September 2007
- Independent archiving consultants confirm material archived in the period by the NZ Film Archive and Sound Archives/Nga Taonga Korero meets with funding agreement objectives
- Standards for Diversity, Preservation and Public Accessibility achieved

OUTPUT CLASS 5:

Stakeholder Services

BUDGET:

\$888,075

Objective

S1. Ensure accountability of funding framework and processes

S2. Ensure NZ On Air is connected and integral to local content broadcasting

Target

1.1 Completed funding applications received by published deadlines will be considered by the Board at its next meeting

1.2 Funding decisions made in accordance with the provisions of the Broadcasting Act, Ministerial direction, staff delegated authority and NZ On Air's policies

1.3 Funding policies transparent and contestable:

- Website accurate
- Decisions communicated to applicants within 3 working days of Board approval
- Successful funding decisions made public within 2 months of decision (excluding development)
- All funding agreements confirmed by a formal contract
- Contracts and major processes legally robust

1.4 Public funds used in the manner agreed in a contract

2.1 Communications strategy revised and executed

2.2 Regular consultation undertaken

2.3 Provide services to the Local Content Group

Measure

- 100% of accurately completed applications on next Board agenda

- 100% of a 6-monthly random sample of 20 funding decisions comply with the policies and procedures

- All policies correctly outlined on website and updated regularly
- 100% of decisions conveyed within 3 working days
- 95% of decisions made public within 2 months via newsletter, website or media release
- 100% of confirmed funding agreements recorded in a formal contract
- Funding contracts reviewed at least once every three years

- At least 6 funding recipients audited for compliance by 30 June 2008

- One major stakeholder review will be conducted and findings actioned

- Consultations recorded and reviewed by Board 6-monthly

- Local Content Group meets at least twice a year

3.3. Ensure a strong, relevant store of knowledge is built and shared through research and consultation

3.1 Research programme developed and agreed by board by December 2007 which includes the following projects:

- Quantify local content on television
- Commission public opinion survey on various broadcasting-related issues
- Commission one digital-related research project
- Evaluate the success of NZ On Air's Phase Four New Zealand music plan
- Local Content Report 2007 published by May 2008
- Public Information Monitor results published by November 2008
- One project developed and approved by 30 June 2008
- Independent analysis commissioned and presented to Board by 30 June 2008

Forecast Outputs Cost Summary

	Direct costs \$ 000	Personnel \$ 000	Overhead \$ 000	Total \$ 000
Television	71,670	424	196	72,290
Radio	33,142	98	180	33,420
NZ Music	5,200	203	189	5,592
Digital/Archives	2,500	120	183	2,803
Stakeholder Services	888	630	166	1,684
	113,400	1,475	914	115,789

Directory

MEMBERS

Neil Walter	of Wellington	Chair
Judy Callingham	of Auckland	Deputy Chair
Edie Moke	of Christchurch	
Paul Smith	of Auckland	
Nicole Hoey	of Auckland	
Rhonda Kite	of Auckland	

STAFF

Jane Wrightson	Chief Executive
Bernard Duncan	Deputy Chief Executive, Radio & Public Affairs Manager
Brendan Smyth	NZ Music Manager
Glenn Usmar	Television Manager
Elizabeth Morrison	Finance & Administration Manager
Elaine Wong	Manager Project & Financial Analysis
Clare O'Leary	Strategic Analyst
Melanie Gordon	Legal Affairs Executive
Anita Roberts	Personal Assistant to CEO
Teresa Tito	Executive Assistant Television
Robyn Andrews	Administrator/Finance Assistant
Christine Westwood	Finance & Administration Assistant
Trish Cross	Receptionist (shared with BSA)

OFFICE

2nd Floor, Lotteries Commission Building
54-56 Cambridge Terrace
PO Box 9744
Wellington
New Zealand

T: 04 382 9524
F: 04 382 9546

E: info@nzonair.govt.nz

AUCKLAND OFFICE (NZ Music)

Unit B1
One Beresford Square
Newton
Auckland
New Zealand

T: 09 377 2033
F: 09 377 2085

W: www.nzonair.govt.nz

