



# STATEMENT OF INTENT 2013-2016

*NZ On Air / Irirangi Te Motu*



# STATEMENT OF INTENT / CONTENTS

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## STATEMENTS FROM NZ ON AIR AND THE MINISTER OF BROADCASTING

Successive Governments have charged NZ On Air with creating a meaningful space for local content on the airwaves among the near-limitless supply of more cheaply-acquired foreign programming.

We add to the menu by supporting local audio/visual content for mainstream and specialist audiences that the market cannot deliver alone. This gives us an unwavering focus on outcomes as we aim for both range and diversity.

Such content originates from a skilled technical, innovative and entrepreneurial workforce in a New Zealand industry that is internationally recognised as creative and resourceful.

Our contestable funding processes ensure that the best content, from the most proficient practitioners, is supported at the right price. The global economic climate continues to provide significant challenges and NZ On Air is not immune. More than ever, our focus must be to scrutinise funding proposals with care; to maximise available investment funds; to minimise administrative costs; and to collaborate with other agencies and stakeholders wherever possible to achieve even better results. We must do more with less.

Each year our Statement of Intent (SOI) is read widely by our stakeholders for its information about our priorities to help sector-wide thinking and planning. New projects and approaches we are planning this year include:

- New collaboration projects, the first being a new documentary fund in partnership with the NZ Film Commission
- Prioritising projects to commemorate the centenary of World War 1 to support wider Government activities
- Creating a separate Māori television programmes budget, following our Rautaki Māori review, so that specific funds are set aside to encourage Māori projects
- Continuing to roll out our new Pacific content strategy
- Leading innovative approaches for digital media funding and wider digital-related policy

- Exploring partnerships with the new online music streaming services to increase exposure of New Zealand music
- Updating our economic impact assessment to provide useful data on the impact of our work
- Evaluating our channel funding policy to ensure we remain closely aligned with market developments

This new SOI maintains and develops our strategic direction reflecting the difficult choices ahead in 2013 and 2014 to deliver balance and diversity in local content on a range of platforms. It is produced in accordance with s141 and s142 of the Crown Entities Act 2004.

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.



**Miriam Dean** CNZM, QC  
Chair



**Stephen McElrea**  
Chair Audit & Risk Committee

In accordance with s149 of the Crown Entities Act 2004  
I agree to present this Statement of Intent of NZ On Air before  
the House of Representatives.



**Hon Craig Foss**  
Minister of Broadcasting

Date: 23 April 2013

# PART 1 / OVERVIEW AND STRATEGY

## 1. NZ ON AIR – WHO WE ARE

We are a champion of New Zealand content - an informed and stable contributor in the midst of significant environmental change. Our investments demonstrably add to the variety of audio/visual local content available to many different New Zealand audiences, made by a range of highly-skilled businesses and entities.

We work actively with content businesses, broadcasters and platform providers to ensure every investment is realised and released to the widest possible audience.

Based on our own benchmarking, our operating costs are lower than our counterparts from around the world. This is deliberate: we work in a practical way so we can invest the maximum amount possible into quality local content made by a wide variety of businesses and entities.

## Mission and values

### Mission statement

We champion local content through skilful investment in quality New Zealand broadcasting

*Kia tuku pūtea hei tautoko hei whakatairanga hoki i ngā kōrero pāho o Aotearoa.*

To ensure sound investment, our **values** have been constant -

**Innovation** - *Wairua Auaha* - encouraging new ideas, creativity, and quality production standards

**Diversity** - *Ngā Rerenga* (in projects, people and platforms) - promoting difference and competition to support the best ideas for the widest range of New Zealanders

**Value for money** - *Hunga Motuhake* - making sure cost-effective projects are enjoyed by significant numbers of relevant people

### What drives our Board and staff?

**CLEAR FOCUS** *In the content outcomes business*

**CONTINUAL IMPROVEMENT** *Open to new ideas*

**INFORMED CONTRIBUTORS** *Knowledgeable in our fields*

**RESPONSIBLE STEWARDS** *Careful with public funds*

**CONTRIBUTORS** *Actively consider economic growth goals*

**FRIENDLY FACES** *Collaborative and people-focused*

**SPIRIT** *Positive: we love what we do*

## Better public services

NZ On Air is an autonomous Crown entity governed by a Board of six members appointed by the Minister of Broadcasting. The Board is supported by a small agency of specialist staff. Our functions are set out in the Broadcasting Act, last updated in 2008 to include digital options.

The *Better Public Services* programme, launched by the Prime Minister in March 2012, notes that the public sector represents one-quarter of New Zealand's economy and has a big influence on how our society and economy perform. As such, government agencies are being asked to find new and different ways of working that deliver better results for New Zealanders.

In Figure 1 we have aligned the different components of the *Better Public Services* programme to NZ On Air activities. We will develop new activities over time.

Figure 1: Better public services and NZ On Air

BETTER PUBLIC SERVICES PROGRAMME GOALS	NZ ON AIR ACTIVITIES
Closer collaboration with other government agencies	Music Coordination Group (with Creative NZ, the NZ Music Commission and Te Māngai Pāho) Scheduled meetings with the NZ Film Commission; a new joint venture launched Funding coordination with Te Māngai Pāho Wider policy collaboration with the Ministry for Culture and Heritage when appropriate
Sharing back office services	Shared services with Broadcasting Standards Authority Co-location with BSA Impending co-location with the NZ Film Commission Shared projects and staff as appropriate
Greater use of technology and a shift to digital channels for public access	Online funding application systems introduced Online Board documentation system introduced Digital strategy for funding policy refreshed in 2012 NZ On Screen supported to enable online access to selected local content The Audience supported to provide an online home for unreleased music AudioCulture supported to provide an online hub to tell historical stories of NZ music Specific digital media funding available
Improving how we measure and report on performance	Transparency of process; every funding decision searchable online; develop multiplatform measurement as appropriate Also see section 4
Greater responsiveness to the needs and expectations of New Zealanders and a commitment to continuous improvement	Annual Public Information Monitor Triennial stakeholder survey Continuous improvement programme running since 2007 Also see section 4

NZ On Air has been conducting performance improvement reviews annually for the last six years. These reviews are a substantial undertaking for a small agency but remain a strategic priority.

Each review has resulted in significant improvements to funding policy or practice. Last year, significant completed projects included a review of Making Tracks music operations and new strategies for three key areas: Māori, Pacific and digital content.

Similar efforts in previous years led to the creation of NZ On Screen, a complete revamp of music funding policy and practice, the centralisation of audio/visual archiving funding, the creation of the community broadcasting portfolio, and improved diversity on access radio stations.

See Figure 17 for activities planned for 2013/14.

As a key efficiency goal, we will continue to hold administration costs below 3% of revenue. To provide further savings, we share location, facilities and/or staff with two other agencies. We co-locate with the Broadcasting Standards Authority, share staff, and provide financial and accounting services. In 2013 the BSA and NZ On Air will move premises to co-locate with the NZ Film Commission (with whom we are already sharing a staff member). We will continue to investigate further operational synergies.

## 2. OUR ENVIRONMENT

### Overview

New Zealanders create some of the most cost-effective audio/visual content in the world. This is because of the collaborative nature of the sector, its flexible work ethic, a highly-developed technical skill base, and recognised capacity to innovate.

Most countries have market intervention mechanisms to retain a space for the local in a sea of global content options. Intervention is needed because, for broadcasters, the cost of local production far exceeds the cost of purchasing ready-made foreign content.

NZ On Air is New Zealand's main local content intervention.

Our job is to create a meaningful space for quality local content among almost limitless foreign options. In doing so we are mindful of technological changes in the sectors in which we operate and the global financial environment. We back important content that the market cannot support alone.

### Technological change

Most New Zealanders are now connected to the internet.<sup>1</sup> According to Statistics NZ, 93% of fixed internet subscribers now use a broadband connection. Data consumption and mobile platform use continue to increase rapidly.

Digital Switchover (DSO) and the continued roll-out of ultra-fast broadband (UFB) affect the sectors in which we operate. UFB is not yet significantly advanced to have any significant impact on the broadcast industry; the regional roll-out of DSO will be completed by the end of 2013.

NZ On Air has responded to technology changes through developing our in-house digital capability, publishing a digital strategy, and implementing new funding models. We remain platform-neutral, making investment decisions based on audience preferences and market gaps.

<sup>1</sup> In 2011 86% of the population were online, up from 79% in 2007. Source: *The Internet in New Zealand 2011*, Institute of Culture, Discourse & Communication, AUT University.

## The business environment

We are mindful of the local and global economic climate in which our clients operate. While our mandate is cultural, our funding also has clear economic impact.

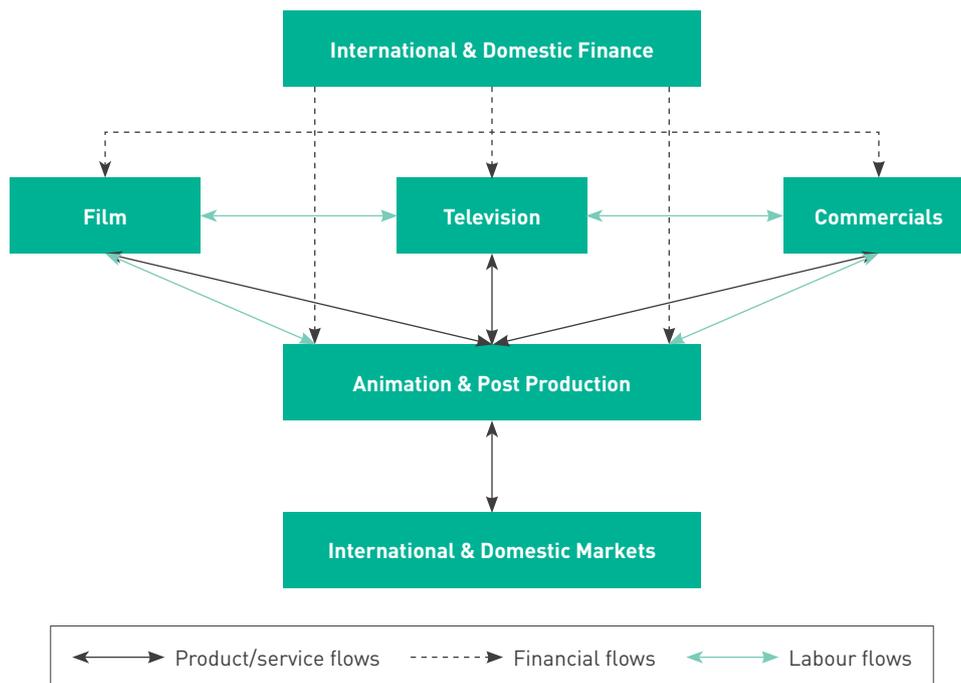
Last year the Government confirmed its *Business Growth Agenda* for building a stronger economy. Two priorities relate to NZ On Air which we will be considering further in 2013:

- building a more productive and competitive economy
- delivering better public services within tight financial constraints

Also in 2012 the then Ministry of Economic Development released a discussion paper entitled *Growth and Dynamics of the New Zealand Screen Industry* focusing on the production sector (incorporating post-production), including television production.

That report outlined the interrelationships between components of the sector: see Figure 2. The report notes that while the sectors are independent there are strong flows of services, labour and capital between them.

Figure 2: Simplified flow of interrelationships within the screen production sector

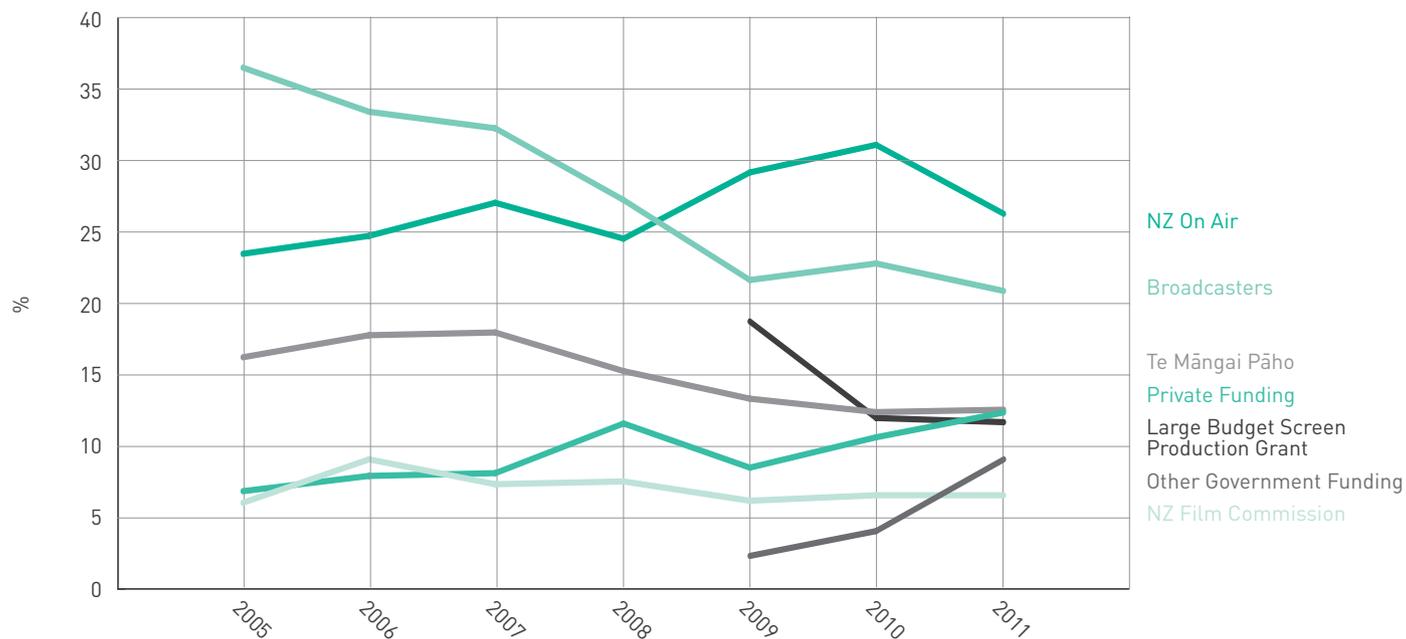


While NZ On Air is a key source of domestic finance for the television sector, Figure 2 shows how the effects of our funding flow widely.

Data from the annual Statistics NZ screen industry survey<sup>2</sup> helps quantify this impact. This survey outlines NZ On Air's contribution to production funding compared with other domestic sources (Government and private) across both film and television: see Figure 3.

Total domestic production funding rose from \$247 million in 2005 to \$315 million in 2011. Of this, NZ On Air is clearly the largest source of funding contributing 26% (\$83 million) in 2011.

Figure 3: NZ domestic production funding 2005-2011



<sup>2</sup> See [http://www.stats.govt.nz/browse\\_for\\_stats/industry\\_sectors/film\\_and\\_television/screen-industry-survey-info-releases.aspx](http://www.stats.govt.nz/browse_for_stats/industry_sectors/film_and_television/screen-industry-survey-info-releases.aspx)

In 2013 we will update the data we first collated in 2009 to assess the economic impact of our television investments. The 2008/9 analysis showed the following direct impacts arising from our investments (no multipliers have been used):

**Figure 4: Economic impact of NZ On Air television production investments**

Total NZ On Air television production investment	\$ 88 m
Total production budgets (incl NZOA)	\$106 m
Number directly employed	745
Total number of production companies supported	55
Location of production companies funded	Auckland 44 (80%) Wellington 8 (15%) Christchurch 3 (5%)
NZ On Air share of revenue from sale of television programmes <i>(NB: potential programme sales are not a criterion for investment but we take a minor revenue share when they occur)</i>	\$0.7m

Also this year we will be able to assess results from a study into the size and economic impact of the music industry, the first time such a study has been tackled. This report, by PricewaterhouseCoopers for the Recording Industry Association of NZ (RIANZ), has been co-funded by NZ On Air.

### *Funding pressure*

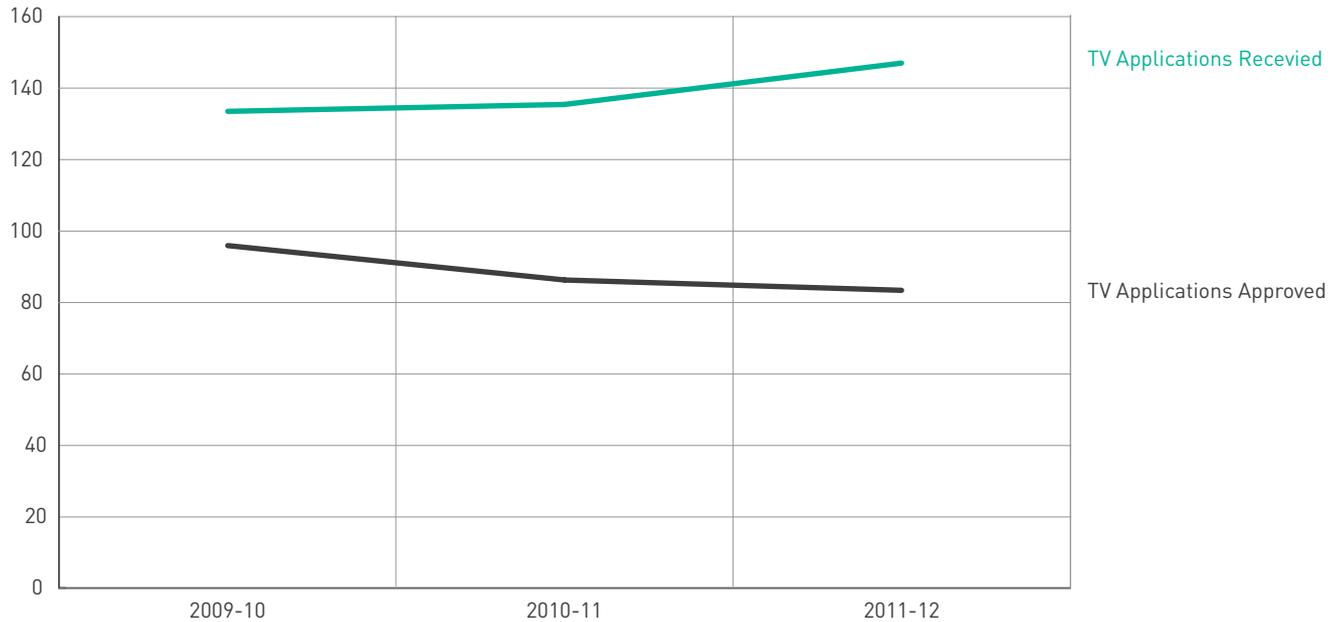
While the economy remains fragile we are unlikely to secure an increase in Crown revenue. As contestable funding application numbers continue to rise, the number of proposals we will be unable to support will also rise. Many of these will be worthy of support. For example, in music and digital media funding applications where there is no broadcaster 'gatekeeper', demand is overwhelming.

In 2011/12 we received 1,136 applications for Making Tracks music funding and were able to support 300 projects.

We received 132 applications for support from our Digital Media Fund and were able to back seven projects.

In the case of television projects, which must first secure support from a broadcaster, we have traditionally been able to manage demand relatively well. However with the increase in broadcasters, and increasing demand from all, even this trend is starting to change.

Figure 5: Comparison of successful television applications compared to submissions



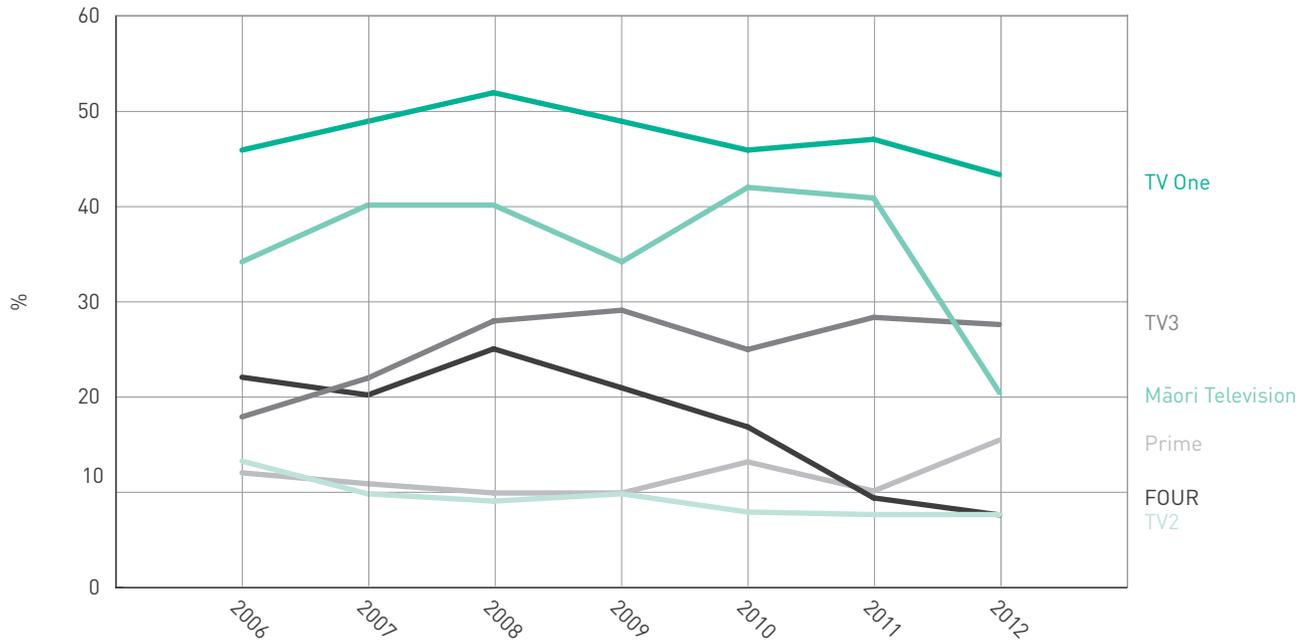
Given these trends, it is increasingly important that we consistently apply the investment principles outlined in Section 3. We will be as clear as we can with applicants regarding the likely outcome of an application. This means applicants need not incur unnecessary time and expense if the likelihood of funds being available for a particular project is low. When we issue Requests for Proposals, our assessment criteria will also be made very clear.

## Industry – screen content

On television, total levels of local content (first run and repeat screenings) have risen in recent years, mainly because of the increase in channel numbers and broadcast hours. The bulk of local content is news, current affairs and sports, categories generally not funded by NZ On Air.

However first-run local hours, also a measure of production industry health, are in decline. 7,667 first-run local content hours screened in 2012 on the six main free to air channels. See Figure 6.

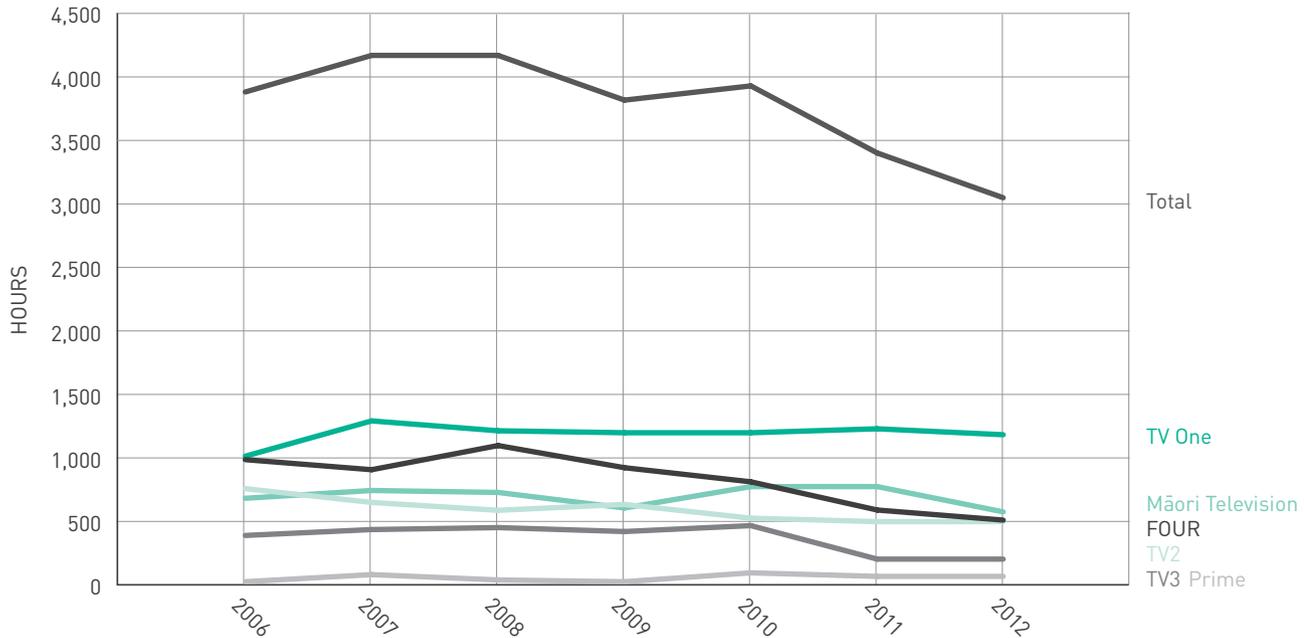
Figure 6: First-run local content hours by channel



Source: Local Content Report 2012 [www.nzonair.govt.nz](http://www.nzonair.govt.nz)

When the high-volume news, current affairs and sports hours are removed, an underlying flat or slowly-reducing trend for hours produced of other types of local content is more apparent. See Figure 7.

Figure 7: First-run local content hours excluding News/Current Affairs and Sports



Source: Local Content Report 2012 [www.nzonair.govt.nz](http://www.nzonair.govt.nz)

The quantity of local content made without the help of public funding has also reduced. First-run hours on each channel have mostly not regained 2008 levels as production investment pressures on channels intensified in a difficult business environment.

This means that careful investment of public funding is more important than ever to secure a reasonable space for New Zealand stories.

We concentrate the majority of our screen investment decisions on free-to-air television because the largest audiences remain there.

*The vast majority of viewers in 2013, and in subsequent years, are likely to continue to default to broadcast and the TV schedule, before checking what is stored on their Digital Video Recorder, before finally accessing OTT (internet) services. Deloitte's expectation is that even in markets with extensive broadband rollout, on-demand TV and movies will largely represent only a few percentage points of total viewing.....Further, official on-demand sites are likely to represent only a few percentage points of total online video.*

Technology, Media & Telecommunications Predictions 2013.  
Deloitte, p31

For audience convenience we expect our funded content to be uploaded to an on demand platform for a period. Much will eventually appear on the NZ On Air-funded website [www.nzonscreen.com](http://www.nzonscreen.com).

Last year we issued an online rights discussion paper. It weighs up competing intellectual property principles to consider a key question: in a digital environment what rights should public funding purchase? We will continue evaluating these issues.

For funding purposes, we categorise television services as:

**Type 1:** free-to-air channels with large audiences  
(TV One, TV2, TV3)

**Type 2:** free-to-air broad-service channels with smaller audiences but national reach (eg. Prime, Māori Television, Four)

**Type 3:** free-to-air channels broadcasting regionally and/or to special interest audiences

While, collectively, Sky's pay television service is a major competitor to the Type 1 channels in particular, its individual channels mostly fall into Types 2 and 3. We do not provide funding directly for pay television content: our policy is that funded content should initially be free to the public to view or access.

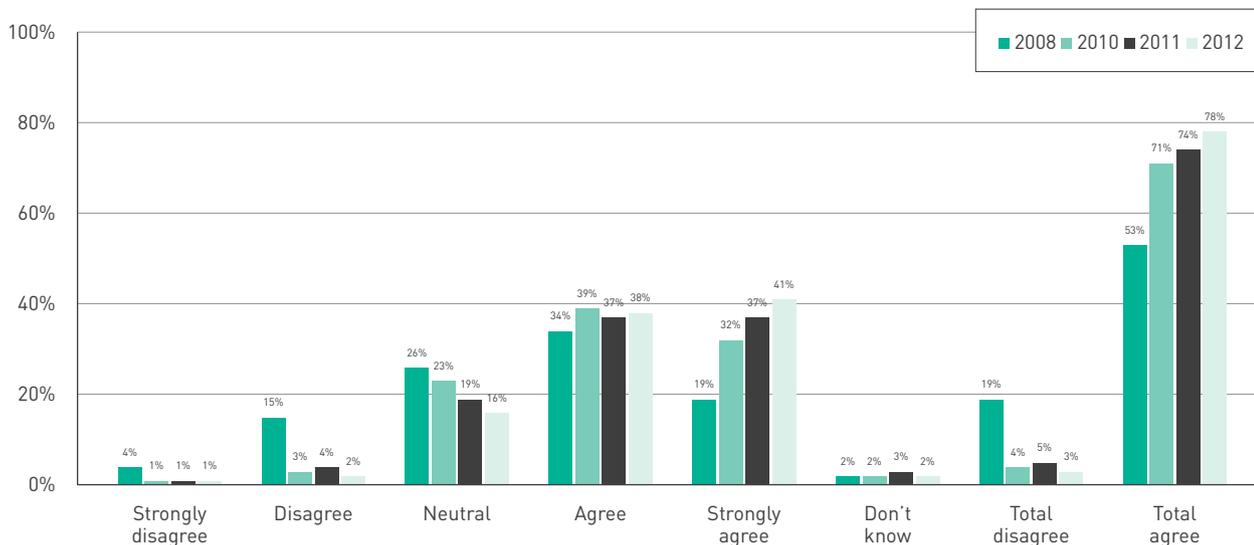
We introduced content-based funding for eligible Type 3 regional television channels in 2009. The prior allocation from the Government of \$890,000 for regional television was increased by us, at that point, to \$1.5 million. Our priority is regional news and information because this content is rarely screened elsewhere. Most of this content is also uploaded for later online access. Calls for increased or new funding from some Type 3 regional channels continue, which we have no capacity to meet.

Alongside our content activities we fully fund Access Services to provide captioning and audio description services for hearing or vision-impaired TVNZ and TV3 audiences. Demand for these services is also increasing. To date, funding increases have been from within our existing baseline.

It is pleasing that, despite audience fragmentation, the general public's support for our television funding continues to increase, as shown in Figure 8. We will be investigating new ways to measure audience response in a multi-platform environment.

Figure 8: Do New Zealanders generally support NZ On Air's television funding? <sup>3</sup>

Proposition: NZ On Air supports television programmes and activities that are important to New Zealanders



Source: Public Perceptions Survey 2012 [www.nzonair.govt.nz](http://www.nzonair.govt.nz)

There is increasing pressure from stakeholders for increased services or funding, and thus a possibility of increased sector tension. Increasing costs, in a static funding environment, generally mean a reduction in the number of hours we can support or a reduction in content with higher production values.

## Industry – sound content

We invest in audio content (spoken and music) for a range of audiences using various platforms. While radio is a key platform for content funding purposes, the need for additional streaming or podcasting for almost all funded services is now commonplace.

The New Zealand **radio market** is one of the most crowded in the world. Commercial radio is dominated by two large companies operating several brands across the country. Public broadcaster

Radio New Zealand is funded and monitored by us. Special interest and community radio services are provided to a variety of different audiences, from the Pacific national network to access radio stations and small Low Power FM operators. Some of these services receive public funding, others do not.

For funding purposes, we categorise radio services as:

- Type 1:** national public radio (RNZ National and RNZ Concert)
- Type 2:** special interest public radio (Niu FM, 531PI, Access radio)
- Type 3:** spoken radio and music for commercial and alternative radio (priorities are children, youth, spiritual and special interest. Also see the music section below).

<sup>3</sup> Public Perceptions Research 2011. Premium Research. [www.nzonair.govt.nz/publications](http://www.nzonair.govt.nz/publications)

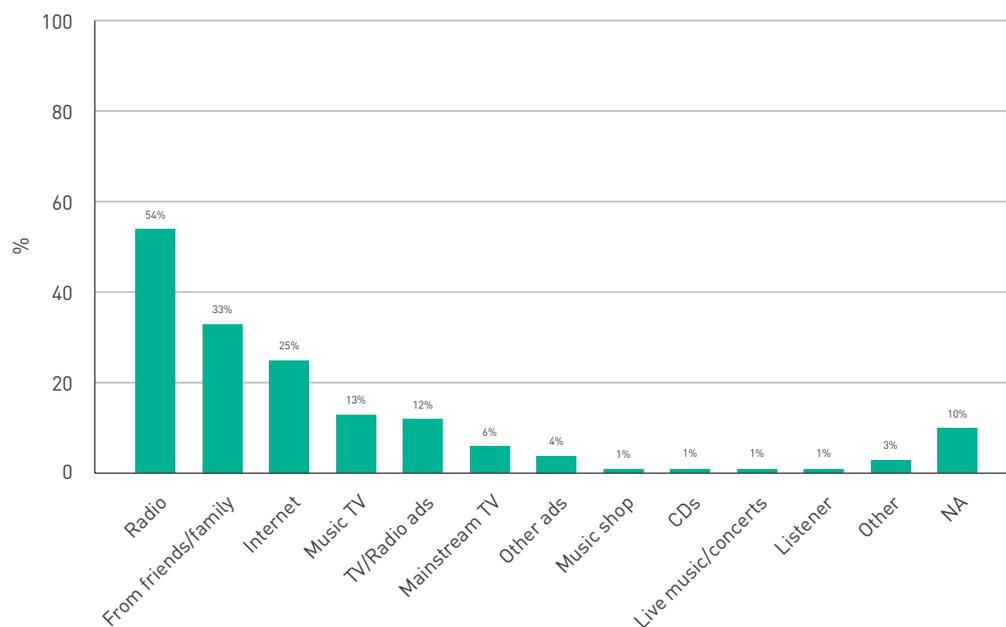
The comparatively small size and audience reach of most Type 2 community broadcasting services, along with a tight financial position, means that public funding needs to be invested with great care. Appropriate performance and programming targets will continue to be set and we will continue to encourage widespread sector collaboration.

The **music industry** worldwide continues to adapt to the commercial effects of the digital revolution. There are signs that the recording industry is on the road to recovery with global revenues up in 2012 for the first time since 1999 but falling record sales have taken their toll and the traditional economic base of the industry has been eroded. There are now only three major record labels remaining in New Zealand where not so long ago there were six.

NZ On Air is not in the record sales business but our work is affected because industry investment in the marketing of local artists has reduced. We invest in music – frequently in partnership with labels – to extend the range of recorded music by New Zealand artists available to audiences on any broadcast platform, and to ensure that the best songs have the best shot at success.

Broadcast media are still critical. Radio remains the biggest single music discovery source - see Figure 9 - while aggregator sites like YouTube and the widespread impact of social media have transformed the outcomes for music video production and its vital role in music promotion.<sup>4</sup>

**Figure 9: How do New Zealanders discover new music - 2012?**

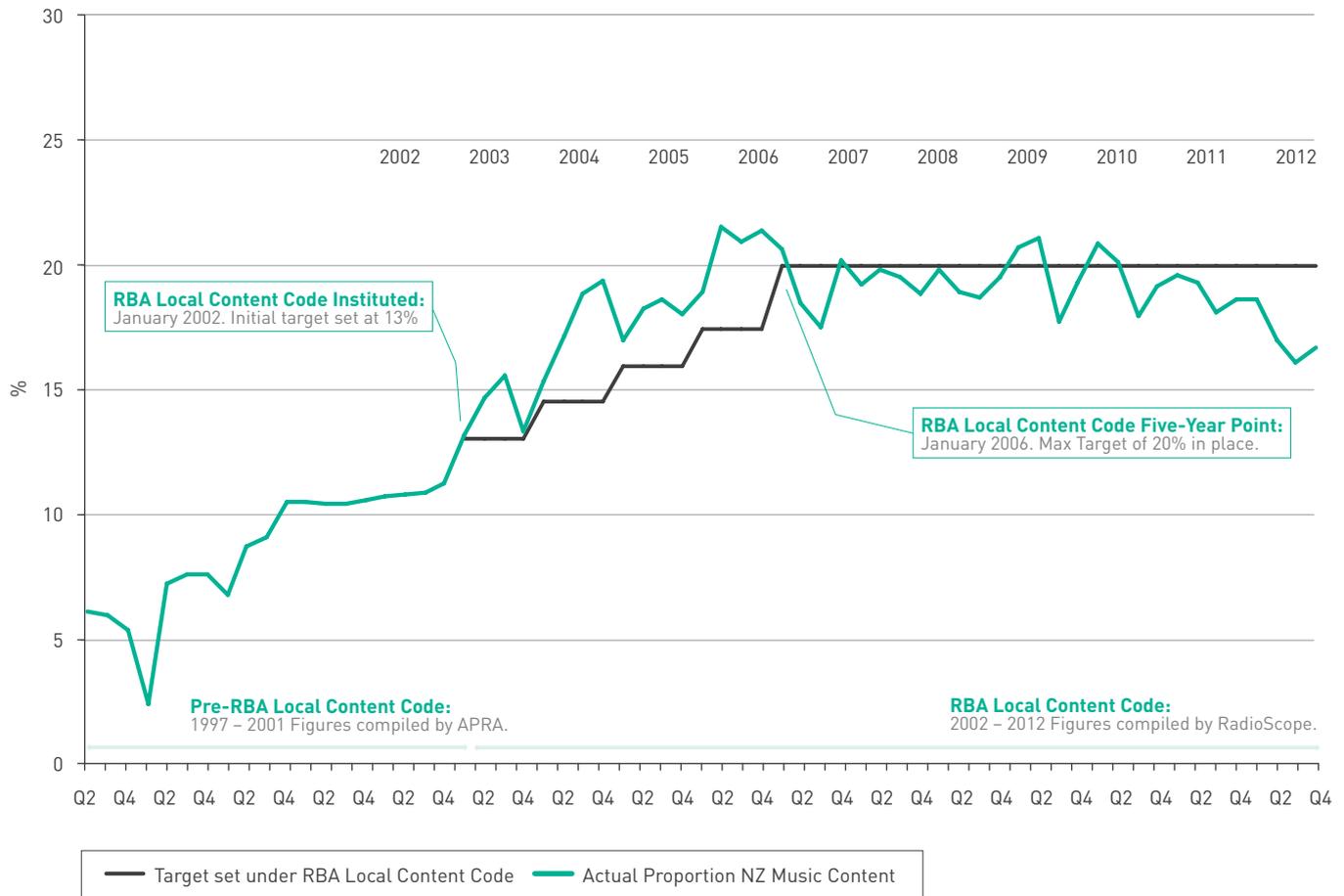


Source: Public Perceptions Survey 2012 [www.nzonair.govt.nz](http://www.nzonair.govt.nz)

<sup>4</sup> Funding for music video is included in this section because our reason for funding music video production is its role in promoting new NZ music

Securing commercial radio support to play new New Zealand music remains a challenge. Figure 10 shows a concerning downward trend in recent years, with an improvement towards the end of 2012 that we hope is replicated in 2013.

**Figure 10: Proportion of New Zealand music content on commercial radio**



Source: RadioScope

**Making Tracks**, our music content funding scheme, reinforces our core philosophy of connecting songs with audiences. Its principles include:

- Balancing funding support for emerging artists and established artists
- Using a wider range of music experts to help select projects for funding
- Placing support for music from more established artists on a more business-like footing: for example, cost sharing
- Providing a maximum of three grants per artist per year, all on a fully contestable basis, based on the merits of the music
- Focusing available funding on single tracks (including music videos)

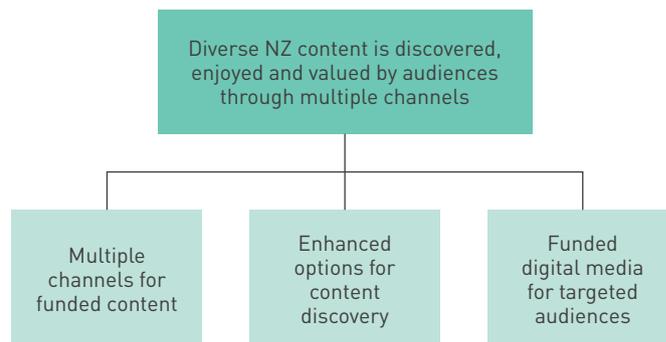
The first year of the newly-developed scheme was widely hailed as a significant improvement and we have since further improved the online applications process. Applicant demand exceeds funding supply by more than 4:1 and we will be looking to tighten entry criteria further to manage this.

This year we will be developing new performance measures so we can assess the effectiveness of a more broadly-spread investment strategy. We are also collaborating with other music funding agencies to ensure there is no duplication and that our various activities are complementary.

## The wider digital environment

Almost all the content and services funded by NZ On Air are digitally produced and transmitted. We focus on professionally-produced material made for specific audiences who can access it from multiple devices. We summarise our digital strategy and its goals<sup>5</sup> as follows:

Figure 11: NZ On Air digital strategy summary



The main broadcasters have a strong web presence and comprehensive on-demand services. These were augmented in 2009 by the award-winning site [www.nzonscreen.com](http://www.nzonscreen.com) funded by NZ On Air as a core component of our digital strategy. NZ On Screen will continue to play an important part in ensuring diverse local content, in a curated, informed environment, is free to the public to access at any time.

In 2013 funded music discovery site [www.audioculture.co.nz](http://www.audioculture.co.nz) will launch a 'noisy library' of the history of New Zealand music. Collaborating with NZ On Screen to share technology, business and governance costs and expertise, this new site will complement [www.theaudience.co.nz](http://www.theaudience.co.nz), which we began supporting in 2011 to help profile unreleased music.<sup>6</sup>

We will hold another contestable round for the **Digital Media Fund**, the only dedicated funding source for digital media in New Zealand. Demand is intense and, in a rapidly changing environment we will continue to invest carefully.

We will evaluate responses to the online rights discussion paper that we issued in late 2012. The paper talks about the balancing of competing interests (in this case content owner, broadcaster, and the taxpayer) and we will continue to explore appropriate options for online public access.

<sup>5</sup> Read our digital strategy in full at [www.nzonair.govt.nz/Digital Media/Our Funding Strategy](http://www.nzonair.govt.nz/Digital%20Media/Our%20Funding%20Strategy).

<sup>6</sup> Both NZ On Screen and AudioCulture are governed by the Digital Media Trust, in which NZ On Air has an interest in terms of s100 of the Crown Entities Act 2004. NZ On Air has a power of appointment of a minority of the trustees.

### 3. HOW WE INVEST

Outcome: Local content is innovative, visible and valued by diverse New Zealand audiences

Our work focuses on the wider importance of local content to the cultural and social fabric of New Zealand. On behalf of our primary stakeholder, the audience, we aim to invest in content that is -

- creatively or technologically *innovative*
- available where and when New Zealanders want it (*visible*)
- cost-effective and enjoyed by its audience (*valued*)

To achieve this we use clear and consistent investment principles which also consider two further stakeholders: taxpayers and funding applicants. See Figure 12.

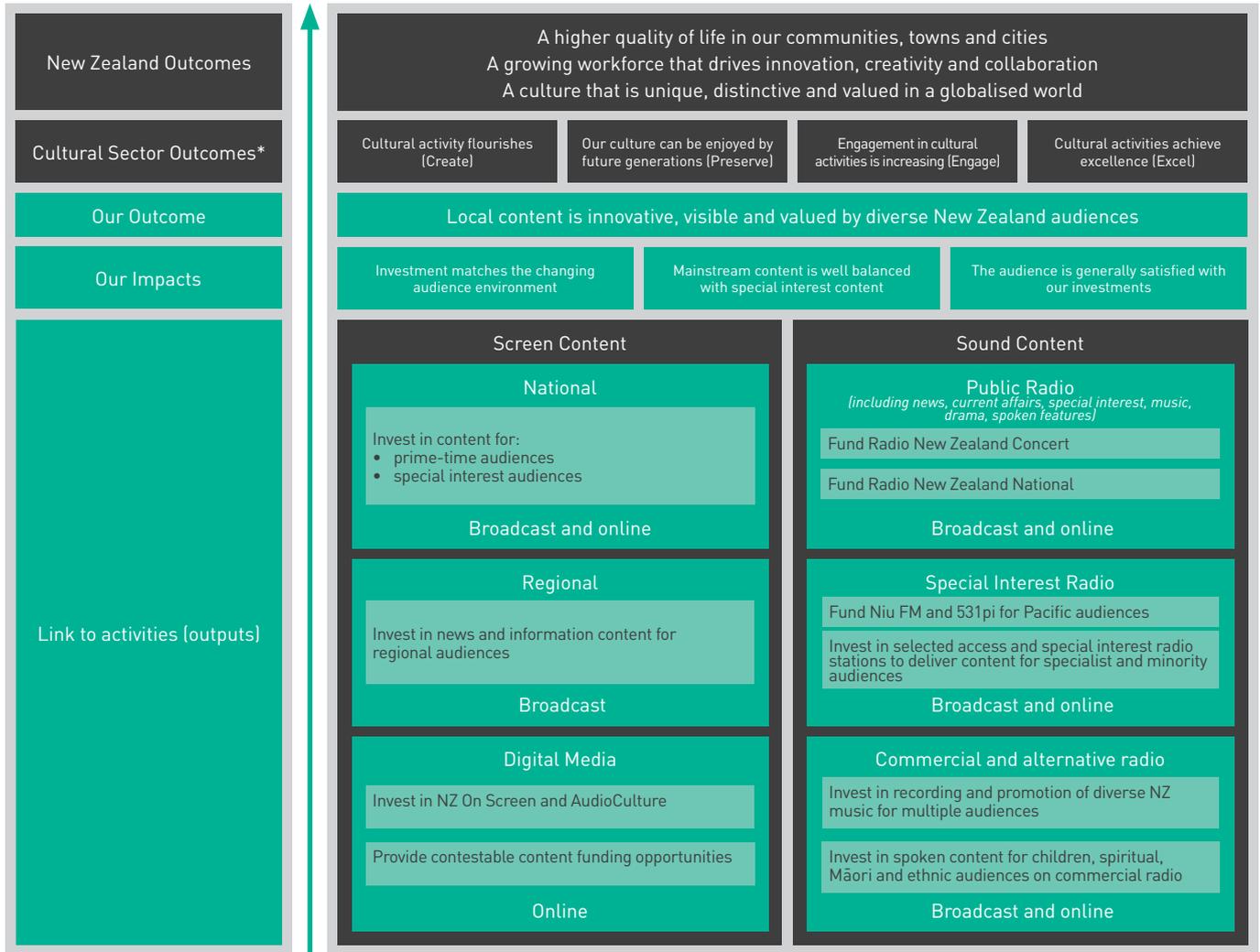
Figure 12: Summary of our investment principles

INVESTMENT PRINCIPLES	DESCRIPTION
Cultural value	Invest in New Zealand content and entities valued by target audiences
Partner capability	Invest in content and entities run or supported by capable partners. This means we can monitor efficiently, balancing robust accountability for public funds with a minimum of red tape
Content balance	Balance mainstream content and special interest content for audiences cited in the Broadcasting Act
Competition	Support a range of content and entities, both to encourage multiple views and voices, and to encourage competition for the best ideas
Value for money	Focus on cost-effective content and entities that attract audiences of appropriate size
No duplication	Invest in content and entities of a type not seen or heard elsewhere and which the market alone cannot support
Leverage	Prioritise content and entities that attract other investment and can leverage the value of NZ On Air's investment
Risk	Be generous with creative risk in funded content; be conservative with business risk
Fairness	Fair, transparent and simple procedures serve funding applicants

Our outcomes framework is shown in Figure 13. In setting performance targets we aim to improve our performance over the previous year. Where we have achieved excellent results in previous years, we aim to maintain this.

In setting our 2013-2016 targets we have assumed that costs for the activities we fund will continue to rise, that we will be containing this rise where possible, and that our funding will remain at around existing levels.

Figure 13 – Our outcomes framework

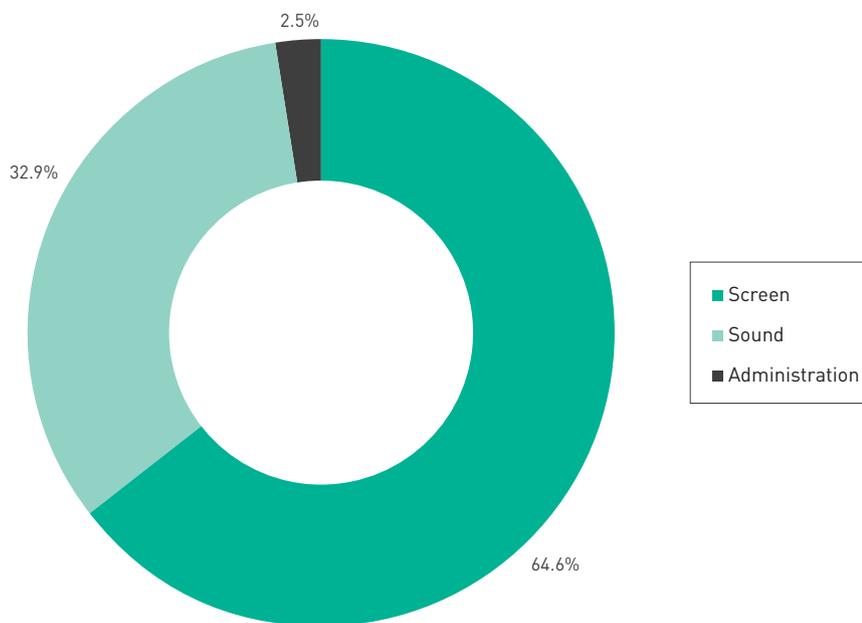


\* NZ On Air contributes to three sector outcomes: Create, Engage, Excel.

## 4. PERFORMANCE IMPROVEMENT

A key strength of our agency is our focus on maximising content investment and minimising overhead, as illustrated below.

Figure 14: Investment vs overhead cost 2013/2014



Our key efficiency measures and performance improvement actions are set out in Figures 15 - 17 below.

**Figure 15: Key efficiency goals and measures**

Efficiency Goals	Efficiency Measures	2013-2016 Target	2012/13 Estimated	2011/12 Actual	2010/11 Actual
Low administration costs to maximise available investment funds	Administration costs a low % of total revenue	<3%	<2.4%	2.3%	2.2%
What we fund is delivered to broadcast quality	% of funded projects broadcast or uploaded within 15 months of formal delivery	99%	100%	100%	99%
Our processes are efficient and effective	% of complete applications received by deadline that are determined at the next funding round	100%	100%	100%	100%
	% of funding decisions made in accordance with approved policies and procedures	100%	100%	100%	100%
We make the right decisions	Funding decision or process with a significant adverse judicial review or Ombudsman finding	0%	0%	0%	0%

Figure 16: Key impact measures

IMPACT	IMPACT MEASURE	2012/13 ESTIMATED	2013/14 TARGET	2014/15 TARGET	2015/16 TARGET
Investment matches the changing audience environment	Increase investment in online content and platforms as NZ audiences grow	2.0%	<b>2.5%</b>	3.0%	3.5%
Mainstream content is well-balanced with special interest content	At least half of television contestable fund expenditure is for prime-time content	58%	<b>50%</b>	50%	50%
	Funded music is balanced between mainstream and alternative audience appeal	55/45	<b>60/40</b>	60/40	60/40
The audience is generally satisfied with our investments	The majority of New Zealanders believe NZ On Air supports content important to New Zealanders	72%	<b>74%</b>	75%	75%

Figure 17: Performance improvement actions 2013

INITIATIVE	SHORT TERM	MEDIUM TERM
Facilitate a <b>Pacific content</b> forum	Improve our understanding of Pacific audience needs	Deliver increased audio/visual content options to Pacific audiences and encourage sector collaboration
Review <b>channel funding policy</b>	Assess whether funding policy and practice are well placed to meet new developments	Ensure our consideration of audience levels is appropriately balanced with support for diversity of content
Continue collaborating with other agencies involved in <b>music funding</b>	Contemporary Popular Music Group coordination work	Minimise prospect of funding duplication, consider gaps and encourage collaboration
Complete the review of the <b>documentary strategy</b> for screen content funding	Revised strategy approved by Board	Range and quality of screen documentary improved, particularly for prime-time
Investigate opportunities that may be provided by <b>co-location</b> with the NZFC	Operations efficiency maximised	The maximum possible amount of public funding is applied to content investment not overheads
Conduct triennial <b>stakeholder survey</b>	Clearly understand client perspectives by direct, confidential survey	Improve operational services to key stakeholders
Update the <b>economic impact assessment</b> of our television investments	Business impact of television investments more clearly understood	Contribute to available business data on the contribution of the sector
Reconsider our impact measures to ensure we are assessing <b>funding outcomes</b> adequately	Complete framework review by 30 June 2014	Performance measures provide useful insight into changing audience behaviour

## 5. ORGANISATIONAL HEALTH AND CAPABILITY

As a small entity, we are proud to achieve our statutory funding tasks with modest overheads. There is no equivalent organisation internationally and we know of none where so many positive results are delivered by such a small team. Our good employer and personnel policies are formally recorded and include a commitment to equal employment opportunities. We do not tolerate harassment or discrimination of any type.

To continue enhancing our capability, we will maintain and develop policies that ensure:

**Recruitment, training and remuneration policies focus on attracting and retaining skilled, flexible, efficient and knowledgeable team players**

Measures:

- full time staff turnover no more than three people per annum
- individual staff training needs assessed annually
- external salary comparisons conducted regularly to ensure staff are paid fairly

**Our office environment and equipment are safe and well maintained**

Measures:

- safety hazards reported are attended to promptly, significant hazards are attended to immediately
- zero tolerance of harassment, bullying and discrimination. Immediate investigation if any instances are reported
- each new employee has an ergonomically suitable workspace within one week of beginning work

**Equal employment opportunity principles are incorporated in staff selection and management, to achieve as diverse a workforce as possible within the limits of our small size**

Measure:

- EEO principles included in all relevant documents and practices

## 6. CONSULTATION AND REPORTING TO THE MINISTER

We provide six-monthly reports to the Minister on progress against the targets set out in this SOI.

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

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

The Minister may not direct us in regard to cultural matters. Neither 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 Ministers of State Services and Finance may jointly issue a directive that we should comply with whole of Government directions (s107 Crown Entities Act).

Consultation is undertaken with our other stakeholders on a regular basis, both through formal mechanisms such as conferences, hui, surveys, the publication of papers and discussion with industry and, less formally, through meetings and discussions with individuals and industry groups.

## PART 2 / SERVICE PERFORMANCE AND FINANCIAL MANAGEMENT

### STATEMENT OF FORECAST SERVICE PERFORMANCE

The forecast statements in this section provide targets, budgets and performance measures for the year ending 30 June 2014 (refer s142 of the Crown Entities Act). There are no other relevant performance measures that need to be devised or disclosed (ss 142(1)(c) and (e)).

Our activities contribute to the non-departmental output expense, Public Broadcasting Services, within Vote Arts, Culture and Heritage, administered by the Ministry for Culture and Heritage. We will receive \$128,226,000 (GST exclusive) in Crown funding in 2013/14 (\$128,226,000 in 2012/13).

We deliver the outputs purchased by the Minister of Broadcasting through two activity classes. The investment targets set out below are subject to receipt of satisfactory funding applications from viable entities. If such applications are not received we will adjust targets accordingly to ensure taxpayer funds are spent wisely.

## Forecast revenue and expenditure

		2013/14	2012/13	2012/13	2011/12		
<b>Revenue</b>		<b>Forecast \$000</b>	<b>Budget \$000</b>	<b>Estimated \$000</b>	<b>Actual \$000</b>		
Crown revenue*		128,226	128,226	128,670	130,332		
Other revenue		2,350	2,050	2,540	3,064		
<b>Total revenue</b>		<b>130,576</b>	<b>130,276</b>	<b>131,210</b>	<b>133,396</b>		
<b>Output Expenses</b>							
<b>Funding commitments</b>	Screen Content	National television audiences – content funding	81,291	81,291	81,190	86,569	
		Regional television audiences	Content funding	1,500	1,500	1,716	1,710
			Digital switchover assistance	-	-	444	406
	Digital media audiences	2,130	1,600	1,980	995		
	Sound Content	Public radio audiences	31,916	31,916	31,916	32,590	
		Special interest radio audiences	6,099	6,199	6,049	5,756	
		Commercial and alternative radio audiences	645	776	665	693	
		Music audiences	4,674	5,249	4,772	4,996	
	<b>Total funding commitments</b>		<b>128,255</b>	<b>128,531</b>	<b>128,732</b>	<b>133,715</b>	
	<b>Funding administration</b>		<b>3,230</b>	<b>3,235</b>	<b>3,205</b>	<b>3,022</b>	
<b>Total output expenses</b>		<b>131,485</b>	<b>131,766</b>	<b>131,937</b>	<b>136,737</b>		
<b>Surplus/(deficit) (deficits funded by retained equity)</b>		<b>(909)</b>	<b>(1,490)</b>	<b>(727)</b>	<b>(3,341)</b>		

\*Notes on Crown revenue variances:

2011/12 included one-off funding of \$850,000 for regional television digital switchover ("DSO") assistance to be allocated over 2 – 3 financial years. \$406,000 was recognised in 2011/12 and \$444,000 recognised in 2012/13

2011/12 also included \$200,000 permanently transferred to the NZ Music Commission, which has reduced our baseline funding.

2012/13 included a permanent baseline transfer of \$1million to MCH (plus a \$500,000 grant) to recognise the transfer of responsibility for funding sound archiving to MCH. The grant of \$500,000 is repeated for one final year in 2012/13 and is not a permanent baseline reduction.

Actual figures include adjustments for the effect of differences between the timing of the commitment being made and substantive contractual conditions being met. Full details are disclosed within the relevant year's annual report.

## Activity 1: Screen content

**Activity description:** Investing in digital content to increase range and diversity options for target audiences. Content is expected to screen on at least two platforms where practicable.

**Environmental and classification movements:** Target hours are indicative only because we operate contestable schemes. Budgets for both the General Contestable Fund and the Platinum Fund are similar to previous budgets. We forecast hours conservatively because we cannot usefully predict the production complexity of the applications we receive and thus how we will balance higher and lower-cost projects.

For 2013/14 genre target fluctuations are mainly due to the introduction of a separate Māori Programmes category (these projects can be of any genre). Expected projects are likely to come from children's/young people and documentary in particular.

Regional television output remains similar to last year from a budget perspective. The one-off funding of \$850,000 provided in 2011/12 for digital switchover assistance (DSO) is expected to have been fully utilised by the end of 2012/13.

Our digital media funding now includes an allocation for music website AudioCulture, part of the Digital Media Trust which also operates NZ On Screen. AudioCulture was previously supported from the NZ Music budget.

### Key performance measures

	2013/14 Target	2012/13 Estimated	2011/12 Actual	2010/11 Actual	
The majority of New Zealanders believe NZ On Air supports television programmes and activities important to New Zealanders.	74%	72%	78%	74%	
Almost all television projects are broadcast within 15 months of the finished programme being delivered to the broadcaster.	99%	100%	100%	99%	
At least half of general contestable fund expenditure is for prime-time (6pm-10pm) programmes.	50%	58%	62%	64%	
Target average prime-time audience aged 5+ for programmes funded for the major free-to-air national channels – TV One, TV2, TV3 (Type 1 channels).	Drama	315,000	310,000	307,900	333,200
	Documentary/Factual	365,000	360,000	453,700	383,500
	Comedy	240,000	210,000	312,200	228,900
	Arts/Culture	315,000	310,000	169,900	219,100

## Detailed measures

NATIONAL TELEVISION	2013/14 Target			2012/13 Estimated			2011/12 Actual		
	Hours	\$000	% prime-time	Hours	\$000	% prime-time	Hours	\$000	% prime-time
<b>Television Platinum Fund by genre</b>									
Drama	8	8,800	100%	8	7,748	100%	9.5	7,663	100%
Documentary	93	5,231	20%	91	7,363	19%	91.5	7,167	100%
Current Affairs									
Arts/Culture/Identity	6	1,080	100%	0	0	-	15	1,312	0
<b>Total Platinum Fund</b>	<b>107</b>	<b>15,111</b>	<b>45%</b>	<b>99</b>	<b>15,111</b>	<b>25%</b>	<b>116</b>	<b>16,142</b>	<b>-</b>
<b>General Contestable Fund by genre</b>									
Drama/Comedy	90	27,460	100	101.5	27,735	100	89	27,695	91-100
Documentary/Factual	73	7,500	100	95	9,840	100	112	11,150	91
Children/Young People	433	13,716	0	447.6	14,361	0	465.4	13,818	0
Māori Programmes	36	4,000	66	-	-	-	-	-	-
Arts/Culture/Identity	27	1,850	66	41.5	2,913	78	34.8	3,418	80
Minorities	130	6,962	0	143	6,441	0	127.5	6,693	2
Disability (including captioning)	18	4,472	0	18.5	4,590	0	21	4,168	0
Development	n/a	220	n/a	n/a	199	n/a	n/a	376	n/a
<b>Total General Fund</b>	<b>807</b>	<b>66,180</b>	<b>-</b>	<b>847.1</b>	<b>66,079</b>	<b>-</b>	<b>849.7</b>	<b>67,318</b>	<b>-</b>

REGIONAL TELEVISION	2013/14 Target		2012/13 Estimated		2011/12 Actual	
	Hours	\$000	Hours	\$000	Hours	\$000
Local news and information	1,200	1,500	1,200	1,716	1,200	1,717
Regional television digital switchover assistance fund	-	-	-	444	n/a	406
<b>Total</b>	<b>1,200</b>	<b>1,500</b>	<b>1,200</b>	<b>2,160</b>	<b>1,200</b>	<b>2,123</b>

DIGITAL MEDIA	2013/14 Target		2012/13 Estimated		2011/12 Actual	
	Quantity	\$000	Quantity	\$000	Quantity	\$000
Digital Media Fund	n/a	1,000	n/a	600	n/a	800
Digital Media Trust	n/a	1,130	n/a	1,380	n/a	1,000
<b>Total</b>	<b>-</b>	<b>2,130</b>	<b>-</b>	<b>1,980</b>	<b>-</b>	<b>1,800</b>

## Activity 2: Sound content

**Activity description:** Investing in digital content to increase range and diversity options for target audiences. Content is expected to be heard on at least two platforms where practicable.

**Environmental and classification movements:** The 2012/13 budget included the permanent baseline transfer of \$1million to MCH (plus a \$500,000 grant) to recognise the transfer of responsibility to fund sound archiving. Final funding of \$677,000 was provided to Sound Archives/Ngā Taonga Kōrero in 2011/12, included in the Public Radio Audiences category. NZ On Air is no longer involved in funding audio or visual archiving.

Budgeting for Radio New Zealand and Community Radio remains consistent. The 2013/14 budget for Commercial and Alternative Radio reflects likely reduced support by commercial radio for ethnic and special interest programmes.

NZ Music funding for 2013/14 retains Making Tracks core funding at \$2.04m. In 2011/12 we supplemented Making Tracks funding with a one-off booster fund of \$500,000. Targets for 2013/14 now define projects as either a video, or a song plus a video: we are unable to forecast which type of application will be received.

Funding for overseas music promotion was discontinued in 2012 to allow full focus on the domestic market. Expenditure in 2011/12 included \$200,000, which has since been permanently transferred to the NZ Music Commission.

In 2013/14 an allocation for music website AudioCulture has been transferred to the digital media budget (shown within Activity 1: Screen content). Other reductions in NZ Music funding are primarily administrative, for example the 2012/13 allocation for the redesign of the Making Tracks application website, which has now been completed.

### Key performance measures

	2013/14 Target	2012/13 Estimated	2011/12 Actual	2010/11 Actual
The majority of New Zealanders believe NZ On Air supports local content for radio important to New Zealanders	70%	70%	69%	65%
Increased % of NZ music on commercial radio (% of NZ music on radio stations bound by the Radio Broadcasters Association NZ Music Code)	20%	18%	18.10%	18.65%
Improved % of NZ music on alternative radio	31%	30%	36.59%	not measured

## Detailed measures

### PUBLIC RADIO

#### Radio New Zealand: quantitative measures

Ensure Radio New Zealand provides programme types specified in the Broadcasting Act 1989

	2013/14		2012/13		2011/12	
	Target <sup>1</sup>		Estimated		Actual	
	RNZ National	RNZ Concert	RNZ National	RNZ Concert	RNZ National	RNZ Concert
Māori Language and Culture	350	N/A	330	N/A	323	N/A
Special Interest	400	N/A	468	N/A	440	N/A
NZ Drama, Fiction and Comedy	250	N/A	280	N/A	282	N/A
% of NZ music on rotate	33%	N/A	34%	N/A	35.6%	N/A
% of NZ composition	N/A	3.5%	N/A	4.0%	N/A	4.6%
% of NZ music performance	N/A	16%	N/A	16.8%	N/A	17.1%
% of population able to receive transmission <sup>2</sup>	97%	92%	97%	92%	97%	92%
NZ On Air funding provided	\$31.816m		\$31.816m		\$31.816m	

1: All measures are subject to final agreement with RNZ. 2: This is the proportion of the population able to receive RNZ National and RNZ Concert via terrestrial transmission. 100% of the country is able to access RNZ National and RNZ Concert signal via a Freeview or Sky TV satellite dish and decoder

#### Radio New Zealand: qualitative measures

Of New Zealanders independently surveyed, maintain the percentage of:

	2013/14	2012/13	2011/12
	Target	Estimated	Actual
General public who agrees Radio New Zealand broadcasts programmes of interest to a wide cross-section of New Zealanders.	84%	84%	85%
Radio New Zealand National listeners who are very satisfied or quite satisfied with quality of Radio New Zealand National programming.	89%	89%	90%
Listeners who agree Radio New Zealand National provides in-depth news and current affairs about New Zealand.	94%	94%	94%
Radio New Zealand Concert listeners who are very satisfied or quite satisfied with quality of Radio New Zealand Concert programming.	80%	80%	80%
The number of formal complaints about Radio New Zealand programmes each year that are upheld by the Broadcasting Standards Authority against any one of the broadcasting standards.	<3	<3	nil

Resound – NZ Classical Music Initiative (SOUNZ)	2013/14		2012/13		2011/12	
	Target Number*	Target \$000	Estimated Number*	Estimated \$000	Actual Number	Actual \$000
Recordings of music works relicensed and approved for broadcast	260	100	260	100	122	97
Recordings of music works relicensed and available online	240		230		286	
Relicensed works scheduled for broadcast on RNZ Concert	30		30		30	

\*Calendar year

COMMUNITY RADIO	2013/14		2012/13		2011/12		
	Target Hours	Target \$000	Estimated Hours	Estimated \$000	Actual Hours	Actual \$000	
Access and special interest radio	24,500	6,099	24,000	2,404	24,354	2,051	
Samoa Capital Radio	15,500		15,000	180	3,465	15,392	180
Niu FM and 531pi				3,525			
Total broadcast hours							
Hours of programming in at least 9 Pacific languages							
<b>Total community radio</b>	<b>40,000</b>	<b>6,099</b>	<b>39,000</b>	<b>6,049</b>	<b>39,746</b>	<b>5,756</b>	

COMMERCIAL AND ALTERNATIVE RADIO	2013/14		2012/13		2011/12	
	Target Hours	Target \$000	Estimated Hours	Estimated \$000	Actual Hours	Actual \$000
Spoken content						
Children and Youth	212	350	220	402	265	376
Spiritual	90	120	80	115	90	142
Ethnic/Special Interest	24	100	104	73	25	100
Māori issues (English language)	96	75	95	75	96	75
<b>Total spoken content</b>	<b>422</b>	<b>645</b>	<b>499</b>	<b>665</b>	<b>476</b>	<b>693</b>

## NEW ZEALAND MUSIC - DOMESTIC

Funding		2013/14 Target		2012/13 Estimated		2011/12 Actual		
		Quantity	\$000	Quantity	\$000	Quantity	\$000	
Making Tracks	Commercial	Projects funded	At least 160	2,040	166	1,240	167	1,329
		% of songs that achieve a Radio Scope NZ40 Airplay Chart peak	60%		50%		48%	
		% of music videos that achieve a Radio Scope TV Top 40 Chart peak	20%		20%		19%	
	Alternative	Projects funded	At least 100	86	800	155	1,209	
		% of songs that achieve a Radio Scope Alt40 Airplay Chart peak	60%	45%		45%		
		% of music videos that achieve a Radio Scope TV Top 40 Chart peak	20%	20%		19%		
<b>Music promotion</b>								
Content promoting NZ music - sound		30	1,450	30	1,488	30	1,453	
Content promoting NZ music - screen		3	350	3	350	3	350	
Other promotion and digital media		n/a	834	n/a	894	n/a	616	
<b>Total domestic music</b>		-	<b>4,674</b>	-	<b>4,772</b>	-	<b>4,957</b>	
Australian promotion		-	-	-	-	14	398	
<b>Total music content and promotion</b>		-	<b>4,674</b>	-	<b>4,772</b>	-	<b>5,355</b>	

## FORECAST FINANCIAL STATEMENTS

### FORECAST STATEMENT OF COMPREHENSIVE INCOME

for the year ending 30 June 2014

	2013/14 Budget	2012/13 Budget	2012/13 Estimated
Note	\$000	\$000	\$000
<b>Income</b>			
Crown revenue	128,226	128,226	128,670
Other revenue	2,350	2,050	2,540
<b>Total income</b>	<b>130,576</b>	130,276	131,210
<b>Operating expenditure</b>			
Funding administration	3,230	3,235	3,205
<b>Funding expenditure</b> (net of write-backs of commitments not used)			
<i>Screen content</i>			
National television	81,291	81,291	81,190
Regional television	1,500	1,500	2,160
Web-only	2,130	1,600	1,980
<i>Sound content</i>			
Public radio	31,916	31,916	31,916
Special interest radio	6,744	6,975	6,714
Music and other content	4,674	5,249	4,772
<b>Total expenditure</b>	<b>131,485</b>	131,766	131,937
<b>Net (Deficit)/Surplus for the year</b>	<b>(909)</b>	(1,490)	(727)
<b>Other comprehensive income</b>	-	-	-
<b>Total comprehensive income</b>	<b>(909)</b>	(1,490)	(727)

**FORECAST STATEMENT OF MOVEMENTS IN EQUITY***for the year ending 30 June 2014*

	Note	2013/14 Budget \$000	2012/13 Budget \$000	2012/13 Estimated \$000
Opening equity committed	2	2,508	5,510	2,508
Opening equity uncommitted		1,863	2,585	2,590
Plus: Net operating surplus (deficit)		(909)	(1,490)	(727)
<b>Equity 30 June</b>		<b>3,462</b>	<b>6,605</b>	<b>4,371</b>
<i>comprising</i>				
<b>Equity 30 June committed</b>	2	<b>2,508</b>	5,510	2,508
<b>Equity 30 June uncommitted</b>		<b>954</b>	1,095	1,863

## FORECAST STATEMENT OF FINANCIAL POSITION

as at 30 June 2014

	2013/14 Budget	2012/13 Budget	2012/13 Estimated
Note	\$000	\$000	\$000
<b>Current assets</b>			
Cash and cash equivalents	6,000	4,000	12,000
Investments	34,500	45,000	32,300
Debtors and other receivables – interest	650	700	620
Debtors and other receivables – other	500	500	500
<b>Total current assets</b>	<b>41,650</b>	50,200	45,420
<b>Non-current assets</b>			
Property, plant and equipment	350	300	180
<b>Total non-current assets</b>	<b>350</b>	300	180
<b>Total assets</b>	<b>42,000</b>	50,500	45,600
<b>Current liabilities</b>			
Trade and other payables	500	500	500
Employee entitlements	120	100	100
Funding liabilities	37,918	43,295	40,629
<b>Total current liabilities</b>	<b>38,538</b>	43,895	41,229
<b>Public equity</b>			
Equity committed	2,508	5,510	2,508
Equity uncommitted	954	1,095	1,863
<b>Total equity 30 June</b>	<b>3,462</b>	6,605	4,371
<b>Total liabilities and public equity</b>	<b>42,000</b>	50,500	45,600

**FORECAST STATEMENT OF CASH FLOWS***for the year ending 30 June 2014*

	2013/14 Budget	2012/13 Budget	2012/13 Estimated
Note	\$000	\$000	\$000
<b>Cash flows from operating activities</b>			
Receipts from Crown revenue	128,226	128,226	128,226
Receipts from other revenue	-	-	-
Payments to funded activities	(132,773)	(127,021)	(129,451)
Payment to suppliers and employees	(3,230)	(3,235)	(3,345)
<b>Net cash flows operating activities</b>	<b>(7,777)</b>	<b>(2,030)</b>	<b>(4,570)</b>
<b>Cash flows from investing activities</b>			
Interest received	2,100	2,050	2,150
Purchases of property, plant and equipment	(323)	(20)	(15)
<b>Cash flows from investing activities</b>	<b>1,777</b>	<b>2,030</b>	<b>2,135</b>
<b>Net increase/(decrease) in cash</b>	<b>(6,000)</b>	<b>-</b>	<b>(2,435)</b>
<b>Opening cash and cash equivalents</b>	<b>12,000</b>	<b>4,000</b>	<b>14,435</b>
<b>Closing cash and cash equivalents</b>	<b>6,000</b>	<b>4,000</b>	<b>12,000</b>

# NOTES TO THE FINANCIAL STATEMENTS

## Note 1. Statement of accounting policies for the year ending 30 June 2014

### REPORTING ENTITY

The Broadcasting Commission (NZ On Air) was established by the Broadcasting Act 1989, and is an Autonomous Crown Entity under the Crown Entities Act 2004.

Our functions and responsibilities are set out in the Broadcasting Act 1989. The primary objective of NZ On Air is to provide services to the public rather than making a financial return. Accordingly, we are a public benefit entity for the purposes of New Zealand equivalents to International Financial Reporting Standards (NZ IFRS).

These financial statements reflect the operations of the Broadcasting Commission only and do not incorporate any other entities. These forecast financial statements are for the year ending 30 June 2014.

### BASIS OF PREPARATION

#### Statement of compliance

These forecast financial statements have been prepared in accordance with New Zealand generally accepted accounting practice. They comply with New Zealand equivalents to International Financial Reporting Standards (NZ IFRS) including FRS 42 Prospective Financial Statements and other applicable Financial Reporting Standards, as appropriate for public benefit entities.

These forecast financial statements have 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.

The actual financial results for the period covered are likely to vary from the information presented and the variations may be material.

#### Measurement basis

The measurement base adopted is that of historical cost.

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).

### Judgments and estimations

The preparation of financial statements to conform with NZ IFRS requires judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses (where material information on major assumptions is provided in the relevant accounting policy or will be provided in the relevant note) The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised, if the revision affects only that period, or in the period of the revision and future periods, if the revision affects both current and future periods.

Judgments that have significant effect on the financial statements and estimates, with a significant risk of material adjustment in the next year are discussed in Note 2.

### SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these forecast financial statements.

#### Revenue

Revenue is measured at the fair value of consideration received.

Revenues are derived and recognised as follows:

- (a) Revenue earned from the supply of outputs to the Crown is recognised as revenue when it is earned
- (b) Sales revenue from NZ On Air funded programmes and music is recognised when it is earned to the extent that information is available to us at that time.
- (c) Interest income is recognised using the effective interest method
- (d) If applicable, other income is recognised when it is earned

#### Cash and cash equivalents

Cash and cash equivalents include cash on hand and funds deposited with banks, with original maturities of three months or less.

#### Debtors and other receivables

Debtors and other receivables are initially measured at fair value less any provision for impairment.

Impairment of a receivable is established when there is objective evidence that we will not be able to collect amounts due according to the original terms of the receivable. Significant financial difficulties of the debtor, probability that the debtor will enter into bankruptcy, and default in payment are all considered indicators that the debtor is impaired. Impairment losses are recognised in the statement of comprehensive income.

### Investments

At each balance date we assess whether there is any objective evidence that an investment is impaired.

### Bank Deposits

Investments in bank deposits are measured at fair value plus transaction costs.

For bank deposits, impairment is established when there is objective evidence that we will not be able to collect amounts due according to the original terms of the deposit. Significant financial difficulties of the bank, probability that the bank will enter into bankruptcy, and default in payment are all considered indicators that the deposit is impaired.

### Property, plant and equipment

Property, plant and equipment refers to 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.

### Additions

The cost of an item of property, plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits or service potential associated with the item will flow to us and the cost of the item can be measured reliably.

In most instances, an item of property, plant and equipment is recognised at its cost. Where an asset is acquired at no cost, or for a nominal cost, it is recognised at fair value when control of the asset is obtained.

### Disposals

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount of the asset. Gains and losses on disposals are included in the statement of comprehensive income.

### Subsequent costs

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

The costs of day-to-day servicing of property, plant and equipment are recognised in the statement of comprehensive income as they are incurred.

### 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 their useful lives. The useful lives and associated depreciation rates have been estimated as follows:

Computer equipment	3 years	33.3%
Office equipment	5 years	20%
Furniture and fittings	6 years	16.7%
Leasehold improvements	6 years	16.7%

Leasehold improvements are depreciated over the unexpired period of the lease or the estimated remaining useful lives of the improvements, whichever is the shorter.

### Impairment of non-financial assets

Property, plant and equipment, and intangible assets that have a finite life are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the assets carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an assets fair value less costs to sell and value in use. The total impairment loss is recognised in the statement of comprehensive income. Any subsequent reversal of an impairment loss is recognised in the statement of comprehensive income.

Value in use is depreciated replacement cost for an asset where the future economic benefits or service potential of an asset are not primarily dependent on the assets ability to generate net cash inflows and where we would, if deprived of the asset, replace its remaining future economic benefits or service potential.

### Creditors and other payables

Creditors and other payables are measured at fair value.

### Employee benefits

Employee entitlements that NZ On Air expects to be settled within 12 months of balance date are measured at nominal values based on accrued entitlements at current rates of pay. These include salaries and wages accrued up to balance date, annual leave earned to, but not yet taken at balance date, retiring and long service leave entitlements expected to be settled within 12 months, and sick leave.

We recognise a liability for sick leave to the extent that absences in the coming year are expected to be greater than the sick leave entitlements earned in the coming year. The amount is calculated based on the unused sick leave entitlement that can be carried forward at balance date, to the extent that we anticipate it will be used by staff to cover those future absences.

We recognise a liability and an expense for bonuses where it is contractually obliged to pay them, or where there is a past practice that has created a constructive obligation.

### Superannuation schemes

Obligations for contributions to Kiwisaver are accounted for as defined contribution superannuation schemes and are recognised as an expense in the statement of comprehensive income as incurred.

### Provisions for funding expenditure

We recognise a liability for funding expenditure when all the following conditions have been met:

- (a) The expenditure has been approved by the Board.
- (b) The funding recipient has been advised.
- (c) There are no substantive contractual conditions for the funding recipient to fulfill.
- (d) It is probable (more likely than not) that the funded proposal will be completed and that our commitments will crystallise.

At 30 June forecast therefore, funding liabilities in the statement of financial position include both contracted liabilities and uncontracted liabilities that have no substantive contractual conditions unfulfilled. The amount recorded for the uncontracted liability is the value approved by the Board.

### Goods and services tax (GST)

All items in the financial statements are presented exclusive of GST, except for receivables and payables in the statement of financial position, which are presented on a GST-inclusive basis.

The net amount of GST-recoverable from or payable to the Inland Revenue Department, is included as part of receivables or payables as appropriate.

### Income tax

NZ On Air is exempt from the payment of income tax in accordance with s51 Broadcasting Act 1989 therefore no charge for income tax has been provided for.

### Contingent assets and contingent liabilities

A contingent liability is disclosed where broadcasting funding expenditure has been approved by the Board, but that expenditure is uncontracted, and has substantive conditions unfulfilled at 30 June. At the point the substantive conditions are fulfilled, the contingent liability is removed and the value is recorded as expenditure and as a liability in the financial statements.

A contingent liability is also disclosed where there is a possible obligation or present obligation that may, but probably will not, require an outflow of resources.

A contingent asset is disclosed where the inflow of an economic benefit is probable, but not virtually certain.

### Commitments

Future expenses and liabilities incurred on contracts that have been entered into at balance date are disclosed as commitments to the extent that they are equally unperformed obligations. Commitments relating to employment contracts are not disclosed.

### 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 party to financial instruments as part of its normal operations. These financial instruments include bank accounts, short-term trade payables and trade and other receivables. There are no known significant concentrations of credit risks.

Financial assets and liabilities are initially measured at fair value plus transaction costs unless they are carried at fair value through profit and loss in which cases the transaction costs are recognised in the statement of comprehensive income.

NZ On Air has the following categories of financial assets:

(a) Loans and Receivables

These are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

After initial recognition they are measured at amortised cost using the effective interest method. Gains and losses when the asset is impaired or derecognised are recognised in the statement of comprehensive income. Loans and receivables are classified as “trade and other receivables” in the statement of financial position.

(b) Held to Maturity Investments

Held to maturity investments are assets with fixed or determinable payments and fixed maturities that we intend to hold to maturity. After initial recognition they are measured at amortised cost using the effective interest method. Gains and losses when the asset is impaired or derecognised are recognised in the statement of comprehensive income. Investments in this category are term deposits.

Other liabilities and provisions

Other liabilities and provisions are recorded at the best estimate of the expenditure required to settle the obligation. Liabilities and provisions to be settled beyond 12 months are recorded at their present value, if significant.

Statement of cash flows

*Cash and cash equivalents* includes cash in hand and deposits held with banks with original maturities of three months or less.

*Operating activities* includes cash received from income sources excluding interest, 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, interest received and other investments not included in cash equivalents.

*Financing activities* comprise those activities relating to changes in equity.

Changes in accounting policies

Accounting policies are changed only if the change is required by a standard or interpretation or otherwise provides more reliable and more relevant information.

Comparatives

When presentation or classification of items in the financial statements is amended or accounting policies are changed voluntarily, comparative figures are restated to ensure consistency with the current period unless it is impracticable to do so.

Related parties

NZ On Air transacts with other Government agencies on an arm’s length basis. Any transaction not conducted at arm’s-length will be disclosed in our financial statements (annual report).

## Note 2. Critical judgments in applying our accounting policies

Our provisions for funding expenditure policy (Note 1) include four conditions on recording a funding liability. Two of these conditions require us to make critical judgments in applying this policy to the preparation of forecast financial statements:

- (a) There are no substantive contractual conditions for the funding recipient to fulfill.

A substantive contract condition that disallows a funding commitment from being recorded as a liability is where Board approval is subject to third party funding, and that funding is not in place at balance date. We have assumed the value of such commitments at 30 June 2014 and 30 June 2013 is \$2.508m, the actual value at 30 June 2012.

- (b) It is probable (more likely than not) that the funded proposal will be completed and that our commitment will crystallise.

Although from time to time an approved commitment with no substantive contractual conditions to fulfill does not go ahead, such projects are a very small proportion of the total approved. Based on experience we judge that it is probable that all commitments at 30 June 2013 and 30 June 2014, without substantive contractual conditions to fulfill, will be completed.

## DIRECTORY

### Board

<b>Miriam Dean</b> <i>CNZM QC, Chair</i>	of Auckland
<b>Michael Glading</b>	of Auckland
<b>Stephen McElrea</b>	of Auckland
<b>Caren Rangī</b>	of Napier
<b>Ross McRobie</b>	of Wanaka
<b>Kim Wicksteed</b>	of Havelock North

### Staff

<b>Jane Wrightson</b>	Chief Executive
<b>Nicky Andrew</b>	Executive Assistant
<b>Gina Rogers</b>	Senior Communications Advisor (shared with NZFC)
<b>Brendan Smyth</b>	NZ Music Manager
<b>Sarah Crowe</b>	Music Funding Coordinator
<b>Jeff Newton</b>	Broadcast Promotions Executive (Auckland)
<b>Tania Dean</b>	Repertoire Coordinator (Auckland)
<b>Glenn Usmar</b>	Television Manager
<b>Benedict Reid</b>	Television Contracts Executive
<b>Fiona Mulder</b>	Television Funding Coordinator
<b>Teresa Tito</b>	Executive Assistant Television
<b>Keith Collins</b>	Community Broadcasting Manager
<b>Brenda Leeuwenberg</b>	Digital Advisor (part time)
<b>Alan Shaw</b>	Chief Financial Officer
<b>Hui-Ping Wu</b>	Accountant
<b>Trish Cross</b>	Receptionist/Administrator (shared with BSA)

### Office

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**W:** [www.nzonair.govt.nz](http://www.nzonair.govt.nz)

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