



part 4

Statement of Performance Expectations

for the year ending 30 June 2017

This Statement of Performance Expectations reflects NZ On Air's proposed performance targets and forecast financial information for the year ahead. It is produced in accordance with s149E of the Crown Entities Act 2004.

The forecast financial statements and underlying assumptions in this document have been authorised 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



Ross McRobie
Chair Audit & Risk
Committee

31 May 2016



OUR MISSION IS TO **CHAMPION LOCAL CONTENT THAT ENGAGES, STIMULATES AND SATISFIES INTENDED AUDIENCES**

Overview

In this Statement of Performance Expectations we set out what we will do in 2016-2017, and how we will measure our success.

Our current over-arching strategic framework is set out in our Statement of Intent 2014-2018.¹⁷ This informs both our funding decisions and our operating processes.

As a public media¹⁸ entity NZ On Air is charged with increasing the quality and diversity of local content available to a variety of New Zealand audiences. The content we support is generally different to local content funded commercially. Most projects have a particular cultural or social value, as well as being entertaining, informative or innovative. They may be of a genre that is often expensive to make, such as drama.

Most importantly our funded content tells New Zealand stories to a variety of New Zealand audiences which have an endless supply of international content readily available to them.

The media environment is changing rapidly and we need to remain flexible and nimble in response. A key element of our work programme this year is a full review of the strategies set out in our Statement Of Intent 2014-2018 published in 2014. We will publish a fresh Statement of Intent next year for 2017-2021.

Our focus on providing great content for a range of New Zealand audiences remains unchanged.

However audience behaviour continues to be fluid and options for accessing content continue to increase. Many audiences are shifting from traditional appointment viewing and listening, to enjoying content anywhere, anytime. We need to make sure that the content we fund continues to reach New Zealand audiences where they wish to find it.

In the coming year we will develop a single multi-platform content strategy to replace a number of current strategies and policies. It will have different funding mechanisms that are flexible enough to enable us to deliver local content to audiences on the platforms they are using. We will still focus on finding and funding the best ideas for particular audiences but we will simplify and streamline how we do this in an environment where both demand and platform options are increasing.

Therefore, as this is a transition year, our activities and measures remain largely unchanged. We expect that some activities and measures may not be replicated next year, as we launch the new strategy, and we have adapted a small number of descriptors and measures in anticipation.

¹⁷ <http://www.nzonair.govt.nz/corporate-document-library/statement-of-intent-2014-2018/>

¹⁸ Core objectives of public media are to support a strong civil society, enrich cultural knowledge, extend public education and strengthen community life.... accessible to all for free.... http://pmintegrity.org/pm_docs/PrinciplesofPublicMedia_001.pdf



The year ahead at a glance

In 2016/17 we will focus on -



Fully developing a new content strategy and planning its implementation from July 2017



Engaging with our industry during 2016-2017 about our change plan to incorporate advice and input



Maintaining outputs in a static funding environment through wise investment



Continuing to encourage third party investment in projects we fund to make our funds go further



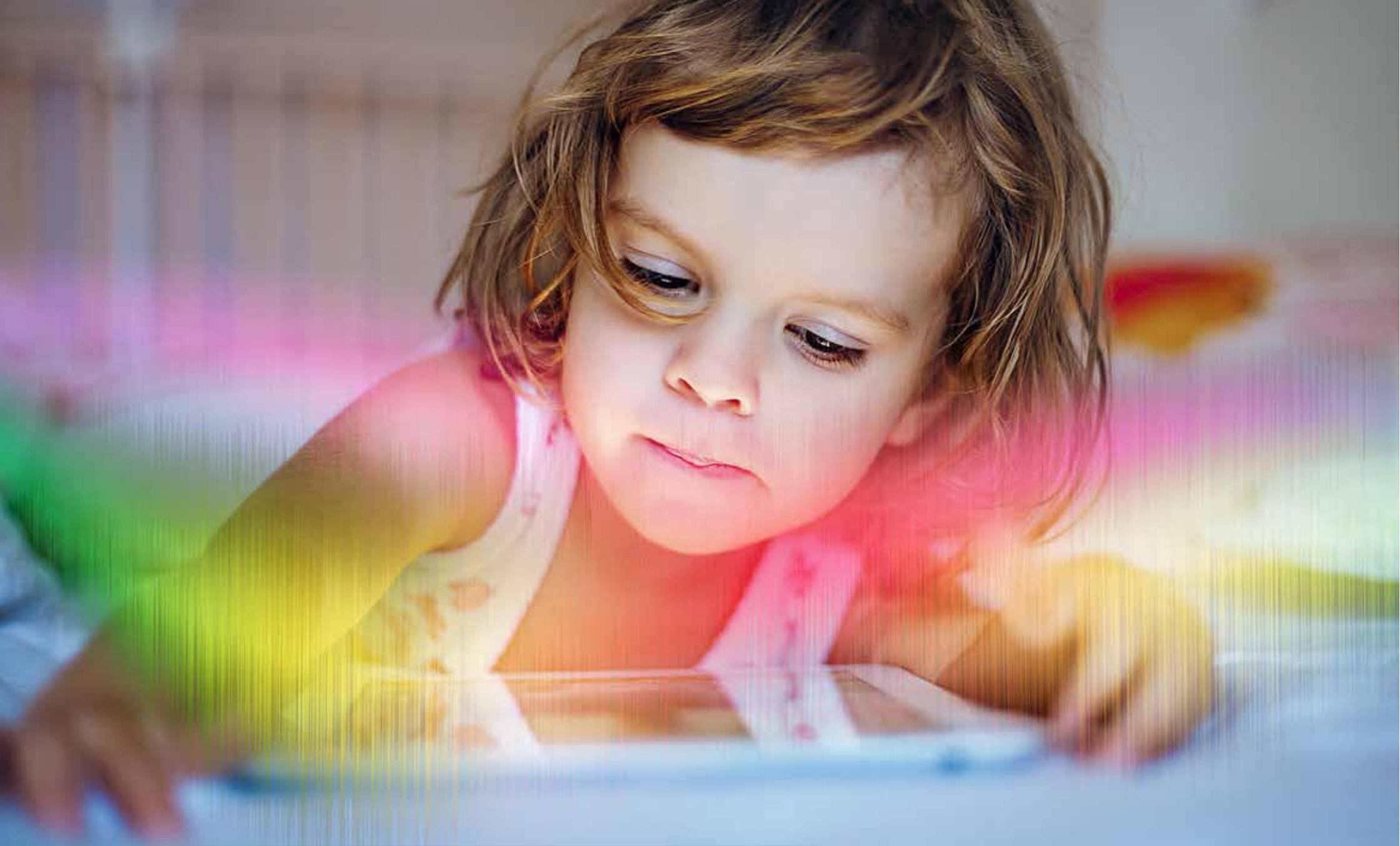
Using public media principles to ensure we fund valuable content that would otherwise not be made



Maintaining our overheads at less than 3% of revenue to ensure the maximum amount of our budget is available for funding content



Monitoring the changing environment and ensuring our new strategy can fulfil our objectives amid fast change



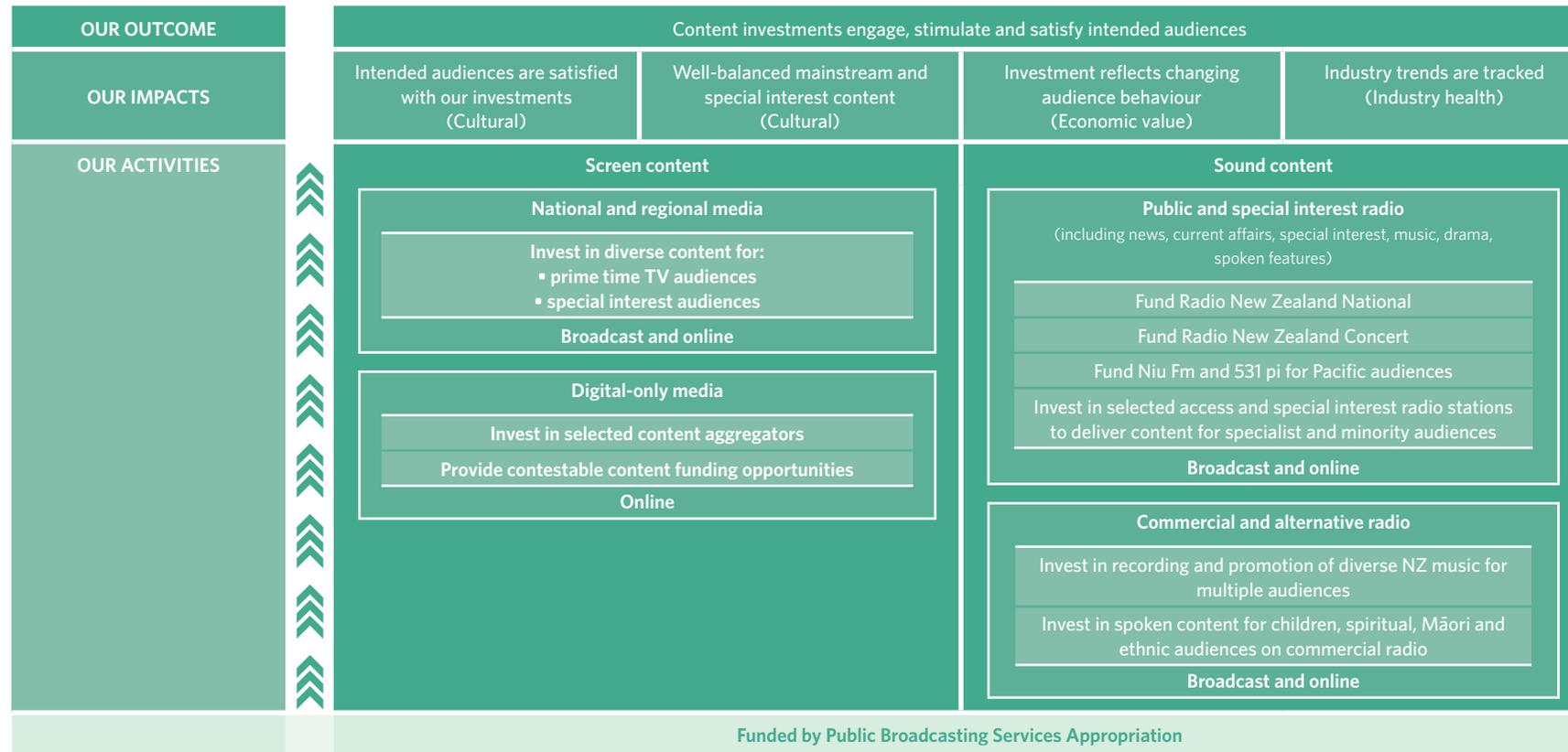
1. OUTCOMES FRAMEWORK



1. Outcomes framework

This section sets out our outcomes framework, impacts and activities, and shows how we contribute to these wider outcomes and measure progress.

Outcomes framework



Our work contributes to wider cultural sector outcomes and current government priorities.

| | | | | |
|---------------------------------|--|---|--|---|
| Government priorities | Responsibly manage the Government's finances | Build a more productive and competitive economy | Rebuild Christchurch | Deliver better public services within tight financial constraints |
| Cultural sector outcomes | Cultural activity flourishes (Create) | Our culture can be enjoyed by future generations (Preserve) | Engagement in cultural activities is increasing (Engage) | Cultural activities achieve excellence (Excel) |

Three subjects of measurement

We measure our impacts in three areas.

CULTURAL: intended audiences reached, balanced output, diversity of voices, awards, critical acclaim, national and international awareness and appreciation for New Zealand content and talent, strong presence in traditional and digital media, accessibility of local content on diverse screens

ECONOMIC VALUE: investments have a clear market and business case, co-investment is mainly secured, national and international sales, contribution to GDP, value to NZ On Air and to other players in the economic chain

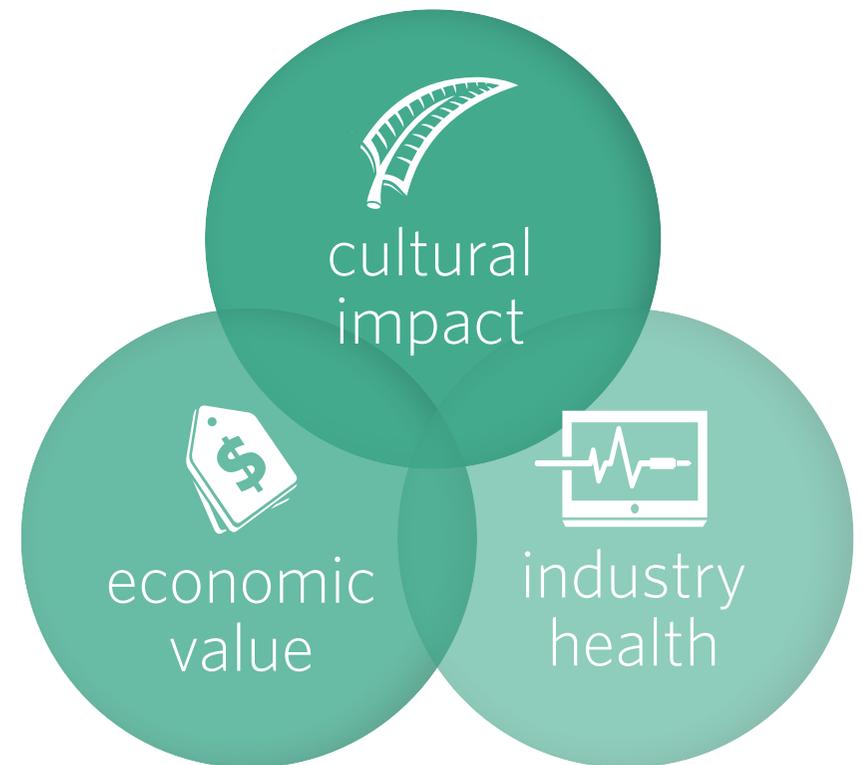
INDUSTRY HEALTH: no shortage of skilled content partners, number and nature of jobs in the sector measured, volume of production, being mindful of industry financial health, efficient NZ On Air processes

These subjects of measurement help us set our impacts.

Our impacts are:

| | | |
|---|------------------------|---|
| Intended audiences are satisfied with our investments | CULTURAL |  |
| Well-balanced mainstream and special interest content | CULTURAL |  |
| Investment reflects changing audience behaviour | ECONOMIC VALUE |  |
| Industry trends are tracked | INDUSTRY HEALTH |  |

We use the measures and targets on Page 85 to demonstrate how well we are achieving these impacts.





| Impact measure | 2016/17 Target | 2015/16 Estimated actual | 2015/16 Target | 2014/15 Actual | Impact |
|--|--|-----------------------------|----------------|----------------|---|
| The majority of New Zealanders believe NZ On Air supports <i>local content</i> important to New Zealanders | | | | | |
| Television content | 75% | 75% | 75% | 73% | Cultural |
| Radio content | 72% | 72% | 72% | 68% | |
| 60% of all funded prime time content on TV One, TV2 and TV3 is watched by large New Zealand audiences (>200,000) | 60% | 70% | 70% | 70% | Cultural Economic value Industry health |
| 10% of all funded prime time content on TV One, TV2 and TV3 is watched by large New Zealand audiences (100,000 - 200,000) | 10% | New measure | New measure | New measure | Cultural Economic value Industry health |
| The majority of New Zealanders aware of our support for local television content like that content | 70% | 70% | 70% | 71% | Cultural |
| The majority of New Zealanders agree that <i>Radio New Zealand</i> broadcasts programmes of interest to a wide cross-section of New Zealanders ¹⁹ | 88% | 88% | 88% | 85% | Cultural |
| The majority of Pacific people agree that <i>Niu FM</i> and <i>531Pi</i> broadcast culturally relevant content | Biannual measure - next due in 2017/18 | 75% | 75% | - | Cultural |
| Completed productions are accepted for broadcast or uploading | 99% | 99% | 99% | 99% | Industry health |
| More than half of television contestable fund expenditure is for prime time content | At least 50% | 61% | 50% | 64% | Economic value Industry health |
| Allocated funding for special interest audiences exceeds 30% of total national television funding | At least 30% | 38% | 30% | - | Cultural |
| Funded music is balanced between mainstream/alternative audience appeal | 60/40 | 58/42 | 60/40 | 56/44 | Cultural |
| Enough qualified content partners means demand for funding continues to exceed supply. % of successful applications for: | | | | | Industry health |
| Television ²⁰ | 65% | 67% | 75% | 73% | |
| Music | 20% | 17% | 20% | 19% | |
| Digital | 10% | 8% | 10% | 9% | |

¹⁹ Radio New Zealand reports separately against its own Statement of Performance Expectations.

²⁰ The percentage of successful television applications is highest due to the 'gatekeeper' role undertaken by broadcasters. NZ On Air will only consider television proposals that have secured a provisional broadcaster presale (to ensure funded content is actually broadcast). A much larger number of programme proposals do not pass this first step.

| Impact measure | 2016/17 Target | 2015/16 Estimated actual | 2015/16 Target | 2014/15 Actual | Impact |
|--|---------------------|--------------------------|----------------|----------------|---|
| First run free-to-air television hours not funded by NZ On Air as a % of all local content ²¹ | At least 75% | At least 75% | At least 75% | 77% | Economic value Industry health |
| NZ music content on commercial radio is at least 20% ²² | 20% | 16% | 20% | 17.16% | Cultural Economic value Industry health |
| NZ music on alternative radio is at least 40% | 40% | 42% | 40% | 42.42% | Cultural Economic value Industry health |
| All funded content is available online for at least one month | 100% | New measure | | | Cultural Industry health |

We anticipate changes to these measures in 2017-2018 when the new content strategy commences.

A new content strategy

As noted previously, a significant stream of work this year, adding to a busy schedule, is the development of a new content strategy.

Based on research, and responding to the fast-changing media environment, we will be changing the way we operate so that we can better serve New Zealand audiences. We are developing a single multi-platform content strategy which will be broad and flexible enough to enable us to deliver content to audiences on the platforms they are using.

Following industry consultation, the draft new content strategy will be fully developed for the 2017-2018 Statement of Performance Expectations, ready to be implemented on 1 July 2017.



²¹ Measured by previous calendar year: ie 15/16 year results are from Local Content Report 2015. Excludes publicly-funded Māori Television.

²² Target % of NZ music on radio stations bound by the Radio Broadcasters Association agreement with the Government.



2. SERVICE PERFORMANCE

2. Service performance

This section provides information on the activities purchased by the Minister of Broadcasting under the appropriation Public Broadcasting Services.²³ We deliver these through two areas of content:

- Screen Content (national television, regional and digital media)
- Sound Content (radio and music)

The targets are demand-driven as they are subject to receiving satisfactory funding applications from viable entities. If such applications are not received we adjust targets accordingly to ensure taxpayer funds are spent wisely.

How we expect our revenue and expenses to be allocated is set out in the table below.²⁴

Summary of forecast output expenditure

| Forecast revenue and expenditure | | 2016/17 | 2015/16 | 2015/16 | 2014/15 | | |
|----------------------------------|------------------------------|--|------------------------|----------------|----------------|----------------|----------------|
| Revenue | | Budget \$000 | Estimated Actual \$000 | Budget \$000 | Actual \$000 | | |
| Crown revenue | | 128,726 | 128,726 | 128,726 | 128,726 | | |
| Other revenue | | 2,230 | 2,332 | 2,750 | 2,932 | | |
| Total revenue | | 130,956 | 131,058 | 131,476 | 131,658 | | |
| Output expenses | | % | | | | | |
| Funding expenditure | Screen content | National television audiences | 62 | 80,680 | 82,079 | 81,371 | 83,689 |
| | | Regional media audiences | | | 720 | 1,350 | 1,138 |
| | | Digital-only media audiences | 3 | 3,860 | 4,076 | 3,860 | 3,464 |
| | Sound content | Public radio audiences | 24 | 31,816 | 31,816 | 31,816 | 31,816 |
| | | Special interest radio audiences | 5 | 6,645 | 5,891 | 6,050 | 5,870 |
| | | Commercial and alternative radio audiences | | | 564 | 595 | 506 |
| | | NZ music audiences | 3 | 4,000 | 4,134 | 4,624 | 4,631 |
| | Total content funding | | 97 | 127,001 | 129,280 | 129,666 | 131,114 |
| | Industry development | | | 400 | 400 | 400 | - |
| Administration services | | 3 | 3,715 | 3,648 | 3,648 | 3,416 | |
| Total output expenses | | 100 | 131,116 | 133,328 | 133,714 | 134,530 | |

It is important that rigorous processes continue to surround our funding decisions. Reserves have been wound down in recent years resulting in a \$2.2m drop in available funding.

²³ The non-departmental output expense, Public Broadcasting Services, sits within Vote Arts, Culture and Heritage, administered by the Ministry for Culture and Heritage.

²⁴ NZ On Air does not propose to supply any class of outputs in the financial year that is not a reportable class of outputs. s149E(1)(c)



2.1 Performance targets

We measure our performance through -

- quantitative screen content and sound content targets
- qualitative targets to measure how well we deliver our services.

Screen content (national television, regional and digital media)

The targets and budgets in the tables below show how we intend to allocate funding to screen content categories. The following pie chart and graph show the breakdown of target hours and funds by genre. Cost proportions are often driven by genre needs; for example it is usually more expensive to produce a drama than a factual programme.

The overall national TV budget is reduced by \$2.1m, with a resulting decrease in national TV hours.

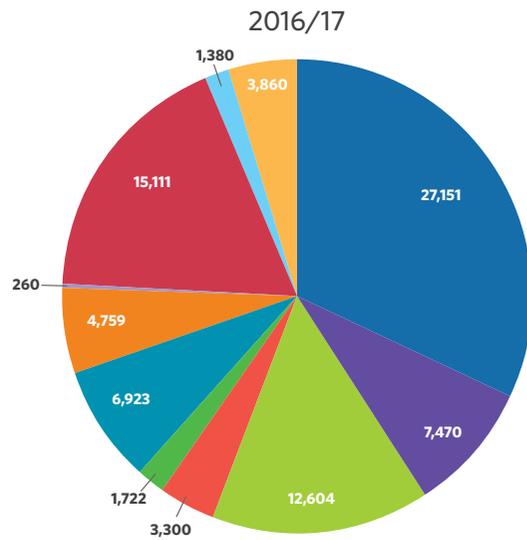
| Total national television and regional media | Screen content hours ²⁵ | | | | Screen content \$000 | | | |
|--|------------------------------------|--------------------------|----------------|----------------|----------------------|--------------------------|----------------|----------------|
| | 2016/17 Target | 2015/16 Estimated Actual | 2015/16 Target | 2014/15 Actual | 2016/17 Budget | 2015/16 Estimated Actual | 2015/16 Budget | 2014/15 Actual |
| | 1,143 | 1,357 ²⁶ | 1,537 | 1,617 | 80,680 | 82,799 | 82,721 | 84,827 |

| Digital-only media | Digital content \$000 | | | |
|--------------------|---|--------------------------|----------------|----------------|
| | There are no target hours for Digital-only media. | | | |
| | 2016/17 Budget | 2015/16 Estimated Actual | 2015/16 Budget | 2014/15 Actual |
| | 3,860 | 4,076 | 3,860 | 3,435 |

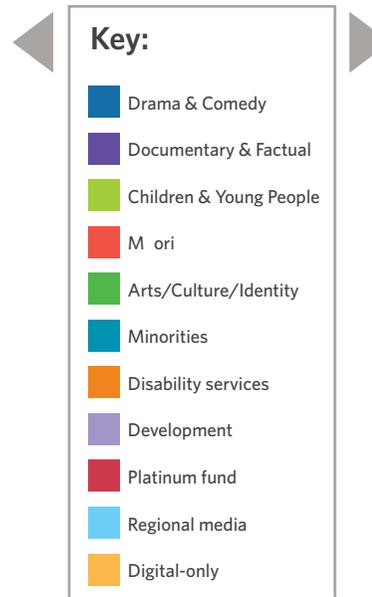
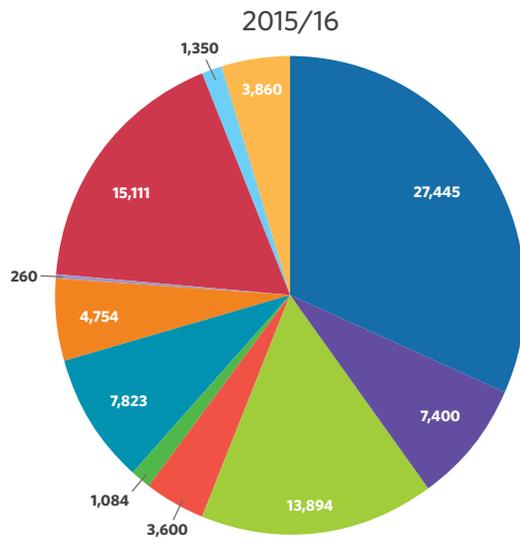
²⁵ Target hours are indicative only, given our funding work is predominantly contestable.

²⁶ Some regional television channels closed in 2015, accounting for the drop in funded hours

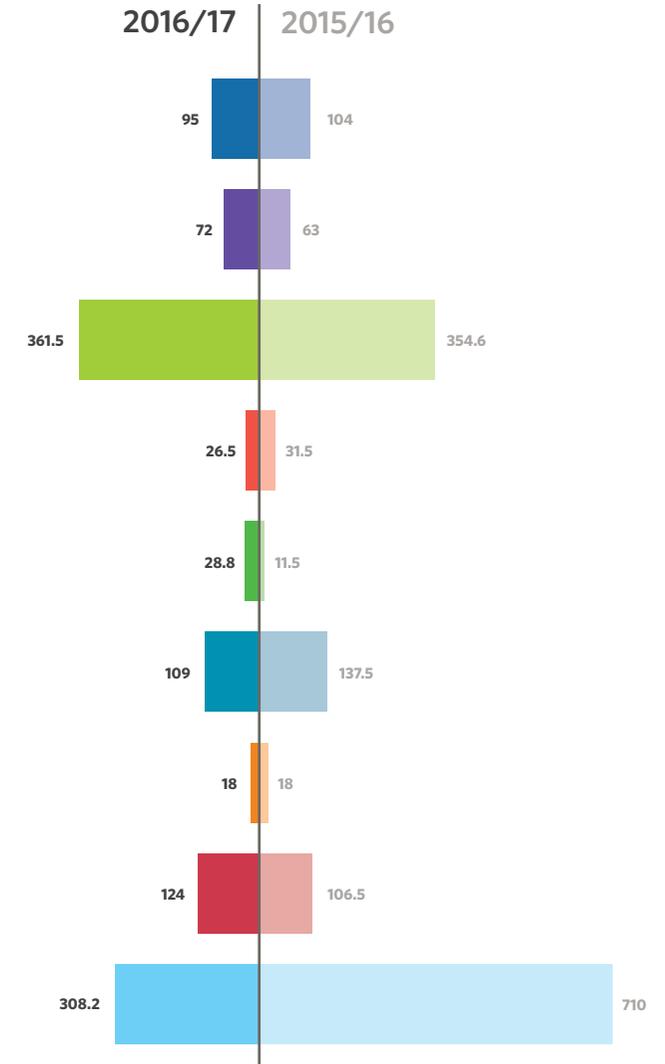
2016/17 Screen Content Budget \$'000



Point of note:
The budget for **Children & Young People** is down \$1m on 2015/16 budget. This reflects that children's drama will now be supported from the **Platinum Fund**.



Target Hours



There are no target hours for the categories of Digital-only media and Development as outputs are not measured by hours.

Sound content (radio and music)

The targets in the tables below show how we intend to allocate funding to four Sound Content categories: public radio, community radio, commercial and alternative radio, and music.

1. Public and special interest radio

1a. Public radio

RNZ is in the process of business transformation as it rolls out a multi-platform strategy. Consequently, its operational measures are changing and new measures will be developed next year.

| Radio New Zealand: Quantitative measures | | Hours | | | |
|---|---|----------------|--------------------------|----------------|----------------|
| Ensure Radio New Zealand (RNZ) provides content types specified in the Broadcasting Act 1989: | | 2016/17 Target | 2015/16 Estimated Actual | 2015/16 Target | 2014/15 Actual |
| RNZ National | Māori Language and Culture (broadcast hours) ²⁷ | | | 350 | 389 |
| | (stand alone programmes) ²⁷ | 80 | 110 | | |
| | Māori Language and Culture (number of items uploaded to website) ²⁸ | 1,000 | New measure | | |
| | Māori Language and Culture (online page views – Google Analytics) ²⁸ | 1 million | New measure | | |
| | Special Interest (Hours) ²⁹ | 900 | 960 | 400 | 484 |
| | NZ Drama, Fiction and Comedy (Hours) ²⁹ | 250 | 245 | 250 | 279 |
| | % of NZ music on rotate | 33% | 33% | 33% | 34.7% |
| RNZ Concert | % of population able to receive transmission | 97% | 97% | 97% | 97% |
| | % of NZ composition | 3.5% | 3.5% | 3.5% | 4.4% |
| | % of NZ music performance | 16% | 16% | 16% | 16.4% |
| | % of population able to receive transmission | 92% | 92% | 92% | 92% |
| Total Radio New Zealand funding provided (\$'000) | | 31,816 | 31,816 | 31,816 | 31,816 |

1b. Special interest radio

| Special Interest Radio | Hours | | | | \$000 | | | | |
|-----------------------------------|--|--------------------------|----------------|----------------|----------------|--------------------------|----------------|----------------|-------|
| | 2016/17 Target | 2015/16 Estimated Actual | 2015/16 Target | 2014/15 Actual | 2016/17 Budget | 2015/16 Estimated Actual | 2015/16 Budget | 2014/15 Actual | |
| Access and special interest radio | 24,000 | 23,500 | 24,000 | 25,274 | | | | | |
| Pacific Radio | Samoa Capital Radio | | | | | | | | |
| | Niu FM and 531pi Total broadcast hours | 19,500* | 19,442* | 15,500* | 19,537 | 6,050 | 5,891 | 6,050 | 5,870 |
| | *Including programming in at least 9 Pacific languages | | | | | | | | |
| Total community radio | 43,500 | 42,942 | 39,500 | 44,811 | 6,050 | 5,891 | 6,050 | 5,870 | |

27 During 2015/16 this measure was revised. From the 2015/16 actual figure onwards this measure relates to stand-alone programmes broadcast on RNZ National focused exclusively on Māori content. Previously the measure also included Māori language and content broadcast as part of general programming. Also, from quarter 3 2015/16 broadcast hours for Te Manu Korihi news were integrated with the mainstream news service. These were previously scheduled separately (approx 10 hours per quarter).

28 These new measures recognise the growing importance of online content. The targets relate to audio, written and visual material published specifically in the Te Manu Korihi and Te Ahi Kaa sections of the RNZ website.

29 RNZ is reviewing its Spoken Features and Drama production departments with the aim of creating a multi-media story-telling unit, drawing on commissioned and in-house expertise. Consequently the results may differ from the targets.

2. Commercial and alternative radio

| | Hours | | | | \$000 | | | |
|---|----------------|--------------------------|----------------|-----------------|----------------|--------------------------|----------------|----------------|
| | 2016/17 Target | 2015/16 Estimated Actual | 2015/16 Target | 2014/15 Actual | 2016/17 Budget | 2015/16 Estimated Actual | 2015/16 Budget | 2014/15 Actual |
| Spoken content | | | | | | | | |
| Children and young people | 280 | 287 | 212 | 159 | 305 | 275 | 305 | 337 |
| Spiritual | 79 | 54 | 60 | 62 | 140 | 75 | 140 | 118 |
| Ethnic/special interest | 104 | 208 | 104 | 4 ³⁰ | 75 | 150 | 75 | 9 |
| Māori issues (English language) | 96 | 96 | 96 | 96 | 75 | 75 | 75 | 75 |
| Subtotal | 559 | 645 | 472 | 321 | 595 | 575 | 595 | 539 |
| Net effect of write-backs and accounting adjustments for timing differences | - | - | - | - | - | (11) | - | (33) |
| Total spoken content | 559 | 645 | 472 | 321 | 595 | 564 | 595 | 506 |

3. New Zealand music

| | Quantity ³¹ | | | | \$000 | | | |
|---|------------------------|--------------------------|----------------|----------------|----------------|--------------------------|----------------|----------------|
| | 2016/17 Target | 2015/16 Estimated Actual | 2015/16 Target | 2014/15 Actual | 2016/17 Budget | 2015/16 Estimated Actual | 2015/16 Budget | 2014/15 Actual |
| Music funding | | | | | | | | |
| Commercial music funded | At least 120 | 130 | At least 120 | 133 | 2,000 | 2,000 | 2,000 | 2,054 |
| Alternative music funded | At least 80 | 94 | At least 80 | 106 | | | | |
| Music promotion | 60 | 61 | 61 | 64 | 2,000 | 2,224 | 2,624 | 2,773 |
| Subtotal music | - | - | - | 303 | 4,000 | 4,224 | 4,624 | 4,827 |
| Net effect of write-backs and accounting adjustments for timing differences | - | - | - | - | - | (90) | - | (196) |
| Total music | - | - | - | 303 | 4,000 | 4,134 | 4,624 | 4,631 |

30 Plus 104 hours of The Nutters Club funded in previous year.

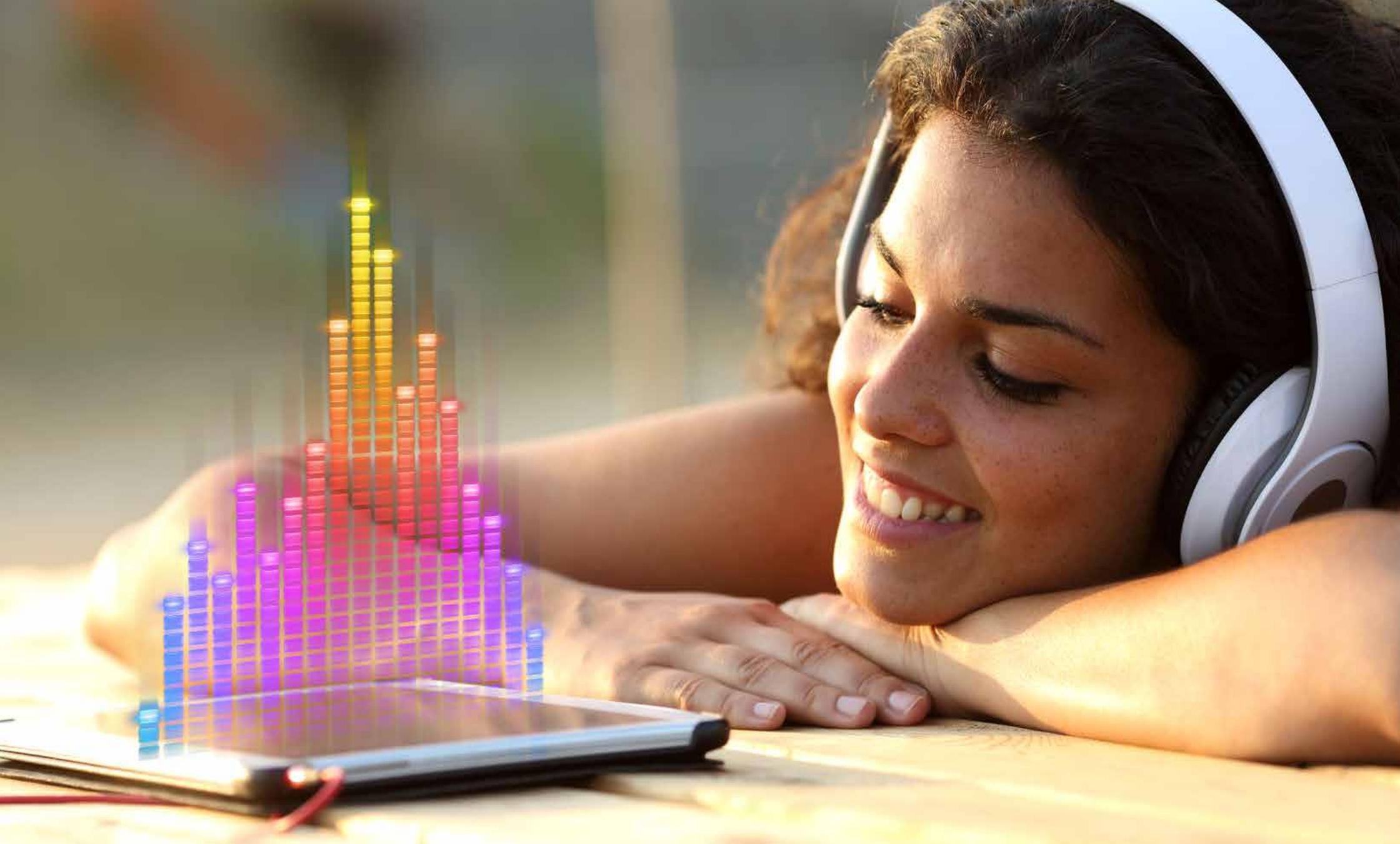
31 'Music funded' is a video, or a recorded song plus a video. We cannot separately forecast which type of application will be received.

2.2 Operational measures

Our SOI strategy requires that *a sound business case supports each funding decision*. We make investment decisions using nine consistent principles to ensure good decision-making in a volatile creative environment.³² To minimise overheads, good service delivery and processes are also crucial, allowing us to maximise investment in content.

| Measures | 2016/17 Target | 2015/16 Estimated Actual | 2015/16 Target | 2014/15 Actual | Investment principle |
|---|----------------|--------------------------|----------------|----------------|---|
| Goal 1 - We make the right decisions using good processes | | | | | |
| Investment processes are objective, based on current policy, and include a robust assessment of the application | 100% | 100% | 100% | 100% | Cultural value Content balance Risk Competition Value for money No duplication Leverage Partner capability |
| No investment decision or process has a significant adverse judicial review or Ombudsman finding | 0 | 0 | 0 | 0 | Fairness |
| Goal 2 - Our funding management processes serve industry clients efficiently and well | | | | | |
| % of complete applications received by deadline determined at the next funding round | 100% | 100% | 100% | 100% | Fairness Value for money |
| % of funding decisions notified to applicants within 5 working days of decision | 100% | 100% | 100% | 100% | |
| % of funding contracts correctly issued within 15 working days once conditions precedent are met | 100% | 100% | 100% | 100% | |
| % of funding payments correctly made within 10 working days of receiving a valid invoice once contract conditions are met | 100% | 100% | 100% | 100% | |
| Goal 3 - We minimise overheads to maximise investment funds | | | | | |
| Administration costs are a low % of total revenue | <3% | <3% | <3% | 2.6% | Value for money |

³² See the Statement of Intent p8. <http://www.nzonair.govt.nz/corporate-document-library/statement-of-intent-2014-2018/>



3. ORGANISATIONAL HEALTH AND CAPABILITY



3. Organisational health and capability

We are a small entity of 18 staff and rely on our staff being skilled, multi-functional and adaptable. We have formal good employer and personnel policies and a commitment to equal employment opportunities. We do not tolerate harassment or discrimination of any type.

Our measures are summarised below.

Health and capability performance measures

| Goal | Measure/Target | 2016/2017 Target | 2015/16 Estimated actual | 2014/15 Actual |
|--|---|-------------------------|--------------------------|-------------------------|
| Focus recruitment, training and remuneration policies on attracting and retaining skilled, flexible, efficient and knowledgeable team players | Full time staff turnover is no more than three people per annum | Achieve | Achieved | Achieved |
| | Individual staff training needs are assessed annually | Achieve | Achieved | Achieved |
| | External salary comparisons are conducted regularly to ensure staff are paid fairly | Some positions assessed | Deferred | Not measured (biannual) |
| Ensure staff are committed to the agency and its work | Staff engagement surveys are conducted at least bi-annually; results target to be in the top quartile of the cultural sector (next survey 2017) | Achieve | Not measured (biannual) | Achieved |
| Ensure our office environment and equipment are safe and well maintained | Reported safety hazards are attended to promptly, significant hazards are attended to immediately | Achieve | Achieved | Achieved |
| | Zero tolerance of harassment, bullying and discrimination. Immediate investigation if any instances are reported | Achieve | Achieved | Achieved |
| | Each new employee has an ergonomically suitable workspace within one month of beginning work | Achieve | Achieved | Achieved |
| Incorporate equal employment opportunity principles in staff selection and management, to achieve as diverse a workforce as possible within the limits of our small size | EEO Principles are included in all relevant documents and practices | Achieve | Achieved | Achieved |
| | A workforce diversity summary is included in the Annual Report | Achieve | Achieved | Achieved |



4. FORECAST FINANCIAL STATEMENTS



4. Forecast financial statements

Statement of forecast comprehensive revenue and expense

For the year ending 30 June 2017

| | 2016/17 Budget \$'000 | 2015/16 Budget \$'000 | 2015/16 Estimated Actual \$'000 |
|--|-----------------------------|-----------------------------|---------------------------------------|
| Revenue | | | |
| Crown revenue | 128,726 | 128,726 | 128,726 |
| Other revenue | 2,230 | 2,750 | 2,332 |
| Total revenue | 130,956 | 131,476 | 131,058 |
| Operating expenditure | | | |
| Administration services | 3,715 | 3,648 | 3,648 |
| Total operating expenditure | 3,715 | 3,648 | 3,648 |
| Funding expenditure | | | |
| Screen content | | | |
| National television | 80,680 | 81,371 | 82,079 |
| Regional media | | 1,350 | 720 |
| Digital-only media | 3,860 | 3,860 | 4,076 |
| Sound content | | | |
| Public radio | 31,816 | 31,816 | 31,816 |
| Special interest radio | 6,645 | 6,645 | 6,455 |
| NZ Music and other content | 4,000 | 4,624 | 4,134 |
| Development and support | | | |
| Industry development | 400 | 400 | 400 |
| Total funding expenditure | 127,401 | 130,066 | 129,680 |
| Total expenditure | 131,116 | 133,714 | 133,328 |
| Net deficit for the year | (160) | (2,238) | (2,270) |
| Other comprehensive revenue and expense | - | - | - |
| Total comprehensive revenue and expense | (160) | (2,238) | (2,270) |

Statement of forecast financial position

as at 30 June 2017

| | 2016/17 Budget \$000 | 2015/16 Budget \$000 | 2015/16 Estimated Actual \$000 |
|--|----------------------------|----------------------------|--------------------------------------|
| Current assets | | | |
| Cash and cash equivalents | 3,000 | 1,860 | 2,500 |
| Investments | 20,000 | 37,507 | 24,000 |
| Debtors and other receivables - interest | 150 | 600 | 200 |
| Debtors and other receivables - other | 150 | 400 | 150 |
| Total current assets | 23,300 | 40,367 | 26,850 |
| Non-current assets | | | |
| Property, plant and equipment | 350 | 380 | 265 |
| Intangible assets | - | - | 17 |
| Total non-current assets | 350 | 380 | 282 |
| Total assets | 23,650 | 40,747 | 27,132 |
| Current liabilities | | | |
| Trade and other payables | 300 | 540 | 335 |
| Employee entitlements | 150 | 160 | 150 |
| Funding liabilities | 23,153 | 40,000 | 26,440 |
| Total current liabilities | 23,603 | 40,700 | 26,925 |
| Net assets | 47 | 47 | 207 |
| Equity | | | |
| Equity at 30 June | 47 | 47 | 207 |
| Total Equity | 47 | 47 | 207 |



Statement of forecast changes in equity

For the year ending 30 June 2017

| | 2016/17 Budget \$000 | 2015/16 Budget \$000 | 2015/16 Estimated Actual \$000 |
|--|----------------------------|----------------------------|--------------------------------------|
| Balance at 1 July | 207 | 2,285 | 2,477 |
| Total comprehensive revenue and expense for the year | (160) | (2,238) | (2,270) |
| Balance at 30 June | 47 | 47 | 207 |

Statement of forecast cash flows

For the year ending 30 June 2017

| | 2016/17 Budget \$000 | 2015/16 Budget \$000 | 2015/16 Estimated Actual \$000 |
|---|----------------------------|----------------------------|--------------------------------------|
| Cash flows from operating activities | | | |
| Receipts from the Crown | 128,726 | 128,726 | 128,726 |
| Receipts from other revenue | 680 | 700 | 624 |
| Interest received | 1,600 | 2,100 | 1,700 |
| Payments to funded activities | (130,688) | (127,006) | (144,643) |
| Payments to suppliers and employees | (3,627) | (3,728) | (3,667) |
| Net cash from operating activities | (3,309) | 792 | (17,260) |
| Cash flows from investing activities | | | |
| Net receipts from investments | 4,000 | - | 17,500 |
| Receipts from the sale of property, plant and equipment | - | - | - |
| Purchases of property, plant and equipment | (191) | (100) | (49) |
| Net cash flows from investing activities | 3,809 | (100) | 17,451 |
| Net increase in cash and cash equivalents | 500 | 692 | 191 |
| Cash and cash equivalents at 1 July | 2,500 | 1,168 | 2,309 |
| Cash and cash equivalents at 30 June | 3,000 | 1,860 | 2,500 |



4.1 Statement of accounting policies

for the year ending 30 June 2017

Reporting Entity

The Broadcasting Commission (NZ On Air) is a Crown entity as defined by the Crown Entities Act 2004 and is domiciled and operates in New Zealand. The relevant legislation governing NZ On Air's operations includes the Crown Entities Act 2004 and the Broadcasting Act 1989. NZ On Air's ultimate parent is the New Zealand Crown. These forecast financial statements reflect the operations of NZ On Air only and do not incorporate any other entities. These forecast financial statements are for the year ending 30 June 2017.

NZ On Air's primary objective is to provide services to the New Zealand public. Our functions and responsibilities are set out in the Broadcasting Act 1989. The primary function is to serve audiences by investing in a wide range of New Zealand television, radio and online content. The purpose is to add a diversity of local content to the almost limitless range of foreign options available. NZ On Air does not operate to make a financial return. Accordingly, NZ On Air has designated itself as a public benefit entity (PBE) for the purposes of Financial Reporting.

Basis of Preparation

Statement of compliance

These forecast financial statements have been prepared in accordance with New Zealand generally accepted accounting practice. They have been prepared in accordance with Tier 1 PBE Standards including PBE FRS 42 Prospective Financial Statements.

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 PBE Standards 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 at the end of these notes.

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) NZ On Air is primarily funded by the Crown. This funding is restricted in use for the purpose of NZ On Air meeting its objectives specified in the Broadcasting Act 1989 and the scope of the relevant appropriation of the funder. NZ On Air considers there are no conditions attached to the funding and it is recognised as revenue at the point of entitlement.
- (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) 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 revenue and expense.

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 revenue and expense.

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 revenue and expense 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 | over the period of the lease (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 asset's fair value less costs to sell and value in use. The total impairment loss is recognised in the statement of comprehensive revenue and expense. Any subsequent reversal of an impairment loss is recognised in the statement of comprehensive revenue and expense.

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 revenue and expense 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.
- (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.

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 revenue and expense.

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 revenue and expense. 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 revenue and expense. 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).

Critical judgments in applying our accounting policies

Our provisions for funding expenditure policy 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:

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 2017 is \$0.475m, based on previous history of such balances.

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 historic activity, we judge that it is probable that all commitments at 30 June 2016 and 30 June 2017, without substantive contractual conditions to fulfill, will be completed.



who we are:
Directory

Members

Miriam Dean - of Auckland, Chair
Ross McRobie - of Wanaka
Kim Wicksteed - of Havelock North
Ian Taylor - of Dunedin
Helen Grattan - of Napier
John McCay - of Wellington

Staff

Jane Wrightson - Chief Executive
 Nicky Andrew - Executive Assistant
Allanah Kalafatelis - Communications Manager
Brenda Leeuwenberg - Head of Digital
Clare Helm - Chief Financial Officer
 Hui-Ping Wu - Accountant
 Siamonne Mounlath - Assistant Accountant
 Robyn Diamantis - Receptionist/Administrator (shared with BSA)
David Ridler - Head of Music & Radio
 Sarah Crowe - Assistant Music Manager
 Jeff Newton - Broadcast Promotions Executive
 Tania Dean - Repertoire Coordinator
 Hannah Brewer - Online Promotions Assistant
Glenn Usmar - Head of Television
 Benedict Reid - Assistant Head of Television
 Anna Currie - Television Funding Executive
 Gemma Fulton - Television Payments Coordinator
Keith Collins - Community Broadcasting Manager

Contact us

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