

Budget Expectations

March 2020

A. Purpose

This document clarifies NZ On Air's expectations around acceptable budget/line-items for funded projects. It should be read in conjunction with the advice given in our [resources for producers](#), particularly the **contract initiation form** and the **producers and cost reporting** documents.

This document will be reviewed and updated regularly, so please do refer to it when preparing your application budgets.

B. Introduction

NZ On Air tries to limit the number of rules we have around acceptable budget/line-items, as we accept that every project has its own unique situation. However there are some line items we will not accept within any funded budget. There are also some specific expectations around how certain line items should be treated.

NZ On Air's role is to provide a production subsidy for content creation, not provide a means for commissioning platforms to defray content acquisition expenses.

C. Items which NZ On Air **will not** accept in a funded project budget

All of the below items are considered by NZ On Air to be the usual business costs of content acquisition regardless of who funded the content.

- **Commissioning fee:** This includes any fee payable to the commissioning platform for the normal oversight of projects including; giving feedback, appraising content, ensuring content meets the platform's editorial requirements.
- **Producing or Executive Producing fee to be paid to a representative of the platform:** The expectation is all producing fees should go to the production company (or 3rd party individuals contracted for the production only). The exception is where the platform is also the production company; NZ On Air will accept producing fees in these cases.
- **Platform legal fees:** A platform has its own legal responsibilities as a broadcaster or publisher which are distinct and different from the legal responsibilities of an independent production company. Unless a platform has accepted the legal responsibilities and obligations of the production company (in a signed agreement) NZ On Air would not expect to see the Platform legal fees in a production budget. We may accept limited platform legal fees if they are tied to a specific necessary production activity (e.g. Archive rights clearance).
- **Platform's internal promotional fee:** Promotion of a production is considered the platform's responsibility outside of the production budget. Where a company owns multiple platforms (TV, Radio, Web) then NZ On Air has a strong expectation of content promotion across their platforms at no cost to NZ On Air.
 - NZ On Air may be willing to pay for some marketing content costs out of the production budget (photos, promotional videos, targeted social media campaigns), but would not expect larger platform companies with dedicated marketing departments to require this investment from NZ On Air.

D. Internal and Related Party costs

NZ On Air requires a Production Company's Internal and Related Party costs to be identified in a budget before contracting.

By Related Party Costs we mean any payment to:

- the Production Company;
- any shareholder, director, or employee of the Production Company;
- any near relative of a shareholder or director of the Production Company; and any entity in which any director, shareholder or near relative has a financial interest,
- or any payment for the producer's internal costs, such as an edit suite, cameras etc.

Where the Platform is not the Production Company

Where a line item is to be provided by a company that is an Internal or Related Party to the Platform owning or operating company, NZ On Air requires this line item to be identified to us.

We would anticipate that these line items would normally be non-cash resources to be provided as a licence fee to the production. We would rarely expect NZ On Air funding to cover these line-items and will require an explanation as to why a Production Company has to use this particular provider.

E. How to treat staff costs in a budget

When a production company is allocating a staff member's time to a production our expectation is that they should be charged to the production at their actual salary rate, plus direct costs e.g. plus 8% (for holiday), the ACC rate (approx. 1%, but different for each company), and if applicable a Kiwisaver employer contribution rate (normally up to 3%).

NZ On Air expects this rate will only apply when staff are working on the production (i.e. if they are taking annual leave, then there is no charge to the budget during that time).

F. Company or platform assets

NZ On Air does not allow productions to make capital purchases (i.e. assets such as cameras, laptops, etc) from production budgets. Any items (costumes, sets etc) purchased using production budgets should be sold and the income from sales reported as part of a production's final cost report.

- We would expect any internal non-human assets to be rented to the production at below market rates.
- We appreciate that production companies have to maintain and update equipment, however we do not expect to pay more in rent on one piece of equipment for one production than the cost of purchasing the equipment.
- If NZ On Air is funding multiple projects for one company at the same time, be careful that you are not charging out the same piece of equipment to more than one production at the same time (i.e. generally the expectation is that a single camera cannot be rented out for the same full working week to two different productions at the same time).
- Overhead costs should be related to the funded production and proportionate to that production.

G. Production Company Overhead (PCO) and contingency clarification

PCO should be no more than 10% of the cash Below the Line costs, or 7% of the Total cash budget costs.

Non-cash costs should not form part of the PCO calculations.

Contingency has the same maximum as PCO, however we would not expect a production to take both maximum Contingency and PCO unless it had been identified as a high-risk production (in which case we would expect some additional Health & Safety documentation, or explanation as to why the production requires extra unallocated funding).

NZ On Air does not expect to pay the maximum PCO for 'High cost' productions (this includes all productions seeking funding over \$1 Million).