

Statement of Performance EXPECTATIONS

2014-2015

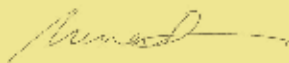


NZ On Air
Irirangi Te Motu



This Statement of Performance Expectations reflects our 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 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

8 May 2014



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INTRODUCTION

This is the first Statement of Performance Expectations prepared by NZ On Air (the Broadcasting Commission).

The statement provides information directly associated with the performance targets which we have set for the year ending 30 June 2015. All information is provided in accordance with the Crown Entities Act 2004.

Results of performance against these targets will be provided in our Annual Report which will be published by 31 October 2015. It is intended that interim results will be provided on our website periodically during the year.

This Statement of Performance Expectations is provided in three parts:

1. Statement of output performance

This section provides information on how we deliver the outputs purchased by the Minister of Broadcasting through two activity classes: "Screen Content" (television and digital media) and "Sound Content" (radio and music).

Investment targets and performance expectations 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.

2. Performance assessment and annual expectations

Our annual performance expectations provide targets, budgets and performance measures for the year ending 30 June 2015 in accordance with s149E of the Crown Entities Act 2004. These targets, budgets and performance measures reflect the forecast financial statements set out in section 3.

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.

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)

3. Forecast financial statements

The forecast financial statements provide all appropriate information and explanations needed to fairly reflect the forecast financial operations and financial position of NZ On Air for the year ending 30 June 2015 in accordance with s149G of the Crown Entities Act 2004.

1. Statement of output

PERFORMANCE

Figure 1 sets out the over-arching sector outcomes framework against which we develop our activities.

Figure 1: Outcomes framework

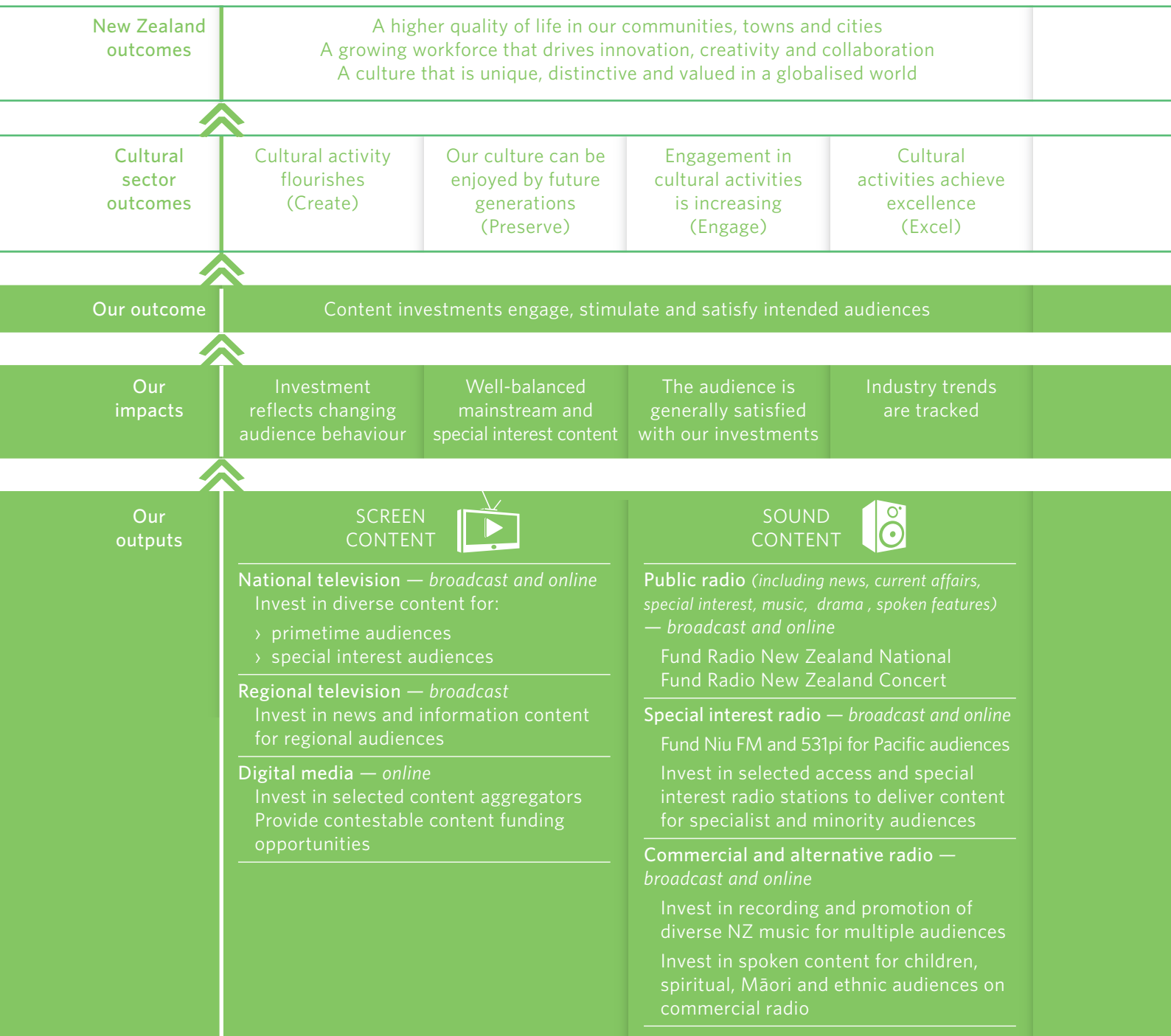




Figure 2 sets out a summary of our forecast output expenditure. All revenue and expenditure relates to one Output Class which is reported through two activities – Sound Content and Screen Content. In setting targets we have assumed that costs for the activities we fund will continue to rise, that we will be containing this rise where possible, and that our funding will remain around current levels.

Figure 2: Summary of forecast output expenditure

| Forecast revenue and expenditure | | 2014/15 | 2013/14 | 2013/14 | 2012/13 | | |
|----------------------------------|--|---|-------------------------------|------------------------------|----------------------------|----------------|-------|
| | | Forecast \$000 | SOI budget \$000 | Estimated Actual \$000 | Actual \$000 | | |
| Revenue | | | | | | | |
| Crown revenue | | 128,726 ¹ | 128,226 | 128,226 | 128,333 | | |
| Other revenue | | 2,650 | 2,350 | 2,430 | 3,069 | | |
| Total revenue | | 131,376 | 130,576 | 130,656 | 131,402 | | |
| Output Expenses | | | | | | | |
| Funding activity commitments | Screen content  | National television audiences - content funding | 81,411 | 81,291 | 81,192 | 80,924 | |
| | | Regional television audiences | Content funding | 1,500 | 1,500 | 1,350 | 1,720 |
| | | | Digital switchover assistance | - | - | - | 108 |
| | | Online audiences | 3,400 | 2,130 | 2,385 | 2,325 | |
| | Sound content  | Public radio audiences | 31,816 | 31,816 | 31,816 | 31,816 | |
| | | Special interest radio audiences | 6,050 | 6,099 | 5,954 | 6,039 | |
| | | Commercial and alternative radio audiences | 640 | 645 | 640 | 523 | |
| | | Music audiences | 4,814 | 4,774 | 4,773 | 5,114 | |
| | Total funding commitments | | 129,631 | 128,255 | 128,110 | 128,569 | |
| | Funding administration | | 3,400 | 3,230 | 3,230 | 3,182 | |
| Total output expenses | | 133,031 | 131,485 | 131,340² | 131,751² | | |

1. The 2012/13 budget included a permanent baseline transfer of \$1million to MCH (plus a \$500,000 grant) to recognise the transfer of funding responsibility for radio archiving to MCH. The grant of \$500,000 was repeated for one final year in 2013/14 and was not a permanent baseline reduction.
2. Actual figures include any 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 reports.

2. Performance assessment and annual EXPECTATIONS

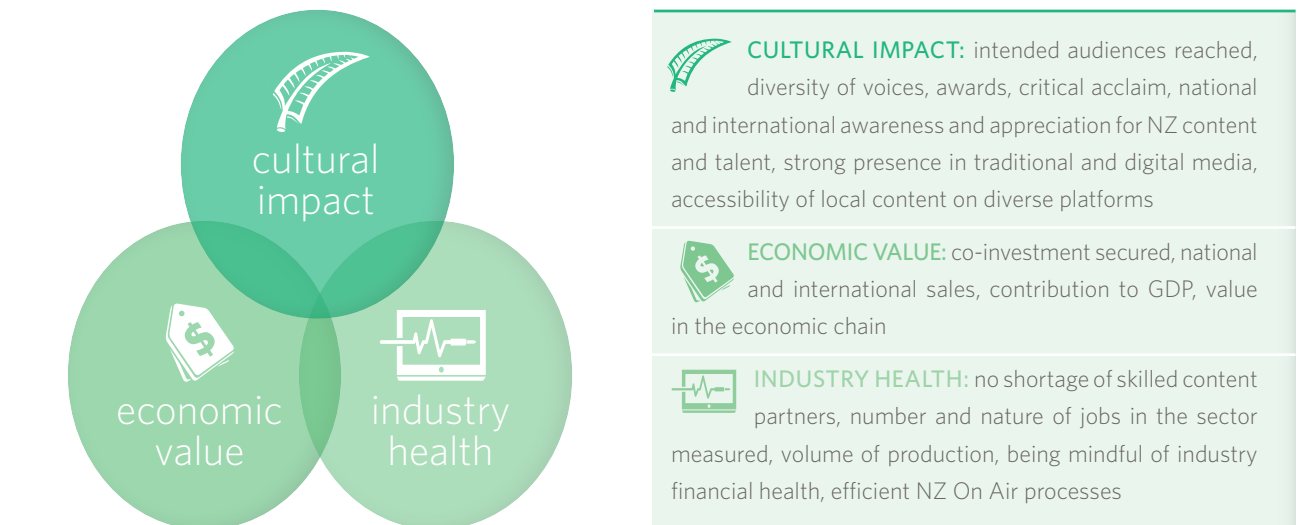
2.1 Overall framework

We are developing a framework to assess the wider impacts of our work. The framework considers the cultural, economic and industry impacts resulting from our investments. See Figure 6.

As the Statement of Intent describes, we will use three subjects of measurement (effectiveness indicators) as shown in Figure 3.

This is similar to an ‘impact to outcome’ model. It is adapted from a model used by funding agency Telefilm Canada. We will develop further measures in stages and ultimately hope to find useful international benchmarks.


Figure 3: Measurement framework



2.2 Effectiveness indicators

Figure 4 sets out over-arching effectiveness indicators. These consider the wider contribution of local content diversity to the cultural and social fabric of New Zealand. Refer to Figure 1 for the outcomes links. In all the figures below, * indicates a new measure for 2014/15.

Figure 4: Key effectiveness measures

| Effectiveness indicator: Cultural impact  | | | | | |
|--|--|----------------|--------------------|---------------------|----------------|
| SOI strategies: Better understand our intended audiences needs Seek more mileage for music | | | | | |
| Impact | Impact measure | 2014-15 target | 2013-14 SOI target | 2013-14 est. actual | 2012-13 actual |
| Intended audiences are generally satisfied with our investments | The majority of New Zealanders believe NZ On Air supports content important to New Zealanders: | | | | |
| | Television programmes | 75% | 74% | 74% | 78% |
| | Radio programmes | 72% | 70% | 70% | 74% |
| | Audience response to funded television projects is tracked to measure reach | 100% | * | * | * |
| | Making Tracks funded songs will achieve a targeted average number of plays on: ³ | | | | |
| | Radio | 750 | * | * | * |
| | Music TV | 150 | | | |
| | Online | 50,000 | | | |

3. While the average number of plays on radio (and TV) appears significantly smaller than the number online, these plays have a significantly greater reach in that up to 400,000 people may be listening in any given week.

Effectiveness indicator: Cultural impact



SOI strategy: Maintain a balance of varied mainstream and special interest content

| Impact | Impact measure | 2014-15 target | 2013-14 SOI target | 2013-14 est. actual | 2012-13 actual | |
|---|--|-----------------|--------------------|---------------------|----------------|--|
| Well-balanced mainstream and special interest content | At least half of television contestable fund expenditure is for prime time content. ⁴ <i>This overall measure is a combination of the following genre targets:</i> | 50% | 50% | 50% | 55% | |
| | Genre targets for prime time Contestable Fund screening are: | | | | | |
| | Drama/Comedy | 95% | 100% | 95% | 92% | |
| | Documentary/Factual | 100% | 100% | 100% | 99% | |
| | Children & Young People | 9% | 0% | 15% | 7% | |
| | Māori Programmes | 72% | 66% | 70% | - | |
| | Arts/Culture/Identity | 52% | 66% | 63% | 79% | |
| | Minorities | 0% | 0% | 0% | 0% | |
| | Disability | 0% | 0% | 0% | 0% | |
| | Genre targets for prime time Platinum Fund screening are: | | | | | |
| | Drama | 100% | 100% | 100% | 100% | |
| | Documentary/Current Affairs | 67% | 67% | 72% | 75% | |
| | Arts/Culture/Identity | 100% | 100% | 100% | 100% | |
| | At least one special interest audience is surveyed every two years to establish target audience satisfaction with funded content | Achieved | * | * | * | |
| | Funded music is balanced between mainstream/ alternative audience appeal | 60/40 | 60/40 | 58/42 | 54/46 | |
| | For <i>MakingTracks</i> projects designated Commercial: | | | | | |
| | › % of songs that achieve a Radio Scope NZ40 Airplay Chart peak | 65% | 60% | 60% | 64% | |
| › % of music videos that achieve a Radio Scope Top 40 Music Television Chart peak | 25% | 20% | 25% | 58% | | |
| For <i>MakingTracks</i> projects designated Alternative: | | | | | | |
| › % of songs that achieve a Radio Scope Alt40 Airplay Chart peak | 60% | 60% | 50% | 48% | | |
| › % of music videos that achieve a Radio Scope Top 40 Music Television Chart peak | 20% | 20% | 25% | 33% | | |

4. Prime time targets reflect anticipated outcomes.

Effectiveness indicator: Cultural impact



SOI strategy: Foster greater collaboration in community radio

| Impact | Impact measure | 2014-15 target | 2013-14 SOI target | 2013-14 est. actual | 2012-13 actual |
|---|--|----------------|--------------------|---------------------|----------------|
| Well-balanced mainstream and special interest content | Funded special interest radio broadcast programmes in at least 40 different languages including at least 9 of Pacific origin | Achieve | * | * | * |
| | Maintain an active programme of community broadcasting collaboration discussions | Achieve | * | * | * |

SOI strategy: Test different and diverse digital initiatives

| | | | | | |
|---|---|---------|---|---|---|
| Investment reflects changing audience behaviour | Expand the range of RFP's for digital media | Achieve | * | * | * |
|---|---|---------|---|---|---|

Effectiveness indicator: Economic value



SOI strategy: Be a respected source of information and expertise

| Impact | Impact measure | 2014-15 target | 2013-14 SOI target | 2013-14 est. actual | 2012-13 actual |
|--|---|----------------|--------------------|---------------------|----------------|
| Useful data informs both investment decisions and industry knowledge | Published analytical reports inform stakeholders about marketplace activity | Achieve | * | * | * |

Effectiveness indicator: Industry health



SOI strategy: Industry trends are tracked

| Impact | Impact measure | 2014-15 target | 2013-14 SOI target | 2013-14 est. actual | 2012-13 actual |
|---|--|---------------------------------|--------------------|---------------------|----------------|
| There are sufficient potential content partners | Demand for funding exceeds supply in that the number of applications received exceeds the funding available. | | | | |
| | % of successful applications for: | | | | |
| | Television ⁵ | 75% | * | * | * |
| | Music | 20% | * | * | * |
| | Digital | 10% | * | * | * |
| Commercial television broadcasters fully fund a proportion of local content | First run free-to-air hours not funded by NZ On Air as a % of all local content <i>(Calendar year: excludes publicly-funded Māori Television)</i> | At least 75% (calendar year) | * | * | * |

5. 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.

2.3 Annual service management indicators

We minimise overhead to maximise content investment, so being efficient is crucial. We also make decisions using nine consistent investment principles (set out in the SOI). Our measures are summarised in Figure 5.

Figure 5: Efficiency goals & measures

| Efficiency goal: We make the right decisions using good processes | | | | | |
|--|---|----------------|--------------------|---------------------|----------------|
| SOI strategy: Ensure a sound business case supports each funding decision | | | | | |
| Relevant investment principle (see <i>Statement of Intent</i>) | Efficiency measures | 2014-15 target | 2013-14 SOI target | 2013-14 est. actual | 2012-13 actual |
| Cultural value Content balance Competition Value for money No duplication Leverage/Risk | Investment processes are objective, based on current policy, and include a robust assessment of the application | 100% | * | * | * |
| Fairness | Investment decision or process with a significant adverse judicial review or Ombudsman finding | 0 | 0 | 0 | 0 |
| Efficiency goal: Content investments are delivered to broadcast quality | | | | | |
| Partner capability Risk | Almost all completed projects are broadcast or uploaded within 12 months of formal delivery (<i>previously a 15 month target</i>) | 99% | 99% | 100% | 100% |
| Efficiency goal: Our funding processes serve industry clients efficiently and well | | | | | |
| Fairness Value for money | % of complete applications received by deadline that are determined at the next funding round | 100% | 100% | 100% | 100% |
| | % of funding decisions notified to applicants within 5 working days of decision | 100% | * | * | * |
| | % of funding contracts correctly issued within 15 working days once conditions precedent are met | 100% | * | * | * |
| | % of funding payments correctly made within 10 working days of receiving a valid invoice once contract conditions are met | 100% | * | * | * |
| Efficiency goal: We keep administration costs low to maximise available investment funds | | | | | |
| Cultural value Value for money | Administration costs are a low % of total revenue | <3% | 2.4% | 2.4% | 2.4% |

2.4 Annual organisational health and capability indicators

We are a small entity of 17 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 goals and measures are summarised in Figure 6.

Figure 6: Health and capability performance measures

| Goal | Measure | 2014-15 target | 2013-14 SOI target | 2013-14 est. actual | 2012-13 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 | Achieved | Achieved | 2 | 2 |
| | Individual staff training needs assessed annually | Achieved | Achieved | Achieved | Achieved |
| | External salary comparisons conducted regularly to ensure staff are paid fairly | Achieved | n/a | Completed previous year | Some positions assessed |
| Ensure staff are committed to the agency and its work | Staff engagement surveys conducted at least bi-annually; results target to be in the top quartile of the cultural sector (next survey 2015) | Achieved | n/a | n/a | Achieved |
| Ensure our office environment and equipment are safe and well maintained | Reported safety hazards attended to promptly, significant hazards attended to immediately | Achieved | Achieved | Achieved | Achieved |
| | Zero tolerance of harassment, bullying and discrimination. Immediate investigation if any instances are reported | Achieved | Achieved | Achieved | Achieved |
| | Each new employee has an ergonomically suitable workspace within one week of beginning work | Achieved | Achieved | 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 included in all relevant documents and practices | Achieved | Achieved | Achieved | Achieved |
| | A workforce diversity summary is included in the Annual Report | Achieved | * | * | * |
| As vacancies arise in each agency, options are considered for improving capability that might result from the new co-location of three media agencies | NZ On Air will endeavour to consult NZFC and BSA as vacancies arise | 100% | * | * | * |

2.5. Annual output performance measures

This section covers the detailed targets, budgets and measures for the year ending 30 June 2015.

One output is split into two activities: screen content (television and digital media) and sound content (radio and music). Target hours are indicative only, given our contestable environment.

Activity 1: Screen content

Activity objective: invest in diverse, relevant content; maximise available funding through skilful investment and collaboration opportunities; explore and maximise digital opportunities.



Figure 7: Key performance measures - screen

| | 2014/15 target | 2013/14 estimated actual | 2012/13 actual | 2011/12 actual |
|---|----------------|--------------------------|----------------|----------------|
| The majority of New Zealanders believe NZ On Air supports television programmes and activities important to New Zealanders | 75% | 74% | 78% | 78% |
| At least half of general contestable fund expenditure is for prime time (6pm-10pm) programmes | 50% | 50% | 55% | 62% |
| The average number of New Zealanders watching funded television programmes that are broadcast during primetime on Type One channels | 300,000 | * | * | * |
| Every week at least half of all New Zealanders are reached by the broadcast of funded television programmes | 55% | * | * | * |
| Increase investment in online content and platforms as NZ audiences grow | 3% | 2.5% | 1.8% | * |

Key performance measures are focused on the results of our funding (outcomes). The detailed investment measures and budgets in Figure 8 show how we intend to allocate funding to the various screen content areas (outputs).

Figure 8: Screen content investment measures and targets

| National television | Hours | | | | \$'000 | | | |
|-------------------------------|----------------|----------------------|---------------------|----------------|----------------|----------------------|---------------------|----------------|
| | 2014/15 target | 2013/14 budget (SOI) | 2013/14 est. actual | 2012/13 actual | 2014/15 target | 2013/14 budget (SOI) | 2013/14 est. actual | 2012/13 actual |
| General contestable fund | | | | | | | | |
| Drama/Comedy | 85.5 | 90 | 73.5 | 101.5 | 26,239 | 27,460 | 24,307 | 27,171 |
| Documentary/Factual | 66 | 73 | 74 | 94.9 | 7,500 | 7,500 | 7,979 | 9,187 |
| Children & Young People | 361.2 | 433 | 367.3 | 447.6 | 14,142 | 13,716 | 15,051 | 14,377 |
| Māori programmes ⁶ | 35.5 | 36 | 43 | - | 4,000 | 4,000 | 4,318 | - |
| Arts/Culture/Identity | 31 | 27 | 30.8 | 44.5 | 1,850 | 1,850 | 1,803 | 2,736 |
| Minorities | 139.5 | 130 | 140.5 | 143.0 | 7,959 | 6,962 | 7,872 | 7,508 |
| Disability services | 18.5 | 18 | 18 | 19.5 | 4,300 | 4,472 | 4,530 | 4,848 |
| Development | n/a | n/a | n/a | n/a | 310 | 220 | 320 | 247 |
| Total general fund | 737.2 | 807 | 747.1 | 851 | 66,300 | 66,180 | 66,180 | 66,074 |

6 A separate Māori programmes category was first introduced in the 2013/14 financial year.



Figure 8 continued

| | Hours | | | | \$'000 | | | |
|---|----------------|----------------------|---------------------|----------------|----------------|----------------------|---------------------|----------------|
| | 2014/15 target | 2013/14 budget (SOI) | 2013/14 est. actual | 2012/13 actual | 2014/15 target | 2013/14 budget (SOI) | 2013/14 est. actual | 2012/13 actual |
| National television cont'd | | | | | | | | |
| Platinum fund | | | | | | | | |
| Drama | 8 | 8 | 8 | 9 | 8,800 | 8,800 | 8,858 | 7,898 |
| Documentary | 98 | 93 | 99 | 102 | 5,231 | 5,231 | 6,221 | 6,920 |
| Current Affairs | | | | | | | | |
| Arts/Culture/Identity | 6 | 6 | 1 | 0 | 1,080 | 1,080 | 211 | 0 |
| Total Platinum fund | 112 | 107 | 108 | 111 | 15,111 | 15,111 | 15,290 | 14,818 |
| Total national television | 849.2 | 914 | 855.1 | 962 | 81,411 | 81,291 | 81,470 | 80,892 |
| Net effect of write-backs and accounting adjustments for timing differences | - | - | - | - | - | - | (278) | 32 |
| Total national television | 849.2 | 914 | 855.1 | 962 | 81,411 | 81,291 | 81,192 | 80,924 |

| | Hours | | | | \$'000 | | | |
|---|----------------|----------------------|---------------------|----------------|----------------|----------------------|---------------------|----------------|
| | 2014/15 target | 2013/14 budget (SOI) | 2013/14 est. actual | 2012/13 actual | 2014/15 target | 2013/14 budget (SOI) | 2013/14 est. actual | 2012/13 actual |
| Regional television | | | | | | | | |
| Local news and information | 800 | 1,200 | 840 | 993 | 1,500 | 1,500 | 1,350 | 1,720 |
| Regional television digital switchover assistance (closed as at 30 June 2013) | - | - | - | - | - | - | - | 108 |
| Total regional television | 800 | 1,200 | 840 | 993 | 1,500 | 1,500 | 1,350 | 1,828 |

| | Quantity | | | | \$'000 | | | |
|---|----------------|----------------------|---------------------|----------------|----------------|----------------------|---------------------|----------------|
| | 2014/15 target | 2013/14 budget (SOI) | 2013/14 est. actual | 2012/13 actual | 2014/15 target | 2013/14 budget (SOI) | 2013/14 est. actual | 2012/13 actual |
| Online | | | | | | | | |
| Contestable digital media fund | 12 | - | 11 | 8 | 3,400 | 1,000 | 1,030 | 470 |
| Digital platforms | 2 | 2 | 2 | 2 | | 1,130 | 1,130 | 1,130 |
| General | 2 | - | 2 | - | | - | 225 | - |
| Total | 15 | 1 | 14 | 9 | 3,400 | 2,130 | 2,385 | 1,600 |
| Net effect of write-backs and accounting adjustments for timing differences | - | - | - | - | - | - | - | 725 |
| Total online | 15 | 1 | 14 | 9 | 3,400 | 2,130 | 2,385 | 2,325 |

Activity 2: Sound content

Activity objective: invest in diverse, relevant content; maximise available funding through skilful investment and collaboration opportunities; explore and maximise digital opportunities.



Figure 9: Key performance measures - sound

| | 2014/15 target | 2013/14 estimated actual | 2012/13 actual | 2011/12 actual |
|--|-------------------|--------------------------------|-------------------|-------------------|
| The majority of New Zealanders believe NZ On Air supports local content for radio important to New Zealanders | 72% | 70% | 74% | 69% |
| NZ music content on radio and music television is at least 20% (target % of NZ music on radio stations bound by the Radio Broadcasters Association NZ Music Code) | 20% | 18% | 17.43% | 18.10% |
| Achieve an increasing % of NZ music on alternative radio | 38.75% | 38.25% | 38.14% | 36.59% |

Key performance measures are focused on the results of our funding (outcomes). The detailed investment measures and budgets in Figure 10 show how we intend to allocate funding to the various sound content areas (outputs).

Figure 10: Sound content investment measures and targets

Radio New Zealand: Qualitative measures

| | 2014/15 target | 2013/14 budget (SOI) | 2013/14 est. actual | 2012/13 actual |
|---|-------------------|----------------------------|---------------------------|-------------------|
| Of New Zealanders independently surveyed, maintain the percentage of - | | | | |
| The general public that agrees Radio New Zealand broadcasts programmes of interest to a wide cross-section of New Zealanders. | 88% | 84 | 87% | 87% |
| Radio New Zealand National listeners who are very satisfied or quite satisfied with quality of Radio New Zealand National programming. | 88% | 89 | 88% | 90% |
| Listeners who agree Radio New Zealand National provides in-depth news and current affairs about New Zealand. | 93% | 94 | 93% | 93% |
| Radio New Zealand Concert listeners who are very satisfied or quite satisfied with quality of Radio New Zealand Concert programming. | 75% | 80 | 75% | 74% |
| 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 | 1 |

Figure 10 continued



Public radio

Radio New Zealand: Qualitative measures

| Ensure Radio New Zealand provides programme types specified in the Broadcasting Act 1989: | | 2014/15 target | 2013/14 budget (SOI) | 2013/14 est. actual | 2012/13 actual |
|---|--|----------------|----------------------|---------------------|----------------|
| RNZ National | Māori Language and Culture (Hours) | 350 | 350 | 350 | 342 |
| | Special Interest (Hours) | 400 | 400 | 400 | 462 |
| | NZ Drama, Fiction and Comedy (Hours) | 250 | 250 | 250 | 295 |
| | % of NZ music on rotate | 33% | 33% | 33% | 34.6% |
| | % of population able to receive transmission | 97% | 97% | 97% | 97% |
| RNZ Concert | % of NZ composition | 3.5% | 3.5% | 3.5% | 4.1% |
| | % of NZ music performance | 16.0% | 16% | 16.0% | 16.8% |
| | % 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 |

Community radio

| | | Hours | | | | \$'000 | | | |
|-----------------------------------|--|----------------|----------------------|---------------------|----------------|----------------|----------------------|---------------------|----------------|
| | | 2014/15 target | 2013/14 budget (SOI) | 2013/14 est. actual | 2012/13 actual | 2014/15 target | 2013/14 budget (SOI) | 2013/14 est. actual | 2012/13 actual |
| Access and special interest radio | | 24,000 | 24,500 | 24,000 | 26,160 | | | 2,309 | 2,394 |
| Pacific Radio | Samoa Capital Radio | | | | 1,976 | | | 180 | 180 |
| | Niu FM and 531pi Total broadcast hours | 15,000 | 15,500 | 15,000 | 8,672 | 6,050 | 6,099 | 3,465 | 3,465 |
| | Hours of programming in at least 9 Pacific languages | | | | 3,952 | | | | |
| Total community radio | | 39,000 | 40,000 | 39,000 | 40,760 | 6,050 | 6,099 | 5,954 | 6,039 |

Commercial and alternative radio

| | | Hours | | | | \$'000 | | | |
|---------------------------------|--|----------------|----------------------|---------------------|----------------|----------------|----------------------|---------------------|----------------|
| | | 2014/15 target | 2013/14 budget (SOI) | 2013/14 est. actual | 2012/13 actual | 2014/15 target | 2013/14 budget (SOI) | 2013/14 est. actual | 2012/13 actual |
| Spoken content | | | | | | | | | |
| Children & Young People | | 264 | 212 | 220 | 212 | 375 | 350 | 402 | 261 |
| Spiritual | | 60 | 90 | 80 | 84 | 115 | 120 | 115 | 114 |
| Ethnic/special interest | | 104 | 24 | 104 | 104 | 75 | 100 | 48 | 73 |
| Māori issues (English language) | | 96 | 96 | 95 | 96 | 75 | 75 | 75 | 75 |
| Total spoken content | | 524 | 422 | 499 | 496 | 640 | 645 | 640 | 523 |

| New Zealand music | Quantity ⁷ | | | | \$'000 | | | |
|---|-----------------------|----------------------|---------------------|----------------|----------------|----------------------|---------------------|----------------|
| | 2014/15 target | 2013/14 budget (SOI) | 2013/14 est. actual | 2012/13 actual | 2014/15 target | 2013/14 budget (SOI) | 2013/14 est. actual | 2012/13 actual |
| Music funding | | | | | | | | |
| Commercial projects funded | At least 120 | At least 160 | 132 | 133 | 2,040 | 2,040 | 2,040 | 2,044 |
| Alternative projects funded | At least 80 | At least 100 | 98 | 114 | | | | |
| Music promotion | | | | | | | | |
| Content promoting NZ music - sound | 58 | 30 | 50 | 22 | 1,400 | 1,450 | 1,450 | 1,487 |
| Content promoting NZ music - screen | 3 | 3 | 3 | 2 | 350 | 350 | 350 | 350 |
| Other promotion and digital media | - | - | 2 | 3 | 1,024 | 934 | 933 | 1,304 |
| Total music promotion | 61 | 33 | 55 | 27 | 2,774 | 2,734 | 2,733 | 3,141 |
| Subtotal music | - | - | 285 | 274 | 4,814 | 4,774 | 4,773 | 5,185 |
| Net effect of write-backs and accounting adjustments for timing differences | - | - | - | - | - | - | - | (71) |
| Total music | - | - | 285 | 274 | 4,814 | 4,774 | 4,773 | 5,114 |

7. Projects funded are a video or a song plus a video. We cannot separately forecast which type of application will be received.

3. Forecast financial

STATEMENTS

Statement of forecast comprehensive revenue and expense

for the year ending 30 June 2015

| | 2014/15 | 2013/14 | 2013/14 |
|---|-----------------|-----------------|------------------------------|
| Note | Budget \$000 | Budget \$000 | Estimated actual \$000 |
| Revenue | | | |
| Crown revenue | 128,726 | 128,226 | 128,226 |
| Other revenue | 2,650 | 2,350 | 2,430 |
| Total revenue | 131,376 | 130,576 | 130,656 |
| Expenses | | | |
| <i>Operating expenditure</i> | | | |
| Funding administration | 3,400 | 3,230 | 3,230 |
| <i>Funding expenditure (net of write-backs of commitments not used)</i> | | | |
| <i>Screen content</i> | | | |
| National television | 81,411 | 81,291 | 81,192 |
| Regional television | 1,500 | 1,500 | 1,350 |
| Online | 3,400 | 2,130 | 2,385 |
| <i>Sound content</i> | | | |
| Public radio | 31,816 | 31,816 | 31,816 |
| Special interest radio | 6,690 | 6,744 | 6,594 |
| Music and other content | 4,814 | 4,774 | 4,773 |
| Total expenditure | 133,031 | 131,485 | 131,340 |
| Net (Deficit)/Surplus for the year | (1,655) | (909) | (684) |
| Other comprehensive revenue and expense | - | - | - |
| Total comprehensive revenue and expense | (1,655) | (909) | (684) |

Statement of forecast movements in equity

for the year ending 30 June 2015

| | 2014/15 | 2013/14 | 2013/14 |
|---------------------------------------|-----------------|-----------------|------------------------------|
| Note | Budget \$000 | Budget \$000 | Estimated actual \$000 |
| Opening equity committed | 1,426 | 2,508 | 1,426 |
| Opening equity uncommitted | 2,639 | 1,863 | 3,323 |
| Plus: Net operating surplus (deficit) | (1,655) | (909) | (684) |
| Equity 30 June | 2,410 | 3,462 | 4,065 |
| <i>comprising</i> | | | |
| Equity 30 June committed | 1,426 | 2,508 | 1,426 |
| Equity 30 June uncommitted | 984 | 954 | 2,639 |

Statement of forecast financial position

as at 30 June 2015

| | 2014/15 | 2013/14 | 2013/14 |
|--|-----------------|-----------------|------------------------------|
| Note | Budget \$000 | Budget \$000 | Estimated actual \$000 |
| Current assets | | | |
| Cash and cash equivalents | 1,168 | 6,000 | 2,369 |
| Investments | 41,326 | 34,500 | 40,936 |
| Debtors and other receivables - interest | 600 | 650 | 650 |
| Debtors and other receivables - other | 450 | 500 | 400 |
| Total current assets | 43,544 | 41,650 | 44,355 |
| Non-current assets | | | |
| Property, plant and equipment | 560 | 350 | 700 |
| Total non-current assets | 560 | 350 | 700 |
| Total assets | 44,104 | 42,000 | 45,055 |
| Current liabilities | | | |
| Trade and other payables | 600 | 500 | 400 |
| Employee entitlements | 130 | 120 | 120 |
| Funding liabilities | 40,964 | 37,918 | 40,470 |
| Total current liabilities | 41,694 | 38,538 | 40,990 |
| Public equity | | | |
| Equity committed | 1,426 | 2,508 | 1,426 |
| Equity uncommitted | 984 | 954 | 2,639 |
| Total equity 30 June | 2,410 | 3,462 | 4,065 |
| Total liabilities and public equity | 44,104 | 42,000 | 45,055 |

Statement of forecast cash flows

for the year ending 30 June 2015

| | 2014/15 | 2013/14 | 2013/14 |
|---|-----------------|-----------------|------------------------------|
| Note | Budget \$000 | Budget \$000 | Estimated actual \$000 |
| Cash flows from operating activities | | | |
| Receipts from Crown revenue | 128,726 | 128,226 | 128,226 |
| Receipts from other revenue | 700 | - | 380 |
| Payments to funded activities | (129,137) | (132,773) | (128,348) |
| Payment to suppliers and employees | (3,290) | (3,230) | (3,230) |
| Net cash flows operating activities | (3,001) | (7,777) | (2,972) |
| Cash flows from investing activities | | | |
| Interest received | 2,050 | 2,100 | 2,050 |
| Purchases of property, plant and equipment | (250) | (323) | 395 |
| Cash flows from investing activities | 1,800 | 1,777 | 2,445 |
| Net Increase/(Decrease) in cash | (1,201) | (6,000) | (527) |
| Opening cash and cash equivalents | 2,369 | 12,000 | 2,896 |
| Closing cash and cash equivalents | 1,168 | 6,000 | 2,369 |

3.1 Notes to the financial statements

Note 1 Statement of accounting policies for the year ending 30 June 2015

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 (PBE) for the purposes of Financial Reporting.

These forecast 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 2015.

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 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 asset's 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.
- 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 case 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).

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:

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 2015 and 30 June 2014 is \$1.426m, the actual value at 30 June 2013.

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 2014 and 30 June 2015, without substantive contractual conditions to fulfill, will be completed.

