

# Statement of Performance EXPECTATIONS

for the year ending 30 June 2016

**NZ On Air**  
Irirangi Te Motu

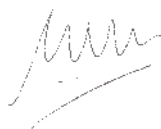


This Statement of Performance Expectations reflects NZ On Air's proposed performance targets and forecast financial information for the year ahead. It is produced in accordance with s149E of the Crown Entities Act 2004.

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



**Miriam Dean** CNZM, QC  
*Chair*



**Stephen McElrea**  
*Chair Audit & Risk Committee*  
23 June 2015

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## INTRODUCTION

Our Statement Of Intent 2014–2018<sup>1</sup>, published in 2014, sets out our over-arching strategies for a four year period.

This Statement of Performance Expectations 2015/16 presents a concise set of annual measures and targets for an operating year. Results of performance against these targets will be provided in our Annual Report which will be published by 31 October 2016.

Half-yearly progress will be posted on our website during the year.

This Statement of Performance Expectations is provided in three parts:

### 1. Statement of output performance

This section provides information on the output purchased by the Minister of Broadcasting – Public Broadcasting Services – delivered through two activity classes

- » Screen Content (television and digital media)
- » Sound Content (radio and music)

All targets 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.

### 2. Performance assessment and annual expectations

We provide targets, budgets and performance measures for the year ending 30 June 2016 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 2016 in accordance with s149G of the Crown Entities Act 2004.

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

# 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

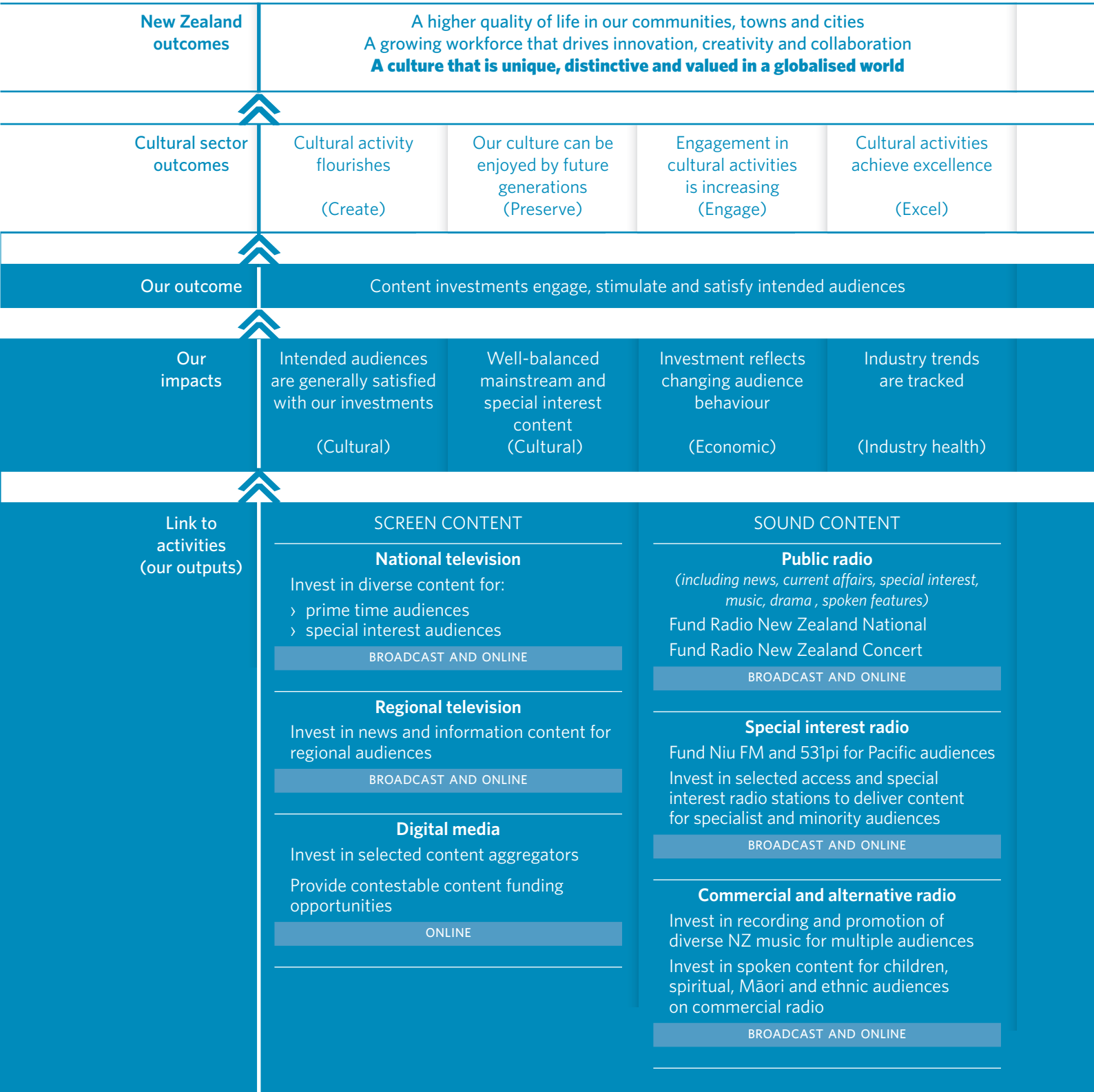


Figure 2 summarises forecast expenditure. In setting budgets we have assumed that costs for the activities we fund will continue to rise, that we will be containing this rise where possible, and that our funding will remain at around current levels.

Figure 2: Summary of forecast output expenditure

Forecast revenue and expenditure				2015/16	2014/15	2014/15	2013/14
Revenue				Forecast \$000	Budget \$000	Estimated Actual \$000	Actual \$000
Crown revenue				128,726	128,726	128,726	128,226 <sup>2</sup>
Other revenue				2,750	2,650	2,720	2,627
<b>Total revenue</b>				<b>131,476</b>	<b>131,376</b>	<b>131,446</b>	<b>130,853</b>

Output expenses - content funding				%				
Funding activity commitments	Screen content	National television audiences <sup>3</sup>	61	81,371	81,411	83,040	80,792	
		Regional television audiences <sup>3</sup>	1	1,350	1,500	1,350	1,239	
		Online audiences	3	3,860	3,400	3,560	2,558	
	Sound content	Public radio audiences	24	31,816	31,816	31,816	31,944	
		Special interest radio audiences	4	6,050	6,050	5,870	5,896	
		Commercial and alternative radio audiences	0.5	595	640	655	658	
		Music audiences <sup>3</sup>	3.5	4,624	4,814	4,704	3,801	
	<b>Total content funding</b>			<b>97</b>	<b>129,666</b>	<b>129,631</b>	<b>130,995</b>	<b>126,888</b>
	Development and support funding <sup>3</sup>			0.3	400	*	*	*
	Funding administration			2.7	3,648	3,400	3,515	3,365
<b>Total output expenses</b>			<b>100</b>	<b>133,714</b>	<b>133,031</b>	<b>134,510</b>	<b>130,253</b>	

- 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.
- Development and support funding is a new category of expenditure for the purpose of industry support. It draws upon funds used for this purpose already but previously reported within national television, regional television and music. We have now consolidated this within a single category.

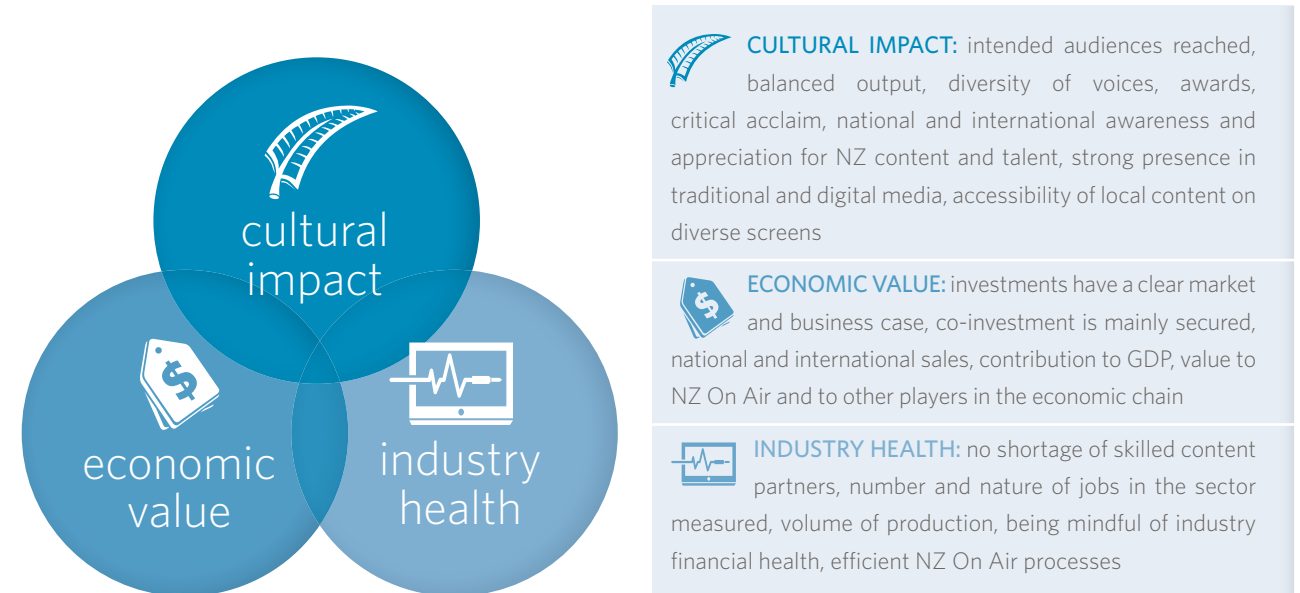
## 2. PERFORMANCE ASSESSMENT AND ANNUAL EXPECTATIONS

### 2.1 Overall framework

Our strategic framework is on our website.<sup>4</sup>

As the Statement of Intent describes, we assess our work against three core impacts shown in Figure 3.

Figure 3: Impacts framework



4. <http://www.nzonair.govt.nz/corporate-document-library/strategic-framework-2014/>

## 2.2 Effectiveness indicators

These are qualitative indicators to measure impact.<sup>5</sup> They assess how media audiences respond to a balanced range of investments. If audiences respond well, platforms are encouraged to play more local content and more diverse local content. In turn creative risk-taking is enhanced.

Our effectiveness measures include audience **appreciation**, the size of the audience **reach**, the **professional quality** of the content produced, **diversity** of content and target audiences, the **capability** of the sector, how we increase **knowledge** in the sector, and the size of the **non-government investment** (as an indicator of industry health).

Impact 1 - Cultural					
Intended audiences are generally satisfied with our investments					
Impact measure	2015/16 Target	2014/15 Target	2014/15 Est. actual	2013/14 Actual	Link to SOI strategies
The majority of New Zealanders believe NZ On Air supports <i>local content</i> important to New Zealanders <b>(appreciation)</b>					Better understand our intended audiences needs
Television content	75%	74%	74%	75%	
Radio content	72%	70%	70%	68%	
70% of all funded prime time content on TVOne, TV2 and TV3 is watched by large audiences <b>(appreciation)</b>	>200,000	*	*	*	
Most people aware of NZ On Air's support for television content like that content <b>(appreciation)</b>	70%	*	*	*	
The majority of New Zealanders agree that <i>Radio New Zealand</i> broadcasts programmes of interest to a wide cross-section of New Zealanders <sup>6</sup> <b>(appreciation)</b>	88%	88%	88%	85%	Maintain a balance of varied mainstream and special interest content
The majority of Pacific people agree that <i>Niu FM and 531PI</i> broadcast culturally relevant content <b>(appreciation)</b>	75%	*	*	*	
Making Tracks funded songs will achieve a targeted average number of plays on: <sup>7</sup> <b>(reach)</b>					Seek more mileage for music
Radio	750	750	>750	*	
Music TV	150	150	>150	*	
Online	65,000	50,000	>50,000	*	
Almost all completed productions are accepted for broadcast or uploading <b>(professional quality)</b>	99%	99%	100%	100%	Ensure a sound business case supports each funding decision

5 \* indicates a new measure that did not exist in a previous year.

6 Comprehensive and detailed qualitative measures are agreed by us and reported by Radio New Zealand in its own Statement of Performance Expectations

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



Impact 2 – Cultural



**Well-balanced mainstream and special interest content**

Impact measure	2015/16 Target	2014/15 Target	2014/15 Est. actual	2013/14 Actual	Link to SOI strategies
More than half of television contestable fund expenditure is for prime time content <b>(diversity)</b>	50%	50%	50%	55%	<i>Maintain a balance of varied mainstream and special interest content</i>
Allocated funding for special interest audiences exceeds one quarter of total national television funding <b>(diversity)</b>	30%	*	*	*	
Surveys of a special interest audience are carried out at least every two years to assess target audience satisfaction with funded content <b>(appreciation)</b>	0 <sup>8</sup>	1	1 (Children)	*	
More than half of Making Tracks songs are intended for mainstream audiences <b>(diversity)</b>	60%	60%	58%	54%	
For <i>MakingTracks</i> projects designated Commercial: <b>(reach)</b>					
% of songs that achieve a Radio Scope NZ40 Airplay Chart peak	65%	65%	60%	64%	
% of music videos that achieve a Radio Scope Top 40 Music Television Chart peak	25%	25%	25%	58%	
For <i>MakingTracks</i> projects designated Alternative: <b>(reach)</b>					
% 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%	
Funded special interest radio broadcasts programmes in a range of different languages including Pacific languages <b>(diversity)</b>	40 (9 Pacific)	40 (9 Pacific)	40 (9 Pacific)	*	<i>Foster greater collaboration in community radio</i>

8 Next project 2016/2017

## Impact 3 – Economic



## Investment reflects changing audience behaviour

Impact measure	2015/16 Target	2014/15 Target	2014/15 Est. actual	2013/14 Actual	Link to SOI strategies
Audience response to funded television projects is tracked to inform future investment decisions (reach)	100%	100%	100%	*	Ensure a sound business case supports each funding decision
Increase investment in online content and platforms as NZ audiences grow (diversity)	3.0%	2.6%	2.7%	2.0%	Test different and diverse digital initiatives
One international funding partnership is secured for digital media funding (diversity)	1	*	1	*	Explore and maximize digital opportunities

## Impact 4 – Industry health



## Industry trends are tracked

Impact measure	2015/16 Target	2014/15 Target	2014/15 Est. actual	2013/14 Actual	Strategic Link
Enough qualified content partners means demand for funding continues to exceed supply. % of successful applications for: (capability)					Ensure a sound business case supports each funding decision
Television <sup>9</sup>	75%	75%	80%	*	
Music	20%	20%	19%	*	
Digital	10%	10%	8%	*	
Published research or reports inform stakeholders about media marketplace activity (knowledge)	2	2	2	*	Be a respected source of information and expertise
First run free-to-air television hours not funded by NZ On Air as a % of all local content <sup>10</sup> (non-Govt investment).	At least 75%	At least 75%	82%	*	
NZ music content on commercial radio and music television achieves the NZ Music Code target <sup>11</sup> (reach)	20%	20%	18%	17.43%	More mileage for music
There is an increasing % of NZ music on alternative radio (diversity)	40%	38.75%	42%	38.99%	

9 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.

10 Measured by previous calendar year: ie 14/15 year result will be from *Local Content Report 2014*. Excludes publicly-funded Māori Television

11 Target % of NZ music on radio stations bound by the Radio Broadcasters Association NZ Music Code

## 2.3 Efficiency indicators

We make investment decisions using nine consistent principles to ensure good decision making in a volatile creative environment.<sup>12</sup> To minimise overheads, good service delivery and processes are also crucial. This allows us to maximise investment in content.

**SOI strategy:** *A sound business case supports each funding decision*

### Goal 1 - We make the right decisions using good processes

Efficiency measures	2015/16 Target	2014/15 Target	2014/15 Est. actual	2013/14 Actual	Investment principle <sup>12</sup>
Investment processes are objective, based on current policy, and include a robust assessment of the application	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

Efficiency measures	2015/16 Target	2014/15 Target	2014/15 Est. actual	2013/14 Actual	Investment principle <sup>12</sup>
% 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%	*	
% of funding contracts correctly issued within 15 working days once conditions precedent are met	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%	*	

### Goal 3 - We minimise overheads to maximize investment funds

Efficiency measures	2015/16 Target	2014/15 Target	2014/15 Est. actual	2013/14 Actual	Investment principle <sup>12</sup>
Administration costs are a low % of total revenue	<3%	<3%	2.8%	2.6%	Value for money

<sup>12</sup> See the Statement of Intent p8. <http://www.nzonair.govt.nz/corporate-document-library/statement-of-intent-2014-2018/>

## 2.4. Output targets

These are quantitative annual targets. One output, Public Broadcasting Services, is split into two activities: screen content (television and digital media) and sound content (radio and music).

### Activity 1: Screen

The targets and budgets in the tables below show how we intend to allocate funding to three Screen Content categories: national television, regional television and digital media.

<b>1. National television</b>		Hours <sup>13</sup>				\$'000			
General fund	2015/16 Target	2014/15 Target (SPE)	2014/15 Est. actual	2013/14 Actual	2015/16 Budget	2014/15 Budget (SPE)	2014/15 Est. actual	2013/14 Actual	
Drama & Comedy	104	85.5	99	71.5	27,445	26,239	27,899	23,027	
Documentary & Factual	63	66	65	90	7,400	7,500	8,023	8,979	
Children & Young People	354.6	361.2	357.6	368.5	13,894	14,142	13,545	15,190	
Māori <sup>14</sup>	31.5	35.5	38.5	45	3,600	4,000	4,020	4,509	
Arts/Culture/Identity	11.5	31	52	29	1,084	1,850	2,190	1,982	
Minorities	137.5	139.5	138.5	143.5	7,823	7,959	7,822	8,121	
Disability services	18	18.5	18	19	4,754	4,300	4,364	4,690	
Development	-	n/a	-	n/a	260	310	237	438	
<b>Sub-total general fund</b>	<b>720.1</b>	<b>737.2</b>	<b>768.6</b>	<b>766.5</b>	<b>66,260</b>	<b>66,300</b>	<b>68,100</b>	<b>66,936</b>	
Platinum fund	106.5	112.0	112.0	110.0	15,111	15,111	15,111	14,970	
<b>Sub-total national television</b>	<b>826.6</b>	<b>849.2</b>	<b>880.6</b>	<b>876.5</b>	<b>81,371</b>	<b>81,411</b>	<b>83,211</b>	<b>81,906</b>	
Net effect of write-backs and accounting adjustments for timing differences	-	-	-	-	-	-	(171)	(1,114)	
<b>Total national television</b>	<b>826.6</b>	<b>849.2</b>	<b>880.6</b>	<b>876.5</b>	<b>81,371</b>	<b>81,411</b>	<b>83,040</b>	<b>80,792</b>	

<b>2. Regional television</b>		Hours				\$'000			
	2015/16 Target	2014/15 Target (SPE)	2014/15 Est. actual	2013/14 Actual	2015/16 Budget	2014/15 Budget (SPE)	2014/15 Est. actual	2013/14 Actual	
Local news and information	710	800	770	844	1,350	1,500	1,350	1,262	
<b>Total regional television<sup>15</sup></b>	<b>710</b>	<b>800</b>	<b>770</b>	<b>844</b>	<b>1,350</b>	<b>1,500</b>	<b>1,350</b>	<b>1,262</b>	

<sup>13</sup> Target hours are indicative only, given our funding work is predominantly contestable.

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

<sup>15</sup> The regional television contestable programme funding is under review. One former recipient will not be broadcasting in 2015/16.

**3. Digital media**

\$'000

	2015/16 Budget	2014/15 Budget (SPE)	2014/15 Est. actual	2013/14 Actual
Contestable digital media funding	3,860	3,400	1,765	949
Digital platforms			1,400	1,130
General			400	525
<b>Sub-total</b>	<b>3,860</b>	<b>3,400</b>	<b>3,565</b>	<b>2,604</b>
Net effect of write-backs and accounting adjustments for timing differences	-	-	(5)	(46)
<b>Total digital media</b>	<b>3,860</b>	<b>3,400</b>	<b>3,560</b>	<b>2,558</b>

**Activity 2: Sound**

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 radio**

<b>Radio New Zealand: Quantitative measures</b>		2014/15			
Ensure Radio New Zealand provides programme types specified in the Broadcasting Act 1989:		2015/16 Target	Target (SPE)	2014/15 Est. actual	2013/14 Actual
RNZ National	Māori Language and Culture (Hours)	350	350	350	364
	Special Interest (Hours)	400	400	400	472
	NZ Drama, Fiction and Comedy (Hours)	250	250	250	302
	% of NZ music on rotate	33%	33%	33%	34%
	% of population able to receive transmission	97%	97%	97%	97%
RNZ Concert	% of NZ composition	3.5%	3.5%	3.5%	4.3%
	% of NZ music performance	16%	16.0%	16%	17.0%
	% of population able to receive transmission	92%	92%	92%	92%
<b>Total Radio New Zealand funding provided (\$'000)</b>		<b>31,816</b>	<b>31,816</b>	<b>31,816</b>	<b>31,816</b>

**2. Community radio**

		Hours				\$'000			
Community Radio		2015/16 Target	2014/15 Target (SPE)	2014/15 Est. actual	2013/14 Actual	2015/16 Budget	2014/15 Budget (SPE)	2014/15 Est. actual	2013/14 Actual
Access and special interest radio		24,000	24,000	24,000	24,673				
Pacific Radio	Samoa Capital Radio								
	Niu FM and 531pi Total broadcast hours	15,500	15,500	15,500	15,468	6,050	6,050	5,925	5,903
	Hours of programming in at least 9 Pacific languages								
<b>Total community radio</b>		<b>39,500</b>	<b>39,500</b>	<b>39,500</b>	<b>40,141</b>	<b>6,050</b>	<b>6,050</b>	<b>5,925</b>	<b>5,903</b>

**3. Commercial and alternative radio**

Hours

\$'000

	2015/16 Target	2014/15 Target (SPE)	2014/15 Est. actual	2013/14 Actual	2015/16 Budget	2014/15 Budget (SPE)	2014/15 Est. actual	2013/14 Actual
Spoken content								
Children and young people	212	264	212	265	305	375	335	396
Spiritual	60	60	60	60	140	115	115	117
Ethnic/special interest	104	104	104	104	75	75	75	70
Māori issues (English language)	96	96	96	96	75	75	75	75
<b>Total spoken content</b>	<b>472</b>	<b>524</b>	<b>472</b>	<b>525</b>	<b>595</b>	<b>640</b>	<b>600</b>	<b>658</b>

**4. New Zealand music**Quantity<sup>16</sup>

\$'000

	2015/16 Target	2014/15 Target (SPE)	2014/15 Est. actual	2013/14 Actual	2015/16 Budget	2014/15 Budget (SPE)	2014/15 Est. actual	2013/14 Actual
Music funding								
Commercial music funded	At least 120	At least 120	138	139	2,000	2,040	2,040	2,028
Alternative music funded	At least 80	At least 80	86	99				
Music promotion	61	61	64	23	2,624	2,774	2,750	2,648
<b>Subtotal music</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>4,624</b>	<b>4,814</b>	<b>4,790</b>	<b>4,676</b>
Net effect of write-backs and accounting adjustments for timing differences	-	-	-	-	-	-	(86)	(875)
<b>Total music</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>4,624</b>	<b>4,814</b>	<b>4,704</b>	<b>3,801</b>

<sup>16</sup> 'Music funded' is a video, or a recorded song plus a video. We cannot separately forecast which type of application will be received.

## 2.5 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 measures are summarised in Figure 7.

Figure 7: Health and capability performance measures

Goal	Measure/Target	2015/2016 Target	2014/15 Est. actual	2013/14 Actual
Focus recruitment, training and remuneration policies on attracting and retaining skilled, flexible, efficient and knowledgeable team players	Full time staff turnover is low	<3	2	2
	Individual staff training needs are assessed annually	100%	100%	100%
	External salary comparisons are conducted biannually to ensure staff are paid fairly	Some positions assessed	Not measured	Some positions assessed
Ensure staff are committed to the agency and its work	The results of biannual staff engagement surveys will be in the top quartile of the cultural sector (next survey 2015)	Not measured	Achieved	Not measured
Ensure our office environment and equipment are safe and well maintained	Reported safety hazards are attended to promptly, significant hazards are attended to immediately	100%	100%	100%
	Zero tolerance of harassment, bullying and discrimination. Immediate investigation if any instances are reported	0	0	0
	All employees have an ergonomically suitable workspace	100%	100%	100%
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 always included in all relevant documents and practices	100%	100%	100%
	A workforce diversity summary is included in the Annual Report	To achieve	Achieved	*

### 3. FORECAST FINANCIAL STATEMENTS

#### Statement of forecast comprehensive revenue and expense for the year ending 30 June 2016

	2015/16	2014/15	2014/15
	Budget	Budget	Estimated actual
Note	\$000	\$000	\$000
<b>Revenue</b>			
Crown revenue	128,726	128,726	128,726
Other revenue	2,750	2,650	2,720
<b>Total revenue</b>	<b>131,476</b>	<b>131,376</b>	131,446
<b>Expenses</b>			
<i>Operating expenditure</i>			
Funding administration	3,528	3,283	3,385
Depreciation and amortisation	120	117	130
Development and support funding	400	—	—
<i>Funding expenditure (net of write-backs of commitments not used)</i>			
<i>Screen content</i>			
National television	81,371	81,411	83,040
Regional television	1,350	1,500	1,350
Digital media	3,860	3,400	3,560
<i>Sound content</i>			
Public radio	31,816	31,816	31,816
Special interest radio	6,645	6,690	6,525
Music and other content	4,624	4,814	4,704
<b>Total expenditure</b>	<b>133,714</b>	<b>133,031</b>	134,510
<b>Net (Deficit)/Surplus for the year</b>	<b>(2,238)</b>	<b>(1,655)</b>	(3,064)
<b>Other comprehensive revenue and expense</b>	-	-	-
<b>Total comprehensive revenue and expense</b>	<b>(2,238)</b>	<b>(1,655)</b>	(3,064)

#### Statement of forecast movements in equity for the year ending 30 June 2016

	2015/16	2014/15	2014/15
	Budget	Budget	Estimated actual
Note	\$000	\$000	\$000
Opening equity committed	475	1,426	167
Opening equity uncommitted	1,810	2,639	5,182
Plus: Net operating surplus (deficit)	(2,238)	(1,655)	(3,064)
<b>Equity 30 June</b>	<b>47</b>	<b>2,410</b>	2,285
<i>comprising</i>			
<b>Equity 30 June committed</b>	-	1,426	475
<b>Equity 30 June uncommitted</b>	47	984	1,810



Statement of forecast financial position  
as at 30 June 2016

	2015/16	2014/15	2014/15
Note	Budget \$000	Budget \$000	Estimated actual \$000
<b>Current assets</b>			
Cash and cash equivalents	1,860	1,168	2,494
Investments	37,507	41,326	38,000
Debtors and other receivables – interest	600	600	600
Debtors and other receivables – other	400	450	450
<b>Total current assets</b>	<b>40,367</b>	<b>43,544</b>	41,544
<b>Non-current assets</b>			
Property, plant and equipment	380	560	450
<b>Total non-current assets</b>	<b>380</b>	<b>560</b>	450
<b>Total assets</b>	<b>40,747</b>	<b>44,104</b>	41,994
<b>Current liabilities</b>			
Trade and other payables	540	600	579
Employee entitlements	160	130	130
Funding liabilities	40,000	40,964	39,000
<b>Total current liabilities</b>	<b>40,700</b>	<b>41,694</b>	39,709
<b>Public equity</b>			
Equity committed	-	1,426	475
Equity uncommitted	47	984	1,810
<b>Total equity 30 June</b>	<b>47</b>	<b>2,410</b>	2,285
<b>Total liabilities and public equity</b>	<b>40,747</b>	<b>44,104</b>	41,994

## Statement of forecast cash flows

for the year ending 30 June 2016

	2015/16	2014/15	2014/15
Note	Budget \$000	Budget \$000	Estimated actual \$000
<b>Cash flows From operating activities</b>			
Receipts from Crown revenue	128,726	128,726	128,726
Receipts from other revenue	700	700	620
Payments to funded activities	(127,006)	(129,137)	(131,115)
Payment to suppliers and employees	(3,728)	(3,290)	(3,599)
<b>Net cash flows operating activities</b>	<b>(1,308)</b>	<b>(3,001)</b>	<b>(5,368)</b>
<b>Cash flows from investing activities</b>			
Interest received	2,100	2,050	2,100
Purchases of property, plant and equipment	(100)	(250)	(120)
<b>Cash flows from investing activities</b>	<b>2,000</b>	<b>1,800</b>	<b>1,980</b>
<b>Net Increase/(Decrease) in cash</b>	<b>692</b>	<b>(1,201)</b>	<b>(3,388)</b>
<b>Opening cash and cash equivalents</b>	<b>1,168</b>	<b>2,369</b>	<b>5,882</b>
<b>Closing cash and cash equivalents</b>	<b>1,860</b>	<b>1,168</b>	<b>2,494</b>

## 3.1 Notes to the financial statements

### Note 1 Statement of accounting policies for the year ending 30 June 2016

#### 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 2016.

#### 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 assets ability to generate net cash inflows and where we would, if deprived of the asset, replace its remaining future economic benefits or service potential.

#### **Creditors and other payables**

Creditors and other payables are measured at fair value.

**Employee benefits**

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

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

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

**Superannuation schemes**

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

**Provisions for funding expenditure**

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

- a. The expenditure has been approved.
- 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).

## 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 2016 and 30 June 2015 is \$0.475m, the actual value at 30 June 2014.

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 2015 and 30 June 2016, without substantive contractual conditions to fulfill, will be completed.

