

**Vote Arts, Culture and Heritage**

# Baseline Alignment Proposal

Version 1

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Submitted by:

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## Section 1: Alignment to Government Priorities

For 2010/11 and the next two financial years the objectives and priority initiatives for the Arts, Culture and Heritage (ACH) portfolio that support the Government's strategic priorities are:

### Strategic priority: Reforming the regulatory environment

- **Portfolio objective one:** An efficient, competitive and stable broadcasting environment delivering high quality content to more audiences. The priority initiatives are: contestable funding in public broadcasting; and considering the options for the configuration of public broadcasting in a converging digital environment.

### Strategic priority: Lifting the performance of the public sector

- **Portfolio objective two:** Improving the viability and service delivery of government funded agencies through value for money and legislative reviews. The priority initiatives are: legislative reviews of the Arts Council of New Zealand Toi Aotearoa (Creative New Zealand), New Zealand Film Commission and Historic Places Acts; reviews of the New Zealand Film Commission and National Pacific Radio Trust; value for money reviews of government funded ACH agencies.
- **Portfolio objective three:** Improving the efficient and joined-up delivery of the ACH programmes, policies and services of government agencies and sectors by expanding partnerships with other agencies. The priority initiative is expanding the Ministry's policy leadership, departmental collaboration and coordination through projects such as the Rugby World Cup.
- **Portfolio objective four:** Improving the positioning, efficiency and effectiveness of the ACH portfolio long-term ownership, funding and regulation roles for culture, media and sport. This includes exploring the options for the separation of commercial and public broadcasting and minimising duplication through the improved alignment of the roles of publicly funded broadcasting entities. The priority initiative is developing machinery of government proposals for the Cabinet Strategy Committee.
- **Portfolio objective five:** Expanding the involvement and visibility of Māori and Māori culture in the work of the Ministry for Culture and Heritage. The priority initiative is implementing a Māori engagement strategy in the Ministry and ensuring continued Māori involvement in the governance of funded agencies.

### Strategic priority: Investing in productive infrastructure

- **Portfolio objective six:** Improving the public visibility of the sector's activities and contribution to New Zealand's identity and economic performance. The priority initiatives are: expanding the sector and business focused

leadership role of the Ministry for Culture and Heritage in its sector strategy, governance, funding and monitoring activities; completion of memorial park as a visible and tangible focus for significant commemorations; transition to digital television – the net economic benefits of which are estimated at \$317 million if DSO occurs in 2015, and \$405 million if it can be achieved by 2013.

- **Portfolio objective seven:** Growing private investment in the sector. The priority initiative is implementation of a Philanthropic Taskforce to improve private investment in the sector.

### **Strategic priority: Education and skills**

- **Portfolio objective eight:** Providing New Zealanders with the information and resources to improve their understanding of New Zealand and its history, cultures, heritage and society. The key initiative is providing quality, authoritative, digital resources to the public and schools through NZ History online and Te Ara - the Encyclopedia of New Zealand.

These objectives and priority initiatives are designed to ensure that the ACH sector is sustainable, innovative, and contributing economically and socially. The portfolio's objectives and priorities address the critical drivers of high performing and viable ACH enterprises and a sustainable sector i.e. the stimulation of;

- the production, consumption and distribution of ACH activities by fostering innovation, private investment, and artistic expression;
- quality programming generated through a competitive broadcasting environment, and better value from resources allocated to public broadcasting entities;
- improved efficiency and effectiveness of government machinery, regulation and coordination;
- the protection of New Zealand's heritage for future generations;
- efficient, sustainable, well governed cultural enterprises with strategies to develop talent, attract public participation in programmes and deliver value for money; and
- innovation in the use of digital broadcasting technologies.

Focusing the portfolio priority initiatives on these drivers strengthens the ability of the sector to adjust and survive in the current fiscal and economic climate – mitigating in particular the risk of continued decline of, or greater competition for, sponsorship income, which would risk the sustainability of some funded agencies. Other portfolio risks are poorly managed transition to digital switch-over (DSO) and availability of funding for the National Memorial Park. The full costs of the DSO project are currently not funded and the benefits of timely and well-managed switchover are significant in an environment where New Zealand must keep pace with international technology developments. Should the switchover to digital broadcasting technology be delayed there would be significant net economic cost to New Zealand.

In addressing the portfolio priorities the Ministry is strengthening its focus on its core business of policy advice, regulation, monitoring, sector leadership and heritage services. This will enhance the Ministry's ability to support the Government's ACH programme. Refocusing the Ministry's role includes transferring its cultural events marketing activities (NZLive.com) to a public private partnership.

## **Section 2: Reprioritisation**

Current appropriations are largely aligned to Government priorities, with an aggressive approach being taken to reprioritising within the Ministry's and funded agencies' budgets to ensure high quality services can continue to be delivered for the same or less government funding. However, to effectively and efficiently deliver on the priorities for 2010/11 and the next two financial years four fiscally neutral changes to appropriations are necessary;

- a number of adjustments to consolidate the New Zealand Film Archive's multiple funding streams;
- a series of changes relating to the one off re-distribution of a portion of Creative New Zealand Vote funding, enabled by that agency receiving additional one-off funding in 2009/10 from the NZ Lottery Grants Board;
- reprioritising the Public Broadcasting appropriation to fund the Crown's digital switchover costs relating to public information, research into take-up of digital television, DTT extension, and support for the satellite transmission costs of a digital service to aggregate and package regional TV programmes; and
- an adjustment to cover the increased charges for conservation treatment that can neither be deferred nor delayed to protect newly found taonga tūturu.

Lastly, expense transfers are sought to alleviate budget pressures in 2011/12 associated with various projects including the 2011 Rugby World Cup.

In addition to the reprioritisation outlined above, an outline is provided on the role the Ministry for Culture and Heritage would take in improving co-ordination of commemorative activities across government. While no financial implications or recommendations are suggested at this time, some funding adjustments will be required in the near future.

### **Consolidation of New Zealand Film Archive funding**

In addition to being funded through the Ministry for Culture and Heritage, the NZ Film Archive is also currently funded by Te Māngai Pāho, the NZ Film Commission, and NZ On Air to meet their legislative obligations to archive film and television material. This fiscally neutral transfer shifts current funding between output classes within Vote Arts, Culture and Heritage so that the Film Archive is contracting with fewer agencies. This will reduce transaction and compliance costs and increase efficiency at the Archive, the Film Commission, and NZ On Air. The Ministry will negotiate a consolidated annual contract with

the Film Archive and monitor its performance – the marginal costs of this work will be covered within the Ministry's current baseline.

Te Māngai Pāho's funding is appropriated under Vote Māori Affairs. A transfer of this contract for the archiving of Māori Television programmes has not yet been confirmed so this is not covered under this proposal. However, Culture and Heritage and Māori Affairs officials are working on an agreement which may be confirmed in time for Budget decisions to be made.

The only risk in this proposed arrangement is that the consolidated contract does not meet the objectives of the current contracting parties. This will be addressed through consultation with those parties on revised performance measures for the Film Archive to ensure that an appropriate range of activities is carried out. *[information deleted to maintain legal professional privilege]*

### **Re-allocation of 2009/10 and 2010/11 appropriations following one-off additional LGB funding**

Recent increases in the NZ Lottery Grants Board's revenue enabled it to provide additional one-off funding of \$7.1 million to Creative New Zealand in 2009/10 (Creative New Zealand is established as a distribution committee of the LGB under the Gambling Act). This provides an opportunity to re-prioritise Vote appropriations (also on a one-off basis) to meet particular pressures in the heritage sector and to support cultural projects for the Rugby World Cup Festival. I therefore propose;

- reducing the Non-department output class Promotion and Support of the Arts and Film by \$5.5 million in 2009/10;
- increasing the Non-department output class Management of Historic Places by \$3 million in 2009/10 to create a fund to support urgent maintenance of the NZ Historic Places Trust's properties;
- increasing the Non-department output class Museum Services by \$2 million in 2009./10 only to create a fund to support priority film preservation work at the NZ Film Archive;
- creating an Other Expense appropriation for \$0.1 million in 2010/11 only, to fund preservation and display of the taonga Pukaki which was gifted to the Crown by Ngati Whakaeue; and
- increase the Departmental output class International Cultural Diplomacy by \$0.4 million in 2010/11 only to support cultural projects for the Rugby World Cup Festival.

### **NZ Historic Places Trust (NZHPT)**

The additional one-off government investment in the NZ Historic Places Trust (NZHPT) will:

- address critical repairs and maintenance to NZHPT heritage sites and buildings to improve visitor safety;
- ensure the conservation and the long term survival of nationally significant historic heritage;
- enhance capital asset utilisation in the tourism sector by adding and improving visitor facilities and information in heritage sites that can provide year round destinations for tourists (particularly during the Rugby World Cup), thereby encouraging longer stays; and
- provide economic benefits throughout New Zealand through the employment of trades and craft businesses in the regional communities where these cultural assets are sited.

### **New Zealand Film Archive (NZFA)**

Preservation of New Zealand's film heritage has become an urgent priority because a significant part of this heritage is now at risk of irretrievable deterioration. Preservation is less expensive than full restoration but still requires significant sums e.g. it would cost around \$1 million to preserve a dozen key New Zealand feature films (an Australian project to preserve five films per year costs around NZ\$420,000 p.a.).

If the NZFA diverts resources to this urgent work this would severely impact on the agency's other outputs as the Archive's capacity is already stretched. In 2006, an annual funding increase of \$1.4 million was recommended to improve the NZFA's capability but its baseline was only increased by \$500,000 p.a. The proposed one-off \$2 million increase would create a fund that would enable the NZFA to address the urgent feature film preservation needs and preserve a range of other key New Zealand film titles.

### **Pukaki Trust**

The Pukaki Trust provides for the care, conservation and custody of the carving known as Pukaki on behalf of the Crown. The Trust received an appropriation of \$40,000 in the 2001/02 financial year, and \$8,000 per annum from 2002/03 to 2004/05. These appropriations have been used to maintain and conserve Pukaki at an average cost of \$6-7,000 per year. At 30 June 2008 the Pukaki Trust had equity of \$5,580 and it will run out of funds in 2010.

Pukaki is currently located in a walkway between the Rotorua District Council's buildings. Conservation reports have shown that Pukaki is deteriorating in its present location through exposure to sunlight, and lack of air conditioning. In 2003 Sigma Consultants Ltd reported on options for conserving Pukaki and estimated that between \$50,000 and \$120,000 would be required for different casing and air-conditioning options. These costs will have increased in the last 7 years.

Decisions on the preservation and long-term location of Pukaki have not yet been confirmed but the availability of sufficient funds for a durable solution would be a strong catalyst for an agreement to be reached. In the meantime, Pukaki continues to deteriorate and requires around \$6,000 to be spent every second year on restoration and preventative maintenance.

### **Digital switchover (DSO)**

In December 2009 Cabinet noted that “given the benefits and risks of DSO, consideration should be given to funding being made available for other Votes with an interest in DSO, whether in relation to social equity issues or to the benefits arising from timely and effective switchover [CAB Min (09) 45/6A refers].

Public Broadcasting has an annual appropriation of approximately \$157 million, of which \$127 million is provided to NZ On Air. The Ministry is working on a digital convergence project to complete the switch to digital TV (DSO),

*[information deleted in order to maintain the current constitutional conventions protecting the confidentiality of advice tendered by ministers and officials]*

### **Conservation treatment to protect newly found taonga tūturu**

The small appropriation established for the protection of taonga tūturu will be inadequate for 2009/10 due to increased charges from the only laboratory in New Zealand capable of providing the conservation service. As conservation activities are largely demand driven they can neither be deferred nor delayed. It is therefore proposed that \$60,000 be transferred from Heritage Services, Departmental Output Expense to the Protection of Taonga Tūturu, Non-Departmental Output Expense appropriation.

### **Rugby World Cup and various projects**

An expense transfer of \$379,000 is proposed from 2009/10 to 2011/12, and an in-principle expense transfer of \$100,000 is proposed from 2009/10 to 2010/11 in respect of outputs which can be curbed in 2009/10 in order to alleviate budget pressures in 2011/12 associated with various projects including the 2011 Rugby World Cup.

### **Centenary of the First World War**

Cabinet recently agreed that the Ministry for Culture and Heritage would take a lead role in improving co-ordination of commemorative activities across government. The policy is intended to increase efficiency within government by adopting an organised and prioritised approach to commemorations.

Most upcoming anniversaries and events can be managed with a coordinated approach between agencies and can be funded within existing baselines. However, the interdepartmental working-group, established to oversee the Ministry's work on commemorations, recognises that the expected scale of the First World War centenary will require additional resources.

The Ministry is working on a proposal for a dedicated unit to be set up to manage events relating to this anniversary (similar to the unit set up to manage the commemorations relating to the 50th anniversary of the end of the Second World War, New Zealand Remembers, in 1995). It is expected that such a unit would have to be funded from within existing resources.



*[information deleted in order to maintain the current constitutional conventions protecting the confidentiality of advice tendered by ministers and officials]*

The proposed unit would be a single point of contact for activities to mark the centenary of WWI. It would;

- provide co-ordination between government and non-government agencies engaged in commemorative activities;
- be a central repository for information on activities around the country and overseas; and
- organise commemorative events to mark the major milestones during the period such as the various major battle anniversaries.

While the operation of the unit could be resourced through fiscally neutral transfers, funding required for additional projects and programmes is unlikely to be able to be met from within baselines. Therefore the success of this unit would be largely dependent on securing project funding for agreed activities. Subject to the possibility of new funding, the unit's centenary programmes and projects could include;

- new memorials at significant sites overseas and in New Zealand;
- grants for maintenance of existing local memorials;
- grants for community based commemorative events;
- major, national commemorative events in New Zealand;
- costs for representation (Ministers, veterans, students, descendants, Defence Force) at overseas commemorative events;
- increased interpretation at battlefield sites of significance to New Zealand; and
- upgrade to New Zealand Memorials overseas (there are five WWI memorials on the Western Front and at Gallipoli).

The centrepiece for New Zealand's commemoration of the centenary is likely to be the completion of the New Zealand Memorial Park at the National War Memorial. This is subject to a separate capital bid.

The Lottery Grants Board may be a source for some funding directed to projects and programmes within New Zealand. It already funds the restoration of memorials, construction

of new memorials, commissioning of local history and other similar projects. It may be possible to establish a dedicated fund for the fixed term of the centenary.

To provide some context for the expected scale of the centenary, Australia has a budget in the hundreds of millions for its overall centenary programme including \$10 million for improved interpretation on the Western Front.