

Reference: 20220130

14 June 2022

Dear [REDACTED]

Thank you for your Official Information Act (OIA) request, received on 13 April 2022. You requested:

The advice supplied by Treasury as one of the 15 departments consulted in the preparation of the Cabinet Paper titled “Establishment of a new public media entity” that was published by the Office of the Minister of Broadcasting and Media and the Cabinet Economic Development Committee in February 2022.

Your request on 13 April 2022 followed an earlier request that you made on 22 March 2022 (our reference 20220093). Your 22 March 2022 request was extended by 60 working days and a response is due on, or before 27 July 2022. Your 13 April 2022 request sought to have a subset of the 22 March 2022 request processed on a shorter timeframe.

In response to your 13 April 2022 request, the Acting Manager of the Commercial and Institutional Performance team at the Treasury wrote to you on 5 May 2022, providing an indicative list of seven documents, and extending the reply by 20 working days due to the consultations necessary to prepare the documents for release.

I have made the decision to release the documents as listed in the following table:

Item	Date	Document Description	Decision
1.	8 July 2021	Aide Memoire T2021/1766: Meeting with the Minister for Broadcasting and Media on 12 July 2021	Release in part
2.	9 September 2021	Treasury Report T2021/2281: Strong Public Media update	Release in part
3.	15 September 2021	Aide Memoire T2021/2296: Commercial Performance State of Play as at 15 September 2021	Release excerpt

4.	28 September 2021	Treasury Report T2021/2017: Performance Report for the Year Ended 30 June 2021 – Annex 2	Release in part
5.	3 November 2021	Aide Memoire T2021/2575: Commercial Performance State of Play as at 3 November 2021	Release excerpt
6.	1 December 2021	Joint Report T2021/2694: RNZ and TVNZ FY23 Letters of Expectations	Release in part
7.	1 December 2021	Attachment to Joint Report T2021/2694: Draft Radio New Zealand FY23 Letter of Expectations	Release in part
8.	1 December 2021	Attachment to Joint Report T2021/2694: Draft Television New Zealand FY23 Letter of Expectations	Release in part
9.	9 December 2021	Treasury Report T2021/2750: Strong Public Media: Entity form considerations	Release in part
10.	11 February 2022	Treasury Report T2022/224: Briefing for Social Wellbeing Committee Wednesday 16 February 2022	Release excerpt in part
11.	18 February 2022	Treasury Report T2022/300: Briefing for Cabinet 21 February 2022	Release in part
12.	21 March 2022	Treasury Report T2022/279: Crown Companies and Entities: Performance Report for the Six Months to 31 December 2021	Release in part

The relevant parts of the documents listed above, will be released to you with redactions made in accordance with the following sections of the OIA as applicable:

- personal contact details of officials, under section 9(2)(a) – to protect the privacy of natural persons, including that of deceased natural persons,
- commercially sensitive information, under section 9(2)(b)(ii) – to protect the commercial position of the person who supplied the information, or who is the subject of the information,
- advice still under consideration, section 9(2)(f)(iv) – to maintain the current constitutional conventions protecting the confidentiality of advice tendered by Ministers and officials,
- certain sensitive advice, under section 9(2)(g)(i) – to maintain the effective conduct of public affairs through the free and frank expression of opinions,
- names and contact details of officials, under section 9(2)(g)(ii) – to maintain the effective conduct of public affairs through protecting Ministers, members of

government organisations, officers and employees from improper pressure or harassment, and

- direct dial phone numbers of officials, under section 9(2)(k) – to reduce the possibility of staff being exposed to phishing and other scams. This is because information released under the OIA may end up in the public domain, for example, on websites including the Treasury’s own website.

However, we are still administratively processing these documents for release. Under section 15(1)(b) of the OIA, I am notifying you of my decision prior to delivering the requested documents. The documents are expected to be released to you by 21 June 2022, earlier if possible. I sincerely apologise for any inconvenience caused by the delay.

Additionally, your 22 March 2022 request is being processed and additional material will be provided as soon as practicable.

In making my decision, I have considered the public interest considerations in section 9(1) of the OIA.

Please note that this letter (with your personal details removed) may be published on the Treasury’s website.

This reply addresses the information you requested. You have the right to ask the Ombudsman to investigate and review my decision.

Yours sincerely

Ann Webster
Manager, Commercial and Institutional Performance

OIA 20220130

Information for Release

1.	<u>Aide Memoire T2021-1766 Meeting with the Minister for Broadcasting and Media on 12 July 2021</u>	1
2.	<u>Treasury Report T2021-2281 Strong Public Media update</u>	5
3.	<u>Extract Aide Memoire T2021-2296 Commercial Performance State of Play as at 15 September 2021</u>	11
4.	<u>Treasury Report T2021-2017 Annex 2 Company summaries for Broadcasting entities</u>	12
5.	<u>Extract Aide Memoire T2021-2575 Commercial Performance State of Play as at 20 October 2021</u>	21
6.	<u>Joint Report T2021 2694 RNZ and TVNZ FY23 Letters of Expectations</u>	22
7.	<u>T2021 2694 Attachment 1 - DRAFT RNZ FY23 Letter of Expectations</u>	25
8.	<u>T2021 2694 Attachment 2 - DRAFT TVNZ FY23 Letter of Expectations</u>	31
9.	<u>Treasury Report T2021-2750 Strong Public Media Entity form considerations</u>	36
10.	<u>Extract Treasury Report T2022-224 Briefing for Cabinet Social Wellbeing Committee 16 February 2022</u>	47
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Reference: T2021/1766 CM-1-3-78-3-3
Date: 8 July 2021
To: Minister of Finance (Hon Grant Robertson)
Cc: Minister for Broadcasting and Media (Hon Kris Faafoi)
Deadline: Before Monday, 12 July 2021

Aide Memoire: Meeting with the Minister for Broadcasting and Media on 12 July 2021

You are meeting with the Minister for Broadcasting and Media (Hon Kris Faafoi) (the Minister) at 8:30am on Monday, 12 July 2021 to discuss the Strong Public Media (SPM) programme. Officials from the Treasury and the Ministry for Culture and Heritage (MCH) will attend the meeting. The Chair of the SPM Business Case Governance Group (BCGG), Tracey Martin, may also attend the meeting.

The purpose of this aide memoire is to provide an update on the status of the SPM programme and outline the Treasury's high-level feedback on the draft SPM business case and wider SPM programme.

The Treasury is generally comfortable with the high-level options identified in the business case. Our main concern is that the BCGG has not yet scoped the policy analysis required to give effect to the preferred option.

In the context of the wider SPM programme, the Treasury considers there is significant risk regarding the extent of policy work to be completed prior to Cabinet decisions in October 2021 on the preferred option identified through the business case.

Status of the Strong Public Media programme

The Treasury facilitated a business case clinic on 7 July 2021 to discuss system leads' consolidated feedback on the draft SPM business case with MCH and Deloitte. This was the Treasury's first opportunity to provide feedback on the complete business case – that is, the strategic, economic, commercial, financial and management cases.

The preferred option identified through the business case is titled the "efficient not-for-profit entity", which would:

- subsume Radio New Zealand Ltd (RNZ) and Television New Zealand Ltd (TVNZ)
- be not-for-profit but have access to some non-Crown revenue
- have multiple branded services anchored around different audiences and content
- rationalise functions where commonality exists
- outsource appropriate services to maximise industry growth
- invest any efficiency savings into the sector to build system-wide capability, and
- work collaboratively with other media entities.

The BCGG expects to deliver the final business case and associated advice to the Minister in early August 2021. It is anticipated that Cabinet will receive the final business case and associated Cabinet paper in October 2021, at which time the Treasury will provide you with further advice. The Treasury understands the Cabinet paper will seek decisions on several matters, including the progression of legislative drafting, establishment costs and funding arrangements.

Feedback on the Strong Public Media draft business case

The Treasury is generally comfortable with the high-level options identified in the business case. Our main concern is that the BCGG has not yet scoped the policy analysis required to give effect to the preferred option. Given the BCGG is working towards October 2021 Cabinet decisions, the Treasury is concerned there is inadequate time to robustly complete this work. We also have some concerns with respect to the envisaged funding process and financials within the case.

There is extensive policy work required to give effect to the business case recommendations

The Treasury has raised its concern with MCH that there appears to be significant risk regarding the extent of policy work to be completed prior to October 2021, including:

- media policy setting trade-offs to balance contribution to the Government's Public Media Objectives and affordability (T2021/1474 refers)
- consideration of, and consultation on, charter characteristics
- s9(2)(f)(iv)
- entity form and the corresponding decisions, such as monitoring arrangements, governance requirements, funding mechanisms and commercial revenue incentives, and
- MCH providing its independent policy advice on whether the preferred option is the best option to achieve the Government's Public Media Objectives.

As this policy work is unlikely to be addressed in the business case, an adequate time allowance will be needed to allow for this work to be completed before Cabinet is asked to make decisions on approving a preferred option and moving to drafting legislation. The Treasury understands the BCGG will report to the Minister on policy work it considers should be addressed in this time, and MCH, as the policy agency, will need to consider the same.

Suggested talking points

- When does the Minister expect MCH to provide its independent policy advice on whether the preferred option is the best option to meet the Government's Public Media Objectives?
- Does the Minister have visibility over the extent of policy work required to effectively inform Cabinet decisions?

- What is the Minister's level of comfort in endorsing a preferred option given the short timeframe remaining to complete this policy work?
- Would the Minister consider that a sequenced approach to progressing the SPM programme would better enable a robust policy process?

Funding process

Cabinet usually considers and (potentially) endorses business cases ahead of funding for the preferred option being agreed through the Budget process. If Cabinet endorses the business case in October 2021, the business case indicates that establishment activities requiring funding would commence immediately. A six-month delay until April 2022, when Budget 2022 decisions are due, would be at odds with a desire to operationalise the new entity before the end of the current parliamentary term.

Further, the Treasury considers it does not make sense to fund establishment activities and not the balance of costs associated with the proposal, as once the former commences, the Government will essentially be committing to the entire proposal. This suggests a full funding decision would be required in October 2021, with the net new funding requirement charged as a pre-commitment against Budget 2022 operating allowances (some of the costs could be met through reprioritisation of the remaining \$20m Broadcasting Initiatives tagged contingency).

The downsides to committing early include a commensurately lower amount of funding remaining available to fund other, potentially higher-priority, activities through Budget 2022, and potentially negative signalling in terms of adherence to Budget and Better Business Case principles.

Suggested talking points

- Is the level of urgency such that a funding decision needs to be taken in October 2021 rather than delayed until Budget 2022, in line with best practice?
- How will competing cost pressures in the sector be prioritised?
- If new funding is agreed for SPM, would the Minister agree not to submit other new funding bids for the sector through Budget 2022?

Financials

At the business case clinic, the BCGG presented what could be best described as draft financial forecasts and noted that these would be updated post-clinic. Clinic participants noted inconsistencies within the financials provided, and the BCGG and Deloitte agreed to have further discussions with the Treasury to refine the forecast costs. This discussion is expected to occur shortly with the financials currently only indicative of the potential funding requirements.

The new entity is forecast to require an increasing level of Crown funding. The need for Crown funding is driven by two key components – declining commercial revenue and cost inflation of approximately 6% and 2% p.a., respectively. There is a high level of uncertainty as to the rate of commercial revenue decline and only current sources of commercial revenue have been modelled. s 9(2)(b)(ii)

s 9(2)(b)(ii)

. Over the last five years, TVNZ's total revenue decline has averaged 2% (nominal).

s 9(2)(b)(ii)

As ongoing baseline funding decisions do not usually factor in an inflation component, the Treasury has requested the figures reflect the necessary funding increase in early years until such time as one-off fluctuations, such as establishment costs and use of existing balance sheet resources, have ceased. This figure would be less than the average annual new funding requirement suggested in the business case but represents a more appropriate maximum figure to 'baseline', with a commensurate impact on fiscal indicators, should Cabinet agree to fund the preferred option.

The level of Crown funding required will be impacted by the conditions set to access it, and incentives employed to grow commercial revenue. These conditions and incentives have not been explored in the business case and this makes it difficult to assess the fiscal risk to the Crown.

Future cost pressures could be addressed in future Budgets, consistent with best practice. Further, to the extent this new funding requirement is for new content production and dissemination, scaling options should be provided for consideration.

Suggested talking points

- It will be important that the new entity is appropriately incentivised to increase/maintain commercial revenue to reduce the requirement for new Crown funding. Does the Minister have any thoughts on how this might be achieved?
- Discuss with the Minister the likelihood that the amount of ongoing new funding will be less than that signalled in the business case.

Eva Parker, Analyst, Commercial Performance, s9(2)(k)

Ann Webster, Acting Manager, Commercial Performance, s9(2)(k)



Treasury Report: Strong Public Media update

Date:	9 September 2021	Report No:	T2021/2281
		File Number:	CM-1-3-78-2

Action sought

	Action sought	Deadline
Minister of Finance (Hon Grant Robertson)	Agree the recommendations Refer the report to the Minister for Broadcasting and Media	16 September 2021

Contact for telephone discussion (if required)

Name	Position	Telephone	1st Contact
Aaron Gill	Senior Analyst, Commercial Performance	s9(2)(k)	N/A (mob) ✓
Ann Webster	Acting Manager, Commercial Performance		N/A (mob)

Minister's Office actions

<p>Return the signed report to the Treasury</p> <p>Refer the report to the Minister for Broadcasting and Media</p>
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Note any feedback on the quality of the report


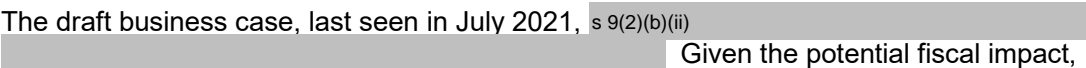
Enclosure: No

Treasury Report: Strong Public Media update

Purpose of report

1. In your capacity as shareholding Minister of Radio New Zealand (RNZ) and Television New Zealand (TVNZ), you recently received a referred copy of a Ministry for Culture and Heritage (MCH) report, *BR2021/495 – Strong Public Media: Decisions on entity form and consequential high-level design matters*, from the Minister for Broadcasting and Media (the Minister).
2. This report outlines the Treasury's advice on BR2021/495, as requested by your office, and provides wider feedback on other policy papers MCH is preparing for the Minister as part of the Strong Public Media (SPM) programme.
3. We understand the Minister is currently considering the SPM business case. The contents of this report might be useful to:
 - support a discussion with the Minister on the business case and associated Cabinet paper in due course, and
 - provide the Minister insights into our concerns, including the need for MCH's view as the broadcasting policy agency, and the robustness of business case forecasts. As such, we recommend this report is referred to the Minister.

Policy agency view

4. The business case tests the feasibility of a new public media entity, with the associated disestablishment of RNZ and TVNZ. This proposal originated in 2019 through the Public Media Advisory Group (PMAG). s9(2)(g)(i)

5. We understand that MCH's role in the SPM programme includes:
 - providing advice to the Business Case Governance Group (BCGG) on policy issues relevant to the development of the business case, and
 - advising the Minister on wider media policy issues and the implications arising from options identified within the SPM programme.
6. The draft business case, last seen in July 2021, s 9(2)(b)(ii)
 Given the potential fiscal impact, we have suggested that MCH provide broadcasting policy advice to Ministers on whether the proposal tested through the business case is the best option to achieve public media objectives, when considered against alternative options.
7. We have also encouraged MCH to carry out a thorough policy analysis process of the settings and functions for a new entity and the impacts it may have in the media system, alongside the business case process.
8. To ensure that the Crown optimises the value from its investment in public media, you may wish to seek confirmation from the Minister that MCH:
 - has carried out broadcasting policy analysis to support the new entity as the best option to achieve public media objectives, and

- considers the risks associated with the disestablishment of RNZ and TVNZ and the creation of a new entity are outweighed by the benefits.

Advertising revenue forecasts

9. The advertising revenue forecast assumption is the most material assumption with respect to the assumed level of support the new entity will require. In preparing the business case, the BCGG agreed that a decline in commercial linear advertising revenue was inevitable s 9(2)(b)(ii)

10. Consistent with this view, the business case's base case scenario forecast includes a decline in advertising revenue (Series 2 in Figure 1 refers). Downside and upside scenarios are also included, being a 2% increase and 2% decrease in advertising revenue relative to the base case scenario (not shown in Figure 1).

11. s 9(2)(b)(ii)

We have questioned the basis of the business case assumption on the basis that it does not reflect of TVNZ's past experience and outlook per its FY22-24 Business Plan. However, to date, no financial analysis has been provided to support the assumed high rate of advertising revenue decline.

12. We consider the business case's advertising revenue assumption to be conservative, particularly as it does not include potential new sources of commercial revenue (such as advertising-free subscription). While these new sources of revenue may be too uncertain to model, we consider they offer upside potential and understand these are currently being pursued by TVNZ.

13. To illustrate the potential fiscal impact of the business case's assumption, two alternative advertising revenue scenarios are modelled in Figure 1 (note we have ignored FY21 due to the favourable impact of COVID-19 on advertising revenues):

s 9(2)(b)(ii)


14. It could be argued that if advertising revenue holds up better than the business case forecast then this will result in a long-run lower cost to the Crown, s 9(2)(b)(ii) – as we have modelled. However, there are other important considerations associated with the business case forecast. In particular:
- the new entity will be established with higher new baseline funding than required, reducing the funding available for other Government priorities
 - the new entity may inherit an expectation that advertising revenues will rapidly decline, potentially undermining its focus, incentives and accountability to pursue commercial revenues streams to support public media objectives. Ultimately such an expectation could either reduce what can be achieved or unnecessarily increase the fiscal cost to the Crown, and
 - the impact that the assumption of a rapid decline in advertising revenue has on other policy choices (see the entity form discussion below).
15. While we accept there is uncertainty regarding the future path of advertising revenue, we do not consider the business case assumption s 9(2)(b)(ii) to be appropriate. Moreover, the new entity will be able to pursue new sources of commercial revenue.
16. It would be useful for MCH, when it presents the business case to Cabinet, to also present alternative forecasts aligned with existing entities' experience and outlook.

Entity form and monitoring arrangements

17. We consider the new entity could be either an Autonomous Crown Entity (ACE) or a Crown entity company. However, we observe that the BCGG's preference for an ACE appears to be largely predicated on the balance of commercial and Crown revenue moving towards Crown revenue over time much more rapidly than has been observed.
18. However, assuming the new entity is operational in FY24, commercial advertising revenue would still be in the order of \$300m (approximately 75% of the new entity's total revenue) and would allow for a significant contribution to public media objectives. It is important the focus on maintaining this revenue is not lost.
19. We have communicated with MCH about the assumed rate of commercial revenue decline and the absence of opportunities to develop existing and/or new commercial revenue sources in the business case (see the revenue forecasts discussion above).
20. Regardless of the new entity's form, it is important the monitoring oversight ensures maintenance of commercial discipline and incentives, and minimisation of Crown cost and risk.
21. It would be useful to communicate to the Minister that, due to the level of commercial revenue the new entity will be expected to generate, the need to consider new revenue sources, and the potential fiscal risk to the Crown, you consider it important the Treasury brings its commercial capability to the monitoring of the new entity.

s9(2)(f)(iv)

s9(2)(f)(iv)



Recommended Action

We recommend that you:

- a **agree** that you would like assurance that the Ministry for Culture and Heritage, as the broadcasting policy agency, has assessed whether the new entity considered in the Strong Public Media (SPM) business case is the best option to achieve public media objectives and to ensure the Crown optimises the value from its investment, relative to alternative policy options, including those that do not involve the creation of a new entity

Agree/disagree.

- b **agree** that you would like to see alternative forecasts, aligned with existing entities' experience and outlook, incorporated into analysis when the business case is presented to Cabinet

Agree/disagree.

- c **agree** that you consider it important the Treasury brings its commercial capability to the monitoring of the new entity given the level of commercial revenue expected to be generated by the new entity, the expectation the new entity considers new commercial revenue sources, and the potential fiscal risk to the Crown

Agree/disagree.

- d s9(2)(f)(iv)

Agree/disagree.

- e **refer** this report to the Minister for Broadcasting and Media

Refer/not referred.

Ann Webster
Acting Manager, Commercial Performance

Hon Grant Robertson
Minister of Finance

T2021/2296 Commercial Performance State of Play as at 15 September 2021

To: Minister of Finance (Hon Grant Robertson)

Associate Minister of Finance, Acting Minister for State Owned Enterprises
(Hon Dr Megan Woods)

Associate Minister of Finance (Hon David Parker)

Minister for State Owned Enterprises, Minister Responsible for the Earthquake Commission
(Hon Dr David Clark)

From: Shelley Hollingsworth, Manager, Commercial Performance

Maureena van der Lem, Manager, Commercial Performance

This report provides an update on current issues in relation to commercial entities and public benefit entities within the Crown portfolio. Please tick a box if you would like more information on a topic.

2. New and notable issues

Crown portfolio – Commercial entities

More info?	Entity / Issue	Update
<input type="checkbox"/>	TVNZ – Chief Executive resignation <i>(Eva Parker)</i>	TVNZ's Chief Executive, Kevin Kenrick, has announced his intention to step down after nine years in the role. He will continue in the role on an extended notice period before leaving TVNZ at the end of February 2022. The Board will commence a search for a replacement shortly. Should the Strong Public Media programme progress following Cabinet decisions in October/November 2021, the new Chief Executive would lead TVNZ during the interim period towards the establishment of a new public media entity, which is expected to be operational in 2023. Mr Kenrick's announcement follows strong FY21 performance (both financial and content) by TVNZ, and the Board's declaration of a \$15 million final dividend for FY21. The Board is confident TVNZ has sufficient capital to fund investment needs, however, is mindful of the ongoing uncertainty presented by COVID-19. While TVNZ is in a better position to manage this uncertainty than in FY20, the Board has adopted a cautious approach and will consider the payment of an interim dividend in FY22.



TE TAI ŌHANGA
THE TREASURY

Annex 2: Crown Company and Entity Result Summaries

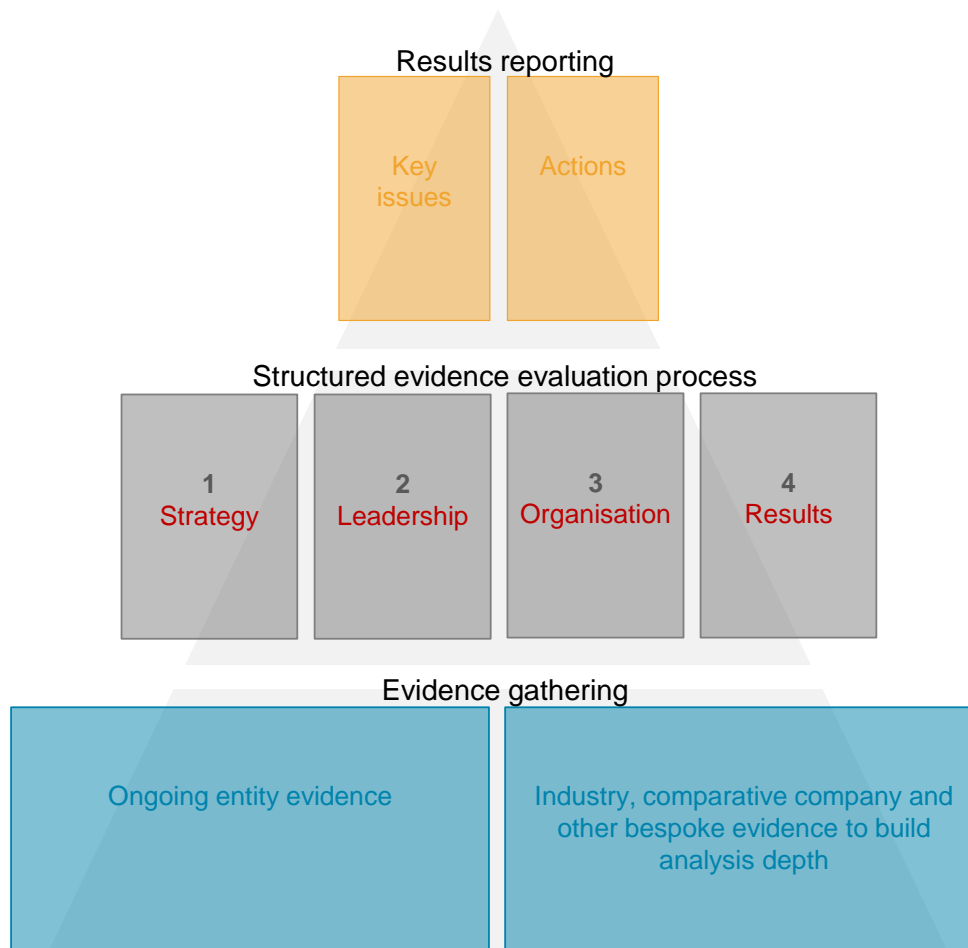
Year End 2020/21

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How we Assess Entity Performance...

- Reports to Ministers aim to give a 'birds-eye' view of issues; actions they could take; and how we are engaging to lift entities' performance.
- The core of our approach is a systematic evidence gathering and evaluating process based on research about factors associated with company success.
- We assess performance in four key dimensions collecting evidence through investing in understanding our entities and the industries they operate in.
- To strengthen insight, and shed light on specific matters, our evidence collection draws on evidence from:
 - the entity (i.e. reports to Ministers, our engagement and information provided by the entity)
 - other sources (i.e. comparative companies, industry analysis and periodic reviews).
- We take a structured approach to applying evidence to reach robust conclusions about how entities are positioned to perform looking forward, refreshing assessments for reports to Ministers at half-year and year-end.



Performance Assessment Framework Dimensions

Strategic Alignment	<p>Are entities doing the right thing? For instance, are they:</p> <ul style="list-style-type: none"> • evaluating the achievement of their strategy; • maintaining a good understanding of industry trends and disruption risks and developing a clear and logical strategy to address these; • developing and retaining the core competencies needed to achieve their strategy; • aligning their strategic intentions with Shareholding Ministers' priorities and letters of expectations; • focusing on understanding customers and markets to make investment, service and pricing decisions; and, • making major capital allocation and investment decisions that add up strategically and perform to expectations.
Leadership	<p>Are boards and executive leaders effectively:</p> <ul style="list-style-type: none"> • providing collective leadership, direction and change management to the entity; • constructively managing relationships with Ministers, key partners and other stakeholders; • meeting public expectations of public sector entities to operate ethically, transparently and prudently as good stewards of public assets and resources; and, • evaluating their own effectiveness and working to maintain their strengths and to address skills and knowledge gaps.
Organisation	<p>Do entities have the capability and capacity to deliver? Are they:</p> <ul style="list-style-type: none"> • leveraging a clear and tangible competitive advantage to compete effectively; • building a healthy and appropriate organisational culture; • developing the workforce to meet needs and to promote diversity and inclusion; and, • managing financial and other resources (such as assets and information) effectively for the short and long term.
Results	<p>Are entities achieving financial and operational results that are consistent with or better over time than, for instance:</p> <ul style="list-style-type: none"> • their own forecasts; • those comparable companies, and industry /sector benchmarks; • their cost of capital; and, • previous years' earnings.

Television New Zealand (TVNZ)

FY'21 | 4% of commercial oriented entities' value

s9(2)(g)(i)

Key Performance Issues

- 1 Online advertising revenues are growing, offsetting loss of television advertising revenues (reflecting shifts in technology and customer preferences). To remain financially viable, TVNZ must respond to shifts in technology and preferences while satisfying its TVNZ Act 2003 mandate
- 2 The Ministry for Culture and Heritage's (MCH's) Strong Public Media (SPM) programme is considering the creation of a new public media entity, and the disestablishment of TVNZ and RNZ.
s9(2)(n)(i)
- 3 Intended investment of about \$25.8m over FY22-24 in a future IP platform has a two to three-year lead-time for design, build and implementation.

What are we Doing?

- 1 Ongoing conversations around cost management and advertising sector trends.
- 2 Working with MCH to ensure shareholding Ministers have a clear view of the policy work required before the SPM programme reaches the implementation phase. Where possible, we will support TVNZ's early understanding of SPM policy developments to help it navigate any operational challenges.
- 3 Suggesting TVNZ prepares a business case to support the intended future IP platform. The investment may be timely as it could provide a new entity with a modern, fit-for-purpose platform. Consideration of the investment by shareholding Ministers and officials in the context of the SPM programme may avoid redundant or duplicated spend.

Results

NZDm	Actual		Budget		Variance
	FY19	FY20	FY21	FY21	
Revenue	311	306	340	268	27%
Opex	286	294	276	273	1%
EBITDA (underlying)	25	12	64	(5)	NM
NPAT	3	(19)	60	(25)	NM
Dividends	4	–	–	–	NA
Capex	9	4	6	5	12%
Revenue: TV advert.	270	259	280	223	26%
Revenue: Digital advert.	23	28	40	28	45%
Revenue: Other	17	20	20	18	12%

- TVNZ's Board approved the early termination of its \$30m COVID-19 Crown uncalled capital facility due to its strong financial position with NPAT above budget due to strong advertising revenue for both television (26.8%) and online (44.9%) and closing cash of \$108.5m.
- Significant investment is being made in local entertainment content, which aligns well with the Government's Public Media Objectives.
- A three-year cloud enablement plan and five-year distribution roadmap is in place to implement TVNZ's transition to a fully digital business.
- The PwC quarterly television market results report says TVNZ achieved 66.6% network share (up 2.8 percentage points on FY20).
- TVNZ declared a dividend based on FY21 results, to be paid in FY22.

TVNZ: Summary 5-year analysis

Earnings were in decline but improved dramatically in FY21. TVNZ exceeded budget every year, but has been decreasing investment and suspended dividends for two years.

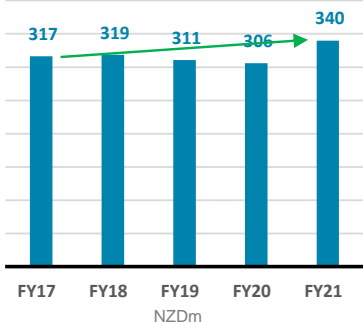
GROWTH

Is the company's capacity to contribute to public finances increasing over time?

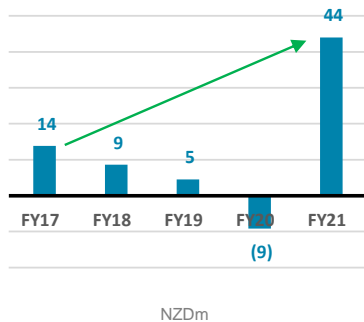
26% p.a.

compound profit growth, though declining prior to COVID-19

REVENUE



NPAT (underlying)



BUDGET

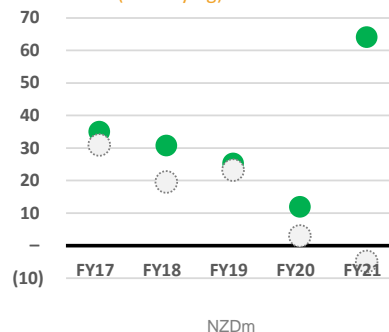
Is the company executing on its business plan?

Earnings budget beat

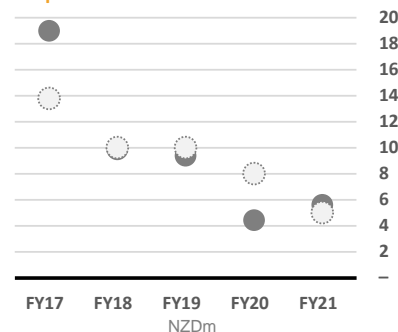
5/5 years

Key: ○ Budget ● Actual

EBITDA (underlying)



Capex



RESILIENCE

Can debt be serviced, and is the balance sheet able to withstand shocks?

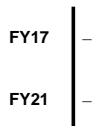
No debt held

REINVESTMENT

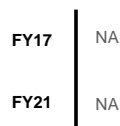
Are profits being returned to the Crown or reinvested into assets?

Capex below maintenance levels and no dividend payout

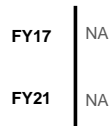
GEARING



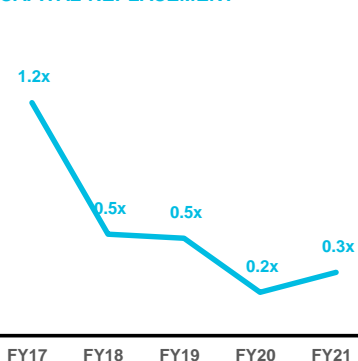
LEVERAGE



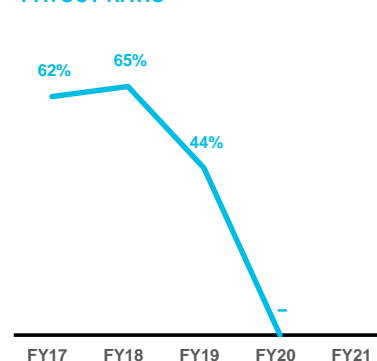
INTEREST COVER



CAPITAL REPLACEMENT



PAYOUT RATIO



Radio New Zealand (RNZ)

FY'21 | 1% of public benefit oriented entities' total assets

s9(2)(g)(i)

Key Performance Issues

- 1 The Ministry for Culture and Heritage's (MCH's) Strong Public Media (SPM) programme is considering the creation of a new public media entity, and the disestablishment of TVNZ and RNZ. s9(2)(g)(i)
- 2 Consistent annual achievement of Statement of Performance Expectation targets without substantive change suggests RNZ has insufficiently challenging performance expectations of itself.
- 3 RNZ is indicating that it is experiencing ongoing cost management challenges.
- 4 RNZ has updated its AM transmission strategy, reconfirming its commitment to national interest sites and identifying sites for closure.

What are we Doing?

- 1 Working with MCH to ensure shareholding Ministers have a clear view of the policy work required before the programme reaches the implementation phase. Where possible, we will support RNZ's early understanding of SPM policy developments to help it navigate any operational challenges.
- 2 Encouraging review of performance measures and targets for FY23 business planning documents, as requested by shareholding Ministers.
- 3 Exploring the nature of the cost management challenges and any trade-offs and impacts for services.
- 4 Engaging on the delivery of the AM transmission strategy to understand the pipeline of decisions, decommissioning impacts and the treatment of any sale proceeds.

Results

NZDm	Actual		Budget		Variance
	FY 19	FY20	FY21	FY21	%
Revenue	45.5	49.5	49.9	48.3	3%
Opex	43.1	46.0	46.4	45.2	3%
EBITDA (underlying)	2.4	3.5	3.5	3.2	11%
NPAT	(0.5)	0.0	0.1	0.0	277%
Dividends	–	–	–	–	NA
Capex	5.0	3.6	2.0	3.8	(48%)
Radio listnrs. ('000/mo)	694	687	710	650	9%
Unique users ('000/mo)	2,555	4,012	3,306	3,250	2%
Maori broadcast hrs	63	108	93	100	(7%)

- NPAT was above budget, impacted by the provision of financial relief through the Government's media sector support package. RNZ's cash position has increased year-on-year to \$7.3m.
- While live listeners have eased from the record number registered during the intense COVID-19 months, there are positive digital results, with RNZ mobile app users doubling since FY19.
- Māori language and culture performance results have been impacted by inconsistent content tagging systems (under review), vacancies for Māori journalists, and lower summer broadcast hours.
- Editorial content was provided to 62 outlets (including all of New Zealand's major newsrooms) through content-sharing initiatives.
- Closure of a Henderson AM transmission mast, and options for a new mast for continued AM broadcasting are being considered.

RNZ: Summary 5-year analysis

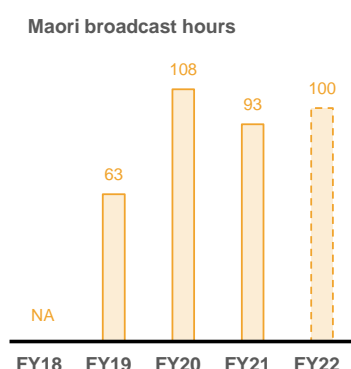
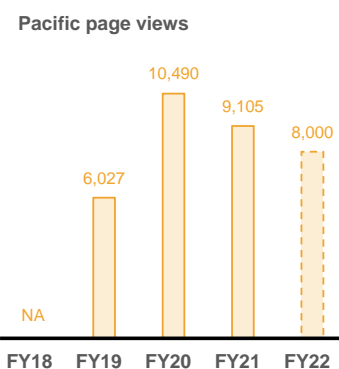
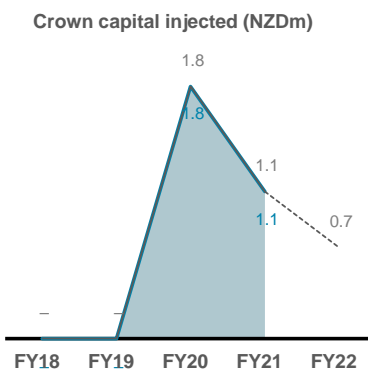
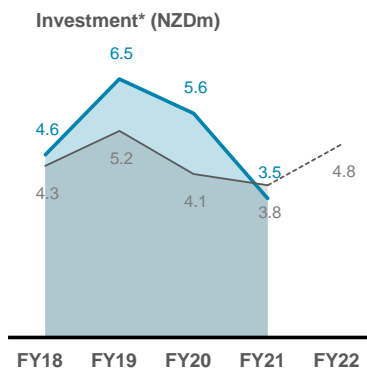
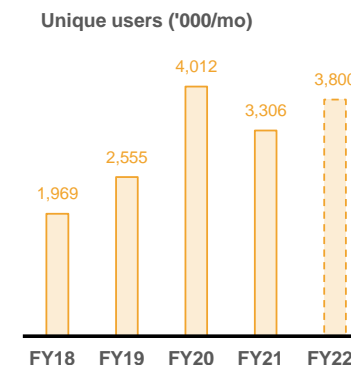
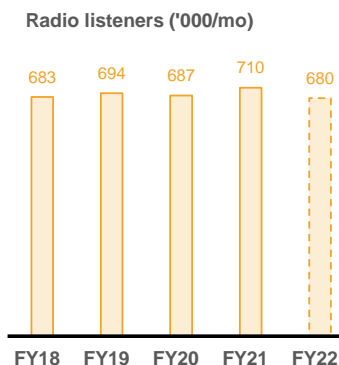
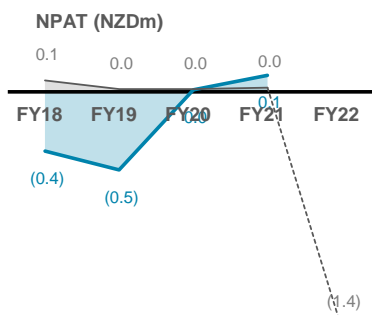
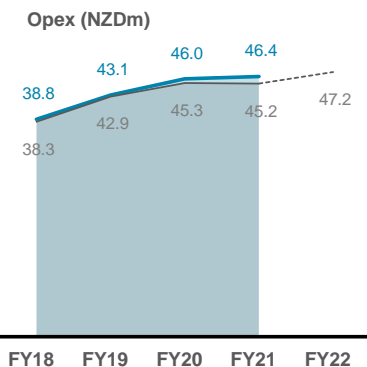
Costs and investment have been higher than budget, but Radio NZ's profit has 'broken even' for the last two years. Its online channel has grown over the last five years.

FINANCIALS

What is it costing to deliver public benefits?
Is the entity meeting budgeted costs/calls on Crown capital?
Are any financial benefits being delivered?

OUTPUTS

What non-financial benefits are being produced with Crown funding?
How are key SPE output metrics trending over time?



Key: Actual Budget

Key: Actual Target

* Sum of capex, investments in subsidiaries/associates & other investing cash outflows

Glossary and Technical Notes

Capex	Capital expenditure. Cash spend on the purchase of fixed and intangible assets. We do not calculate capex net of asset disposals.
Capital replacement	The ratio of capex to depreciation and amortisation. Ratios above one indicate the company could be making expansionary investment while a ratio below one could indicate it is not investing enough to maintain its existing assets. Capital replacement is defined as $Capex / (Depreciation + Amortisation)$
EBITDA (underlying)	Earnings before interest, tax, depreciation, and amortisation. It also excludes non-operating revenue and expenses. EBITDA (underlying) therefore is a measure of the underlying earnings generated from an entity's core business.
Free cash flow	The cash generated by a company that is available to the providers of capital (e.g. shareholders and lenders). The key components of free cash flow are underlying earnings, cash taxes and investment (capex plus investment in working capital).
FY	Financial year. FY21 is the full year from 1 July 2020 to 30 June 2021.
Gearing	A measure of debt relative to total capital. It is net of cash and liquid investments, and calculated as $Net\ debt / (Net\ debt + Equity)$.
HY	Half year. HY21 is the half year from 1 July 2020 to 31 December 2020.
Interest cover	The number of times a company can cover its interest costs with profit. Interest costs are net of interest revenue and the ratio is calculated as $EBIT\ (underlying) / Interest\ (net)$.
Leverage	A measure of debt relative to earnings. Debt is net of cash and liquid investments, and leverage is calculated as $Net\ debt / EBITDA\ (underlying)$.
NPAT	Net profit after tax. NPAT is the 'bottom line' profit, and therefore includes all income statement line items.
Opex	Operating expenditure. The costs above the EBITDA line. I.e. Expenses excluding interest, tax, depreciation, and amortisation and non-operating expenses.
Payout ratio	The proportion of profits that are returned as dividend. Payout ratio is calculated as $Dividends / NPAT\ (operating,\ last\ year)$.
Underlying earnings	Is underlying EBITDA (see above).
Sources	Financials are sourced from CFISnet and reports supplied by the entities. CFISnet financials utilise standardised definitions for all entities, which is necessary when consolidating financials at a portfolio level. The standardised definitions sometimes do not align with definitions used by entities in their quarterly reports, so discrepancies may arise. Listed company data is sourced from Bloomberg and internal data maintained by Treasury.
Consolidations	We prepare consolidated financials by summing earnings, revenue, etc for each company. Note that this method does not eliminate inter-company transactions, like a set of consolidated GAAP financials for a single entity would.

T2021/2575 Commercial Performance State of Play as at 3 November 2021

To: Minister of Finance (Hon Grant Robertson)

Associate Minister of Finance, Acting Minister for State Owned Enterprises
(Hon Dr Megan Woods)

Associate Minister of Finance (Hon David Parker)

Minister for State Owned Enterprises, Minister Responsible for the Earthquake Commission
(Hon Dr David Clark)

From: Shelley Hollingsworth, Manager, Commercial Performance

Maureena van der Lem, Manager, Commercial Performance

This report provides an update on current issues in relation to commercial entities and public benefit entities within the Crown portfolio. Please tick a box if you would like more information on a topic.

1. New and notable issues

Crown portfolio – Commercial entities

More info?	Entity / Issue	Update
	Letter of Expectations Process – LOE 2022/23 <i>(Nyap Foo)</i>	<p>The Letter of Expectations (LOE) is the primary vehicle for responsible Ministers to set out their high level, strategic expectations for the entity. These expectations are then incorporated into the entities' strategy documents.</p> <p>For the 2022/23 LOEs, we are planning to submit a total of nine cover reports with the LOEs (four omnibus reports and five individual reports).</p> <p>The four omnibus reports are: Omnibus B contains TVNZ and RNZ. This would be a joint report with the Ministry of Culture and Heritage. Cabinet will consider the Strong Public Media business case in early November. The date of this report is subject to Cabinet's decision and will be sent by week beginning 6 December 2021.</p>



Joint Report: RNZ and TVNZ FY23 Letters of Expectations

Date:	1 December 2021	Report No:	TSY: T2021/2694 MCH: BR2021/715
		File Number:	CM-1-3-78-3-3

Action sought

	Action sought	Deadline
Minister of Finance (Hon Grant Robertson)	Agree for the Minister for Broadcasting and Media to sign the attached Letters of Expectations to the chairs of RNZ and TVNZ	14 December 2021
Minister for Broadcasting and Media (Hon Kris Faafoi)	Sign the attached Letters of Expectations to the chairs of RNZ and TVNZ	14 December 2021

Contact for telephone discussion (if required)

Name	Position	Telephone	1st Contact
Eva Parker	Analyst, Commercial Performance, The Treasury	s9(2)(k)	s9(2)(g)(ii) ✓
Maureena van der Lem	Manager, Commercial Performance, The Treasury		
Daiman Smith	Manager, Sector Performance, Ministry for Culture and Heritage		

Minister's Office actions

Minister of Finance's office: Forward the signed report to the Minister for Broadcasting and Media's office

Minister for Broadcasting and Media's office: Once the signed report is received from the Minister of Finance's office, and your Minister has signed the report and Letters of Expectations, **email** a signed copy of the Letters of Expectations to the chairs of RNZ and TVNZ

Both offices: Return the signed report to the Treasury


Enclosure: Yes (attached)
[DRAFT RNZ FY23 Letter of Expectations \(Treasury:4555376v1\)](#)
[DRAFT TVNZ FY23 Letter of Expectations \(Treasury:4555433v1\)](#)

Joint Report: RNZ and TVNZ FY23 Letters of Expectations

Purpose of report

1. This report provides draft Letters of Expectations (LOEs) for Radio New Zealand Ltd (RNZ) and Television New Zealand Ltd (TVNZ) (the entities) for the 2022/23 financial year.
2. This is the sixth LOE report in the series of eight draft LOE reports being provided to the Minister of Finance by the Treasury. We expect to send the remaining two draft LOE reports in late January/early February 2022.

Content of the Letters of Expectations

3. The LOE is the primary vehicle by which shareholding Ministers set out their high-level expectations of the entities. LOEs are generally issued to the entities between October and December to allow time for the expectations to be reflected in their business planning documents.
4. The attached LOEs are similar to the FY22 LOEs. s9(2)(f)(iv)

5. Delaying the issuing of the LOEs until after Cabinet consideration risks increasing uncertainty for the entities as they develop their FY23 business planning documents – the drafts of which are due on 29 April 2022.
6. The LOEs contain:
 - Ministers' specific expectations for the entities
 - enduring letter of expectations and general governance expectations, and
 - timeline for the 2022/23 business planning process and governance information.
7. The LOEs reiterate the Government's commitment to its public media outcomes of:
 - providing New Zealand audiences access to a range and diversity of content and services that support their needs and interests as people living in Aotearoa
 - ensuring public media in New Zealand are operationally and editorially independent, securely and sustainably funded and able to respond effectively to an evolving operating environment, and
 - contributing to New Zealand being a connected, informed, cohesive and independent nation and a healthy, participative democracy, confident in and aware of our unique identity, cultures and languages.
8. The LOEs also include specific expectations that, despite challenges that may result from the changing public media landscape, the entities:
 - actively engage with officials to progress the Strong Public Media programme
 - continue current offerings and retain capability
 - demonstrate strategic and organisational leadership during a period of change
 - collaborate with the sector to maximise contribution to public media outcomes, and
 - consult with Ministers regarding major transactions and strategic shifts.
9. Given its dependence on Crown funding, the RNZ LOE includes an expectation that it demonstrates a focus on delivering value for money.

10. The RNZ LOE reiterates Ministers' feedback on its draft FY22 Statement of Performance Expectations (T2021/858 refers) that, although new, more robust performance targets have been introduced in some areas, the performance measures in other areas could be improved to better communicate current performance and expected improvements. Officials will engage with RNZ as it develops its performance indicators for inclusion in its FY23 business planning documents, to ensure they clearly outline how performance will be measured and reported.
11. The RNZ LOE also includes an expectation that it seeks to address the issues identified in the October 2021 independent (KPMG) audit of RNZ's information management maturity under section 33 of the Public Records Act 2005. The audit report made 28 recommendations to improve RNZ's information management practices – six of which Archives New Zealand has identified as priority recommendations.
12. The entities can formally respond to the LOE through their Strategic Issues Letters, which are due at the end of March 2021.

Linking board appointments with Ministers' expectations

13. Whether the entities' boards have the attributes and capabilities required to deliver on Ministers' expectations is a key consideration when providing advice on board appointments. We would expect the ability to support the delivery of the Government's public media outcomes to be a key requirement of any new appointments.
14. The Treasury will provide advice in mid-December 2021 regarding appointments ending on 30 April 2022. There are four RNZ governor terms ending on 30 April 2022. s9(2)(f)(iv)
There are no TVNZ director terms ending on 30 April 2022.
15. The Treasury will provide advice in June 2022 regarding appointments ending on 31 October 2022. There are two TVNZ director terms and one RNZ governor term ending on 31 October 2022.

Recommended Action

We recommend you **agree** that the Minister for Broadcasting and Media signs the attached Letters of Expectations to the chairs of Radio New Zealand Ltd and Television New Zealand Ltd.

Agree/disagree.
Minister of Finance

Agree/disagree.
Minister for Broadcasting and Media

Maureena van der Lem
Manager, Commercial Performance
The Treasury

Daiman Smith
Manager, Sector Performance
Ministry for Culture and Heritage

Hon Grant Robertson
Minister of Finance

Hon Kris Faafoi
Minister for Broadcasting and Media

Hon Kris Faafoi

Minister of Justice
Minister for Broadcasting and Media
Minister of Immigration



Dr Jim Mather
Chair
Radio New Zealand Ltd

s9(2)(a)

Dear Jim

2022/23 OWNER EXPECTATIONS FOR RADIO NEW ZEALAND LTD (RNZ)

I am writing to outline the matters that we expect the RNZ board to focus on in the 2022/23 business planning round.

Government priorities and the response to COVID-19

The Government has three goals for its term: to keep New Zealanders safe from COVID-19, to accelerate the recovery and rebuild, and to tackle foundational challenges.

The response to COVID-19 remains of central importance in the coming year. Investing in critical infrastructure and public services will be important to our economic recovery, along with a focus on renewable energy, waste reduction, sustainability and pursuing carbon neutrality.

Crown-owned companies and entities, through their operations, play an important role in supporting the response to COVID-19 and the social and economic recovery. Responsible management of assets and finances, including careful control of debt, capex and investments are part of the contribution RNZ makes to the Government's goals.

We wish you every success with your endeavours in the coming year and thank you for your contribution to laying the foundations for a more sustainable and equitable future.

This letter contains the following information:

- Ministers' specific expectations for RNZ;
- enduring letter of expectations and general governance expectations (see also **Annex 1**);
- timeline for the 2022/23 business planning process and governance information (**Annex 2**).

Entity-specific expectations

Public media outcomes

The Government is committed to ensuring that future generations of New Zealanders can access content that reflects their languages, experiences and communities in way that meet their needs and interests. The Government continues to endorse the following public media outcomes to provide guidance to public media entities.

- New Zealand audiences choose to access mainstream and targeted content and services that support:
 - their needs and interests as people living in Aotearoa, and which in particular reflect the language and experiences of Māori and Pacific peoples, and other under-served audiences
 - their ability as New Zealanders to be informed and engaged members of our participative democracy and open civic society, and
 - their access to a range and diversity of content that they value and trust.
- Public media in New Zealand are:
 - operationally and editorially independent
 - securely and sustainably funded
 - able to respond effectively to an evolving operating environment and relevant to changing consumer preferences, in particular younger audiences, and
 - complementary to and collaborative with private media.
- Public media plays an integral role in contributing to New Zealand being:
 - a connected, informed, cohesive and independent nation
 - a healthy, participative democracy, and
 - confident in and aware of our unique identity, cultures and languages.

Strong Public Media programme

The Government is committed to strengthening the role of public media and Māori media in the New Zealand community, ensuring public media is fit for the future and is able to thrive amid the changing media landscape.

Cabinet has agreed to test the viability of approaches to establishing a new public media entity through a business case process. I anticipate the business case will be considered by Cabinet in early 2022. If Cabinet agrees to establish a new public media entity, my expectation is that the entity would be operational in 2023. s9(2)(f)(iv)

I would like to thank RNZ for its contribution and engagement on the Strong Public Media programme to date. It is my expectation that RNZ will continue to make its expertise available as requested throughout this programme.

I recognise there is a heightened level of uncertainty regarding the future of RNZ and TVNZ. I restate my expectation that RNZ will continue to deliver services to New Zealand audiences throughout this period of uncertainty and collaborate with TVNZ where possible, within its current mandate. This could include actively exploring opportunities to work constructively with other public media entities to share experience and expertise on issues of common focus, maintaining working relationships with RNZ, and building a shared understanding of common audiences.

Ministers' specific expectations for RNZ in 2022/23 are that it will:

- actively engage with officials to progress the Strong Public Media programme
- continue RNZ's current offerings (including RNZ National, RNZ Concert and RNZ Pacific) and retain capability
- demonstrate strategic and organisational leadership while managing through a period of change
- collaborate with the sector to maximise RNZ's contribution to the public media outcomes
- consult with shareholding Ministers on a timely basis regarding major transactions and significant strategic shifts, and
- demonstrate a focus on delivering value for money.

Performance measures

Specific, measurable and appropriate performance indicators are important to be able to measure the success of the Crown's investment in RNZ. I acknowledge RNZ has introduced new, more robust performance targets in some areas. However, the performance measures across a range of outcome areas could be improved to better communicate RNZ's current performance and expected improvements. I encourage RNZ to proactively engage with officials in a timely way to ensure performance indicators clearly outline how performance will be measured and reported in its FY23 business planning documents.

Information management practices

The recent independent audit of RNZ's information management maturity under section 33 of the Public Records Act 2005 indicated there is action required to improve RNZ's information management practices. I expect RNZ to seek to address the issues identified in the independent audit, with priority given to the six recommendations identified by Archives New Zealand in its letter to RNZ dated 21 September 2021.

General governance expectations

We regard strong board governance as critical to the performance and success of the Crown's companies and entities. The [Owner's Expectations](#) sets out Ministers' expectations on matters for board oversight such as information-sharing and engagement with the Treasury, board evaluations, thresholds for consultation or approvals for significant investments, commercial valuations, capital structure and dividends, and timeframes for reporting and business planning documents.

Further enduring letter of expectations and general governance expectations matters are set out in **Annex 1**.

Further information

Your relationship managers at the Treasury and Ministry for Culture and Heritage will be in contact shortly after you receive this letter to discuss Ministers' expectations in more detail. If you have any questions, please contact Angus Pryde, Senior Analyst, Commercial Performance (on s9(2)(k) [redacted] or Louise Lennard, Principal Adviser, Sector Performance (on s9(2)(g)(ii) [redacted]. Alternatively, you can contact Maureena van der Lem, Manager, Commercial Performance (on s9(2)(k) [redacted] or Daiman Smith, Manager, Sector Performance (on s9(2)(g)(ii) [redacted].

Yours sincerely

Hon Kris Faafoi
Minister for Broadcasting and Media
on behalf of shareholding Ministers

cc Mr Paul Thompson, CEO, Radio New Zealand Ltd, s9(2)(a) [redacted]

Annex 1

Enduring expectations

Below are recently issued or amended Government statements, policies and plans that apply to Crown entity companies.

Support a unified, value-based government for all New Zealanders

- ***Government Workforce Policy Statement***

On 5 May 2021, a [Government Workforce Policy Statement](#) was issued, which sets out the Government's expectations about public sector agencies' management of employment relations and emphasises the importance of pay restraint in the COVID-19 environment and the fiscal context of the Government. Crown entity companies are to have regard to this statement.

Within the overall context of public sector pay restraint, Ministers expect that boards will ensure senior management remuneration is appropriately linked to performance and set at a level sufficient to attract and retain the necessary skills within the executive to enable Crown entities companies to operate successfully.

Boards of Crown entity companies have separately received Ministers' April 2021 expectation that disclosure in annual reports meets the NZX Corporate Governance Code, most notably recommendation 5.3. If disclosure to this standard is not possible, the annual report is expected to explain why this is the case.

- ***Public Service Pay Gap Action Plan***

Consistent with the Government's support for diversity, gender balance and wider ethnicity on boards, boards are encouraged to support diversity and inclusion in the workplace and in leadership teams. On 15 November 2021, the Government launched the [Public Service Pay Gap Action Plan](#), which aims to help close pay gaps and create fairer workplaces for all employees. Ministers look forward to seeing your progress as you implement the Action Plan.

Contribute to improving wellbeing

Consistent with the Government's support for diversity, gender balance and wider ethnicity on boards, boards are encouraged to support diversity and inclusion in the workplace and in leadership teams. On 15 November 2021, the Government launched the [Public Service Pay Gap Action Plan](#), which aims to help close pay gaps and create fairer workplaces for all employees.

Carbon Neutral Government Programme

In pursuit of our carbon reduction ambitions, the Carbon Neutral Government Programme (CNGP) has been set up to accelerate the reduction of emissions within the public sector. We encourage RNZ to support the Government by joining with businesses and communities already leading the way to reducing their emissions.

General governance expectations

Board evaluations

Board evaluations help boards improve performance and should take place annually (subject to the exceptions in the [Owner's Expectations](#)) and ideally be conducted by an independent evaluator. Along with skills matrices, evaluations contribute to the Treasury's advice to Ministers on board composition and so should be shared with the Treasury.

Annex 2

Timetable for the 2022/23 business planning process

Table 1: Summary timetable for the business planning process

Due by	Key action
January / February	The Treasury to discuss the Letter of Expectations with the Chair
28 February	Board sends Strategic Issues letter to Ministers
29 April	Board submits draft Statement of Intent (SOI) if required, Statement of Performance Expectations (SPE) and business plan
27 May	Board provides advice on: <ul style="list-style-type: none"> • whether special fees are sought for 2022/23; • the professional development spends in 2021/22 and the proposed professional development budget for 2022/23; and • whether an evaluation of its performance in the past 12 months has taken place, what process was used and the outcomes of the evaluation.
30 June	Board delivers final SOI (if required) and SPE to shareholding Ministers
As soon as practicable after delivery of the final SOI (if required) and SPE to Ministers	Entity to publish SOI (if required) and SPE on its website

All entities are expected to provide shareholding Ministers with a **Strategic Issues letter**, by **28 February 2022** in response to the Letter of Expectations. Should your entity wish to engage with shareholding Ministers to seek clarification around their expectations, we would ask that you advise the Treasury as early as possible of such intentions.

Entities are expected to provide shareholding Ministers with a draft SOI (if required), SPE and Business Plan, consistent with the expectations as detailed in this letter, by no later than **29 April 2022**.

The final SOI (if required) and SPE should be delivered to shareholding Ministers on or before **30 June 2022**.

Shareholding Ministers should be alerted as soon as possible if any of these deadlines cannot be met.

Further information is available in the [Owner's Expectations](#).

Hon Kris Faafoi

Minister of Justice
Minister for Broadcasting and Media
Minister of Immigration



Mr Andy Coupe
Chair
Television New Zealand Ltd
s9(2)(a)

Dear Andy

2022/23 OWNER EXPECTATIONS FOR TELEVISION NEW ZEALAND LTD (TVNZ)

I am writing to outline the matters that we expect the TVNZ board to focus on in the 2022/23 business planning round.

Government priorities and the response to COVID-19

The Government has three goals for its term: to keep New Zealanders safe from COVID-19, to accelerate the recovery and rebuild, and to tackle foundational challenges.

The response to COVID-19 remains of central importance in the coming year. Investing in critical infrastructure and public services will be important to our economic recovery, along with a focus on renewable energy, waste reduction, sustainability and pursuing carbon neutrality.

Crown-owned companies and entities, through their operations, play an important role in supporting the response to COVID-19 and the social and economic recovery. Responsible management of assets and finances, including careful control of debt, capex and investments are part of the contribution TVNZ makes to the Government's goals.

We wish you every success with your endeavours in the coming year and thank you for your contribution to laying the foundations for a more sustainable and equitable future.

This letter contains the following information:

- Ministers' specific expectations for TVNZ;
- enduring letter of expectations and general governance expectations (see also **Annex 1**);
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 - their needs and interests as people living in Aotearoa, and which in particular reflect the language and experiences of Māori and Pacific peoples, and other under-served audiences
 - their ability as New Zealanders to be informed and engaged members of our participative democracy and open civic society, and
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I would like to thank TVNZ for its contribution and engagement on the Strong Public Media programme to date. It is my expectation that TVNZ will continue to make its expertise available as requested throughout this programme.

I recognise there is a heightened level of uncertainty regarding the future of TVNZ and RNZ. I restate my expectation that TVNZ will continue to deliver services to New Zealand audiences throughout this period of uncertainty and collaborate with RNZ where possible, within its current mandate. This could include actively exploring opportunities to work constructively with other public media entities to share experience and expertise on issues of common focus, maintaining working relationships with RNZ, and building a shared understanding of common audiences.

My specific expectations for TVNZ in 2022/23 are that it will:

- actively engage with officials to progress the Strong Public Media programme
- continue providing TVNZ's current offerings and retain capability
- demonstrate strategic and organisational leadership while managing through a period of change
- collaborate with the sector to maximise TVNZ's contribution to the public media outcomes, and
- consult with shareholding Ministers on a timely basis regarding major transactions and significant strategic shifts.

General governance expectations

We regard strong board governance as critical to the performance and success of the Crown's companies and entities. The [Owner's Expectations](#) sets out Ministers' expectations on matters for board oversight such as information-sharing and engagement with the Treasury, board evaluations, thresholds for consultation or approvals for significant investments, commercial valuations, capital structure and dividends, and timeframes for reporting and business planning documents.

Further enduring letter of expectations and general governance expectations matters are set out in **Annex 1**.

Further information

Your relationship managers at the Treasury will be in contact shortly after you receive this letter to discuss Ministers' expectations in more detail. If you have any questions, please contact Eva Parker, Analyst, Commercial Performance (on s9(2)(k)). Alternatively, you can contact Maureena van der Lem, Manager, Commercial Performance (on s9(2)(k)).

Yours sincerely

Hon Kris Faafoi
Minister for Broadcasting and Media
on behalf of shareholding Ministers

cc Mr Kevin Kenrick, CEO, Television New Zealand Ltd, s9(2)(a)

Annex 1

Enduring expectations

Below are recently issued or amended Government statements, policies and plans that apply to Crown entity companies.

Support a unified, value-based government for all New Zealanders

- ***Government Workforce Policy Statement***

On 5 May 2021, a [Government Workforce Policy Statement](#) was issued, which sets out the Government's expectations about public sector agencies' management of employment relations and emphasises the importance of pay restraint in the COVID-19 environment and the fiscal context of the Government. Crown entity companies are to have regard to this statement.

Within the overall context of public sector pay restraint, Ministers expect that boards will ensure senior management remuneration is appropriately linked to performance and set at a level sufficient to attract and retain the necessary skills within the executive to enable Crown entities companies to operate successfully.

Boards of Crown entity companies have separately received Ministers' April 2021 expectation that disclosure in annual reports meets the NZX Corporate Governance Code, most notably recommendation 5.3. If disclosure to this standard is not possible, the annual report is expected to explain why this is the case.

- ***Public Service Pay Gap Action Plan***

Consistent with the Government's support for diversity, gender balance and wider ethnicity on boards, boards are encouraged to support diversity and inclusion in the workplace and in leadership teams. On 15 November 2021, the Government launched the [Public Service Pay Gap Action Plan](#), which aims to help close pay gaps and create fairer workplaces for all employees. Ministers look forward to seeing your progress as you implement the Action Plan.

Contribute to improving wellbeing

Consistent with the Government's support for diversity, gender balance and wider ethnicity on boards, boards are encouraged to support diversity and inclusion in the workplace and in leadership teams. On 15 November 2021, the Government launched the [Public Service Pay Gap Action Plan](#), which aims to help close pay gaps and create fairer workplaces for all employees.

Carbon Neutral Government Programme

In pursuit of our carbon reduction ambitions, the Carbon Neutral Government Programme (CNGP) has been set up to accelerate the reduction of emissions within the public sector. We encourage TVNZ to support the Government by joining with businesses and communities already leading the way to reducing their emissions.

General governance expectations

Board evaluations

Board evaluations help boards improve performance and should take place annually (subject to the exceptions in the [Owner's Expectations](#)) and ideally be conducted by an independent evaluator. Along with skills matrices, evaluations contribute to the Treasury's advice to Ministers on board composition and so should be shared with the Treasury.

Annex 2

Timetable for the 2022/23 business planning process

Table 1: Summary timetable for the business planning process

Due by	Key action
January / February	The Treasury to discuss the Letter of Expectations with the Chair
28 February	Board sends Strategic Issues letter to Ministers
29 April	Board submits draft Statement of Intent (SOI) if required, Statement of Performance Expectations (SPE) and business plan
27 May	Board provides advice on: <ul style="list-style-type: none"> • whether special fees are sought for 2022/23; • the professional development spends in 2021/22 and the proposed professional development budget for 2022/23; and • whether an evaluation of its performance in the past 12 months has taken place, what process was used and the outcomes of the evaluation.
30 June	Board delivers final SOI (if required) and SPE to shareholding Ministers
As soon as practicable after delivery of the final SOI (if required) and SPE to Ministers	Entity to publish SOI (if required) and SPE on its website

All entities are expected to provide shareholding Ministers with a **Strategic Issues letter**, by **28 February 2022** in response to the Letter of Expectations. Should your entity wish to engage with shareholding Ministers to seek clarification around their expectations, we would ask that you advise the Treasury as early as possible of such intentions.

Entities are expected to provide shareholding Ministers with a draft SOI (if required), SPE and Business Plan, consistent with the expectations as detailed in this letter, by no later than **29 April 2022**.

The final SOI (if required) and SPE should be delivered to shareholding Ministers on or before **30 June 2022**.

Shareholding Ministers should be alerted as soon as possible if any of these deadlines cannot be met.

Further information is available in the [Owner's Expectations](#).



Treasury Report: Strong Public Media: Entity form considerations

Date:	9 December 2021	Report No:	T2021/2750
		File Number:	CM-1-3-78-3-3

Action sought

	Action sought	Deadline
Minister of Finance (Hon Grant Robertson)	<p>Agree your preferred entity form, role and monitoring arrangements in the new public media entity proposed through the Strong Public Media programme</p> <p>Refer this report to the Minister for Broadcasting and Media</p> <p>Discuss this report with the Minister for Broadcasting and Media, if required</p>	16 December 2021

Contact for telephone discussion (if required)

Name	Position	Telephone	1st Contact
Eva Parker	Analyst, Commercial Performance	s9(2)(k)	N/A (mob) ✓
Maureena van der Lem	Manager, Commercial Performance		N/A (mob)

Minister's Office actions

Forward this report to the Minister for Broadcasting and Media's office, and **return** the signed report to the Treasury

Note any feedback on the quality of the report

Enclosure: Yes (attached)

Treasury Report: Strong Public Media: Entity form considerations

Executive summary

Cabinet will consider the Strong Public Media (SPM) business case (the business case) in February 2022. The draft Cabinet paper recommends the proposed new public media entity (the entity) be established as an Autonomous Crown Entity (ACE), focused on delivering a set of public media outcomes. The entity would be expected to supplement Crown funding with commercial revenue to maximise its delivery of public media outcomes.

Entity form discussions have indicated the decision between an ACE and Crown Entity Company (CEC) recommendation would be finely balanced.

The entity's form determines the Minister of Finance's (and the Treasury's) extent of oversight of the entity's commercial discipline and incentives. This report seeks your preference on the entity's form, your role and monitoring arrangements for the entity.

You previously agreed you consider it important that the Treasury's commercial capability be brought to the monitoring of the entity to support its generation of commercial revenue to deliver public media outcomes and to manage the potential fiscal risk to the Crown [T2021/2281 refers and was referred to the Minister for Broadcasting and Media for his consideration].

The business case forecasts that the entity's commercial revenue will continue to be an important contributor to the funding of public of media outcomes. If the entity fails to generate the forecast commercial revenue, it is likely to increase the cost to the Crown, decrease available funds for the long-run delivery of public media outcomes and reduce the long-term sustainability of the entity.

s9(2)(g)(i)

Should you wish to have a formal role in the entity, reflecting the fiscal risk to the Crown as well as an interest in the public media outcomes, two options were identified during the business case development:

Option 1: Establish the entity as an ACE with additional provisions to indicate where there is a role for the Minister of Finance (the draft Cabinet paper recommendation)

- The Minister for Broadcasting and Media would be the entity's responsible Minister, and the Minister of Finance would have joint responsibility with the Minister for Broadcasting and Media for the entity's board appointments, to ensure it has an appropriate collective skillset. Additional provisions could be added to further refine the Minister of Finance's role.

Option 2: Establish the entity as a CEC (the Treasury's recommendation)

- The Minister for Broadcasting and Media would be responsible for the entity's delivery of public media outcomes per its enacting legislation, while providing a wider ambit of responsibilities for both the Minister of Finance and Minister for Broadcasting and Media as the entity's shareholding Ministers under the Companies Act 1993, regarding its commercial discipline and incentives.

Limiting the Minister of Finance's oversight to joint responsibility for board appointments, as proposed under the ACE, is unlikely to provide oversight of the entity's commercial discipline and manage the fiscal risk to the Crown.

To ensure the Minister of Finance has oversight of the entity's commercial discipline, additional provisions would need to be included in its enacting legislation to specify the Minister's scope of responsibilities. s9(2)(f)(iv)

The drafting of these provisions would require detailed legal consideration to avoid unintended consequences, which is a risk when creating bespoke provisions.

To support these additional provisions, we consider monitoring arrangements similar to those detailed in the Treasury's Owner's Expectations document would be appropriate and could be reinforced through Letters of Expectations.

Alternatively, to avoid the creation of and risks associated with bespoke provisions, the entity could be established as a CEC. The CEC is an established entity form in the Crown's entity framework that already provides both Ministers oversight of the entity's commercial discipline and requires the company to act in accordance with the Companies Act 1993.

The CEC also provides a greater level of operational independence. We note that both entity forms would provide the same level of editorial independence in its enacting legislation.

The Treasury's view is that, with the commercial disciplines under a CEC, a CEC is likely to reduce the long-term cost to the Crown, increase the long-run delivery of public media outcomes and the long-term sustainability of the entity. A CEC would also be more consistent with the existing RNZ, TVNZ and some other international public media entity models.

Recommended action

We recommend that you:

Either (the draft Cabinet paper recommendation)

- a **indicate** your preferred entity form is an Autonomous Crown Entity (ACE), with the Minister for Broadcasting and Media as responsible Minister, additional provisions included in its enacting legislation to indicate where there is a role for the Minister of Finance, and the Ministry for Culture and Heritage (MCH) and the Treasury as primary and secondary monitors respectively

Agree/disagree.

and

- i **indicate** your preference is that the draft Cabinet paper directs officials to include additional provisions in the entity's enacting legislation to provide the Minister of Finance oversight of the entity's commercial discipline and incentives

Agree/disagree.

or (the Treasury's recommendation)

- b **indicate** your preferred entity form is a Crown Entity Company, with the Minister for Broadcasting and Media as the Minister responsible for its delivery of public media outcomes, and the Minister of Finance and Minister for Broadcasting and Media as shareholding Ministers

Agree/disagree.

and (the Treasury's recommendation is the Treasury as primary and MCH as secondary)

- i **indicate** by circling your preferred primary and secondary monitor for the entity

Primary: MCH / The Treasury

Secondary: MCH / The Treasury

and

- c **refer** this report to the Minister for Broadcasting and Media

Refer/not referred.

- d **discuss** this report with the Minister for Broadcasting and Media if your preferences differ to those in the draft Cabinet paper

Agree/disagree.

Maureena van der Lem
Manager, Commercial Performance

Hon Grant Robertson
Minister of Finance

Treasury Report: Strong Public Media: Entity form considerations

Purpose of report

1. This report seeks your preference on entity form, your role and monitoring arrangements for the new public media entity (the entity) proposed through the Strong Public Media (SPM) programme.

Proposed entity function

2. We understand Cabinet will consider the SPM business case (the business case) in February 2022. The draft Cabinet paper seeks agreement to establish the entity, which would focus on delivering a set of public media outcomes outlined in its charter:
 - A strong, distinctive Aotearoa/New Zealand identity;
 - A valued, visible, and flourishing te reo Māori me ngā tikanga Māori;
 - An inclusive, enriched and connected society; and
 - A healthy, informed participative democracy.

Commercial revenue to support the delivery of public media outcomes

3. The entity would be not-for-profit but would be expected to supplement Crown funding with commercial revenue to ensure it maximises its delivery of public media outcomes.
4. The business case forecasts that the entity's commercial revenue will continue to be an important contributor to the funding of public of media outcomes. The business case forecasts commercial revenue will constitute at least 50 percent of the entity's long-term funding.
5. If the entity fails to generate its forecast commercial revenue, it would increase its cost to the Crown and reduce the entity's long-term sustainability as it would require additional Crown funding sooner and/or would need to reduce its delivery of public media outcomes.
6. If the entity can maintain commercial revenues, or they decline by a slower rate than in the business case (which includes a rate of decline in excess of what historically has been observed) then the entity's long-term sustainability would increase and it would have more options in the future, including to increase its contribution to the public media outcomes.

Entity form considerations

The entity's form should reflect its proposed function

7. The entity's form should reflect its proposed function – to deliver on public media outcomes.
8. In January 2020, Cabinet noted the most appropriate entity form would be an Autonomous Crown Entity (ACE) or a Crown Entity Company (CEC), and agreed the entity's form would be considered through the business case (CAB-20-MIN-0004 refers). Entity form discussions have indicated the decision between an ACE and CEC recommendation would be finely balanced.
9. An ACE:
 - has primarily non-commercial functions but can also have commercial functions;
 - is subject to the Crown Entities Act 2004 and its own legislation;
 - has a responsible Minister; and
 - must "have regard to" policy that relates to the entity's functions and objectives if directed by Minister.

10. A CEC:
 - is a company owned by the Crown to further policy objectives – a CEC can have a commercial objective, such as providing the Crown a return on its capital investment, however, this is not necessary;
 - is subject to the Crown Entities Act 2004, the Companies Act 1993, and in some cases, its own legislation;
 - has two shareholding Ministers, one of which must be the Minister of Finance; and
 - Ministers do not have the power to direct a CEC on matters of policy unless specifically provided in another Act. A CEC provides an entity with slightly more operational independence than an ACE. The Ministry for Culture and Heritage (MCH) notes that operational and editorial independence are foundational principles for public media entities internationally and in New Zealand [BR2021/495 refers].
11. RNZ and Television New Zealand Ltd (TVNZ) are CECs and are subject to the Companies Act 1993, the Crown Entities Act 2004 and their own Acts.
12. There are examples of media entities overseas that are companies receiving a mix of public funding and commercial revenue, including the Australian Broadcasting Corporation (ABC), British Broadcasting Corporation (BBC) and Raidió Teilifís Éireann (RTE) in Ireland.

The draft Cabinet paper recommends the entity is an ACE with additional provisions

13. The draft Cabinet paper seeks agreement for the entity to be established as an ACE on the basis that this form would be most suited to the primarily non-commercial, public media focus of the entity, and that it would signal a move away from a predominantly commercial focus.
14. The ACE recommendation appears largely predicated on the entity's revenue weighting shifting in future to less commercial revenue to more Crown funding.
15. There is a high level of uncertainty as to when, or if, commercial revenues will decline. The actual rate of decline will depend on market dynamics and the incentives and expectations of the entity and the focus placed on achieving those objectives.
16. The working assumption is that the Minister for Broadcasting and Media would be the entity's responsible Minister, and consequently, the Minister of Finance would not ordinarily have a role in the entity. It is proposed additional provisions be included in the entity's enacting legislation to indicate the Minister of Finance's role.
17. Key considerations regarding three entity form options – a CEC, an ACE with standard provisions (included for completeness but not recommended by the Treasury or the draft Cabinet paper) and an ACE with additional provisions – are summarised in **Annex One**.

The entity should be incentivised to maintain commercial discipline to support the delivery of public media outcomes

18. Although the generation of commercial revenue is often portrayed to be at the cost of delivering public media outcomes, the reality can be quite different. For example, TVNZ's commercial performance has generated an audience of scale and allowed for significant investment in New Zealand content. TVNZ funds approximately \$100 million of New Zealand content per annum from its commercial revenue, and the commercial revenue also funds the operation of the company itself.
19. In a modern, free-to-view broadcasting environment, viewers can watch content when they wish, rather than being limited by the broadcast schedule. This allows wider audiences to be reached without cannibalising traditional, high-value broadcast revenue opportunities. Revenue generated can be used to further public media outcomes.

20. Although the entity's commercial revenue expectation is secondary to delivering public media outcomes, and it is intended to be not-for-profit, the entity still needs to be appropriately incentivised and monitored to maintain commercial discipline in order to manage fiscal risk to the Crown.
21. Ultimately, the actual commercial revenue generated will depend on market dynamics, and the entity's effort to maintain existing revenue streams and the creation of new revenue streams [T2021/2281 refers].

Options to ensure a formal role for the Minister of Finance in the entity

22. The entity's form determines the Minister of Finance's oversight of its commercial discipline and incentives, and therefore, it is important to consider what the enduring role, if any, of the Minister of Finance (and the Treasury as advisor to the Minister) in the entity might be.
23. We understand MCH intends to seek a \$1 million per annum baseline funding increase to support its monitoring capacity and capability, and that this new funding would be for all monitoring, including that of the entity's charter and commercial performance. s9(2)(a)(i)
24. You previously agreed you consider it important that the Treasury's commercial capability be brought to the monitoring of the entity to support its generation of commercial revenue to deliver public media outcomes and to manage the potential fiscal risk to the Crown [T2021/2281 refers and was referred to the Minister for Broadcasting and Media for his consideration].
25. The Treasury and Minister of Finance would have some visibility through budget responsibilities, and any additional requests from the entity for Crown funding would be considered against other priorities.
26. s9(2)(g)(i)
27. Should you wish to have a formal role in the entity, reflecting the fiscal risk to the Crown as well as an interest in the public media outcomes, two options were identified during the business case development:

Option 1: Establish the entity as an ACE with additional provisions to indicate where there is a role for the Minister of Finance (the draft Cabinet paper recommendation)

- The Minister for Broadcasting and Media would be the entity's responsible Minister, and the Minister of Finance would have joint responsibility with the Minister for Broadcasting and Media for the entity's board appointments, to ensure it has an appropriate collective skillset. Additional provisions could be added to further refine the Minister of Finance's role.

Option 2: Establish the entity as a CEC (the Treasury's recommendation)

- The Minister for Broadcasting and Media would be responsible for the entity's delivery of public media outcomes per its enacting legislation, while providing a wider ambit of responsibilities for both the Minister of Finance and Minister for Broadcasting and Media as shareholding Ministers under the Companies Act 1993, regarding its commercial discipline and incentives.

Strengthening Option 1

28. Limiting the Minister of Finance's oversight to joint responsibility for board appointments, as proposed under the ACE, is unlikely to provide oversight of the entity's commercial discipline and manage the fiscal risk to the Crown.
29. To ensure the Minister of Finance has oversight of the entity's commercial discipline, additional provisions would need to be included in the entity's enacting legislation to specify the Minister's scope of responsibilities.
30. s9(2)(f)(iv)
31. The drafting of these provisions would require detailed legal consideration to avoid unintended consequences, which is a risk when creating bespoke provisions, relative to the use of existing forms which already include these provisions.
32. To support these additional legislative provisions, we consider monitoring arrangements similar to those detailed in the Treasury's Owner's Expectations document would be appropriate. This could include formal processes for, amongst other things:
 - business planning, including providing three-year financial forecasts;
 - reporting against forecasts on a quarterly basis; and
 - consultation on significant investments and providing post-investment reviews.
33. This could be supported by Letters of Expectations which could reinforce how the entity would be monitored with respect to its performance (for example, the entity is expected to meet the expectations in the Treasury's Owner's Expectations document).

Using the established Option 2

34. Alternatively, to avoid the creation of and risks associated with bespoke provisions, the entity could be established as a CEC. A CEC is an established entity form in the Crown's entity framework that already provides, through the role as shareholders, both Ministers oversight of the entity's commercial discipline and requires it to act in accordance with the Companies Act 1993.
35. A CEC also provides a greater level of operational independence. We note that both entity forms would provide the same level of editorial independence in its enacting legislation.
36. The Treasury's view is that, with the commercial disciplines under a CEC, a CEC is likely to reduce the long-term cost to the Crown, increase the long-run delivery of public media outcomes and the long-term sustainability of the entity. A CEC would also be more consistent with the existing RNZ, TVNZ and some other international public media entity models.
37. If the entity is a CEC, there is risk that stakeholders perceive the company has commercial objectives that might distract from its contribution to the public media outcomes. The entity would be required through its enacting legislation to deliver against the public media outcomes specified in its charter and would have a responsible Minister for those policy outcomes. Shareholding Ministers could further encourage this public media outcome focus through Letters of Expectations, reiterating that Crown funding be supplemented with commercial revenue with a goal to maximise its delivery of these outcomes.

Entity monitoring arrangements

Greater focus on Government public media outcomes

38. If Cabinet agrees to progress with the establishment of the entity, this would require significant new Crown investment in public media. It is important monitoring arrangements are strengthened to ensure the investment makes measurable achievement towards the public media outcomes, including the creation of public media content and increasing access to underserved audiences. Given these are policy outcomes, MCH is likely to be best placed to monitor this – a similar arrangement to how RNZ is monitored now, with the Treasury focusing on entity performance.

Minister of Finance's role

39. If the entity is an ACE with additional provisions or a CEC, the Minister of Finance would have a formal role in the entity and, therefore, the Treasury would have a monitoring role ranging from supportive (in the case of an ACE with additional provisions) to more substantive (in the case of a CEC).
40. If the entity is an ACE with additional provisions, MCH would be the entity's primary monitor, reflecting the Minister for Broadcasting and Media's role as responsible Minister.
41. If the entity is a CEC, and the Minister of Finance and Minister for Broadcasting and Media are shareholding Ministers, we consider the Treasury, with its commercial monitoring capability, would be best placed to be the entity's primary monitor from a shareholder perspective. As the media policy agency, we consider MCH to be best placed to monitor and advise, from a policy perspective, on the delivery of public media outcomes as the entity's secondary monitor.

Engagement with MCH and the Public Service Commission

42. We informed MCH and the Public Service Commission (PSC) of this report.
43. MCH's comments are attached in **Annex Two**. Among other comments, MCH notes that, in its view, the rationale for an ACE remains (that is, the form is more suited to the entity's non-commercial, public media focus) and it would be helpful in signalling a move away from a predominantly commercially-focused entity. MCH also notes that PSC advises an ACE provides sufficient flexibility to provide for the Minister of Finance to have a statutory role in relation to the entity if desired.

Next steps

44. If your preferred role and entity form differ from the recommendation in the draft Cabinet paper (that is, you prefer either an ACE with standard provisions or a CEC), you may wish to discuss this with the Minister for Broadcasting and Media.
45. If your preferred entity form is reflective of that in the draft Cabinet paper (that is, you prefer an ACE with additional provisions), we recommend the draft Cabinet paper directs officials to include additional provisions in the entity's enacting legislation to provide the Minister of Finance oversight of the entity's commercial discipline and incentives.
46. We will continue to work with MCH to ensure any required changes are reflected in the Cabinet paper.

Annex One: Entity form considerations

	Crown Entity Company	Autonomous Crown Entity (ACE) with standard provisions	ACE with additional provisions
Ministerial involvement	Shareholding Ministers (Minister of Finance and Minister for Broadcasting and Media) based on Companies Act and may also have a Responsible Minister if specified in the entity's own legislation	Responsible Minister (Minister for Broadcasting and Media)	Responsible Minister (Minister for Broadcasting and Media) Minister of Finance with specific legislative provision(s)
Legislation	Entity's own legislation Crown Entities Act 2004 Companies Act 1993	Entity's own legislation Crown Entities Act 2004	
Board member appointments/removals	Shareholding Ministers	Responsible Minister	Responsible Minister Minister of Finance with specific legislative provision(s)
Entity performance	Charter delivery – Minister responsible for public media outcomes Operational efficiency – Shareholding Ministers	Charter delivery – Responsible Minister Operational efficiency – Responsible Minister	Charter delivery – Responsible Minister Operational efficiency – Less clear
Operational independence	Shareholding Ministers are not able to direct the entity on policy matters unless specified in legislation Can be strengthened through charter	If directed by the Responsible Minister, the entity must "have regard to" policy matters relating to its functions and objectives Can be strengthened through charter	
Monitor(s)	<i>Either</i> Primary: MCH Secondary: The Treasury <i>Or</i> Primary: The Treasury Secondary: MCH	MCH	Primary: MCH Secondary: The Treasury

Annex Two: Ministry for Culture and Heritage comment

Manatū Taonga agrees with Treasury that a new public media entity would need to earn revenue to support its delivery of public media outcomes – this was a key component of the business case - and that effective monitoring and oversight arrangements are critical to support this.

However, it is also important that the establishing legislation for a new entity gives the board clear direction on relative priorities - in particular, that the primary focus of the entity would be on delivery of public media outcomes, with generation of commercial revenue a secondary objective. That is, the entity would not be 'TVNZ with a charter,' and would not have the strong commercial focus of TVNZ.

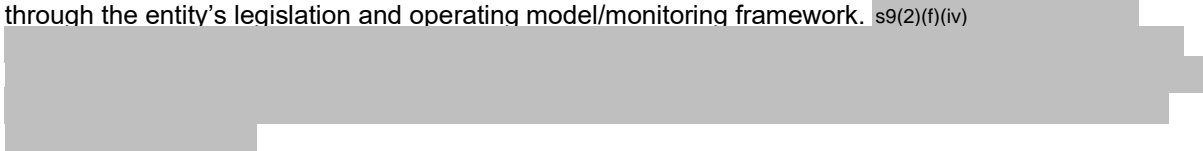
In this context, Manatū Taonga's view is that there seems to be no compelling reason to revisit the previously agreed position that the new public media entity be established as an Autonomous Crown Entity (ACE) because:

- the original rationale for an ACE form – that this form is more suited to the non-commercial public media focus of a new entity whose commercial revenue will diminish over time – still stands
- Te Kawa Mataaho – Public Service Commission's advice is that there is sufficient flexibility within the ACE form to provide for the Minister of Finance to have a statutory role in relation to the entity if he wishes and/or for other arrangements to be put in place to ensure Treasury has sufficient visibility of the entity's commercial performance. Based on that advice, establishing the new entity as an ACE does not therefore create any additional risks as the paper seems to suggest, not is it inconsistent with the Crown entities framework – and consideration of the Minister of Finance's ongoing role and the guiding public media outcomes defined through a charter would be "bespoke" elements of the new entity's legislation under either entity form
- ongoing discussions with stakeholders have underlined the importance of clearly communicating that the new entity will not either be an expanded RNZ or TVNZ with a charter, but a new entity focused on public media outcomes and supported by commercial revenue. In Manatū Taonga's view, the ACE form will be helpful in clearly signalling a move away from a predominantly commercially-focused entity.

Manatū Taonga notes Treasury's previous view that an ACE form is workable so long as the monitoring function brings the necessary experience to ensure maintenance of commercial discipline and minimisation of cost/risk to the Crown.

We support Treasury's proposal that monitoring arrangements similar to those detailed in the Treasury's Owner's Expectations document would be appropriate and could be further reinforced through Letters of Expectations. We propose working with Treasury in the establishment phase (assuming Cabinet agrees to proceed with the proposal) to identify in detail how such monitoring arrangements would work.

We are also keen to work with Treasury to better understand the specific levers required to ensure the Minister of Finance has the desired oversight of the entity (noting that Ministerial oversight and monitoring arrangements are different things) and to identify how these levers can best be provided through the entity's legislation and operating model/monitoring framework. s9(2)(f)(iv)



Drafting instructions to support the proposed characteristics of the new entity in the ACE form, including the Charter are well advanced and MCH is confident any further requirements identified to support the Minister of Finance's role within the legislation could be easily accommodated without significant legal effort or risk.

We understand that there are currently other ACEs with mixed commercial and non-commercial objectives where Treasury plays a monitoring role (such as the Public Trust and Lotteries Commission) that could provide helpful examples of how statutory and operational arrangements can be organised to best support effective delivery.



Treasury Report: Briefing for Social Wellbeing Committee
Wednesday 16 February 2022

Date:	11 February 2022	Report No:	T2022/224
		File Number:	MS-5-3-SWC

Action sought

	Action sought	Deadline
Hon Grant Robertson Minister of Finance	Read prior to the PreCab meeting with Treasury Officials.	11:00am 14 February 2022
Hon Dr Megan Woods Associate Minister of Finance		
Hon David Parker Associate Minister of Finance		

Contact for telephone discussion (if required)

Name	Position	Telephone	1st Contact
Gabriel Simpson	Graduate Analyst, Communities Learning and Work	s9(2)(k)	N/A (mob) ✓
Thomas Parry	Manager Communities Learning and Work	s 9(2)(g)(ii) (mob)	

Minister's Office actions (if required)

Return the signed report to Treasury.

Note any feedback on the quality of the report

Enclosure: No

Treasury Report: Briefing for Social Wellbeing Committee Wednesday 16 February 2022

The Treasury is aware of six items on the Social Wellbeing Committee agenda for Wednesday 16 February 2022. This report provides the Treasury's comments and recommendations on key items and identifies any relevant fiscal impacts.

Establishment of a New Public Media Entity

Hon Kris Faafoi, Minister for Broadcasting and Media

Treasury contact: Tim Roper (s9(2)(k))

Sign out contact: Awhi Fleming (s9(2)(k))

Description: This paper seeks agreement to establish a new entity, which would subsume RNZ and TVNZ, to strengthen delivery of public media services. It also seeks agreement to proposed characteristics (e.g. organisational form and focus) as well as reporting, monitoring and transitional arrangements for the new entity, for inclusion in the establishment legislation.

Comments: Treasury is generally comfortable with the paper. There are two matters that we wish to bring to your attention for noting:

First, the net additional cost to the Crown of the new entity (both at establishment and over time) will largely depend on the level of commercial revenue that it can generate. While the business case assumptions in this regard are conservative (i.e. anticipate lower commercial revenue) and so arguably result in a higher net new funding requirement than is necessary, what will ultimately be important are the appropriate commercial settings. That is, finding an optimal commercial balance that both requires and incentivises the new entity to generate sufficient non-Crown revenue to fund – and grow – its operations and wider sector objectives while maintaining its public media focus, and obviates any risk that additional Crown funding will be required to maintain its long-term viability. This will be a focus for Treasury through the legislation drafting and establishment phase and is a key reason why we have pushed for the Minister of Finance having a statutory role in relation to the entity's financial performance and Treasury to have an oversight role.

s9(2)(f)(iv)

Treasury Recommendation: Support.

Fiscal Implications: No new funding for establishment and implementation of the proposed new public media entity is being sought through the Budget 2022 process, with the exception of 2021/22 establishment costs for which an early funding decision is necessary. As these are being met from tagged contingency, they are fiscally neutral.

Recommended Action

We recommend that you **read** this report prior to the Pre-Cabinet meeting with Treasury officials at 11:00am on Monday 14 February 2022.

Thomas Parry
Manager Communities Learning and Work

Hon Grant Robertson
Minister of Finance

Hon Dr Megan Woods
Associate Minister of Finance

Hon David Parker
Associate Minister of Finance



Treasury Report: Briefing for Cabinet 21 February 2022

Date:	18 February 2022	Report No:	T2022/300
		File Number:	CO-6-2-3-5

Action sought

	Action sought	Deadline
Hon Grant Robertson Minister of Finance	Read prior to the PreCab meeting with Treasury Officials	9:00am, 21 February 2022
Hon Dr Megan Woods Associate Minister of Finance		
Hon David Parker Associate Minister of Finance		

Contact for telephone discussion (if required)

Name	Position	Telephone	1st Contact
Hermano Pinto	Advisor, Governance and Accountability	s9(2)(k) (wk)	N/A (mob) ✓
Helen Guissane	Manager, Governance and Accountability,	s9(2)(k) (wk)	s 9(2)(g)(ii) (mob)

Minister's Office actions (if required)

Return the signed report to Treasury.


Note any feedback on the quality of the report

Enclosure: No

Treasury Report: Briefing for Cabinet 21 February 2022

The Treasury is aware of seven items on the Cabinet agenda for 21 February 2022. This report provides the Treasury's comments and recommendations on key items and identifies any relevant fiscal impacts.

Withheld out of scope of request



Establishment of a New Public Media Entity

Hon Kris Faafoi, Minister for Broadcasting and Media

Treasury contact: Tim Roper s9(2)(k)

Sign out contact: Awhi Fleming s9(2)(k)

Description: This paper seeks agreement to establish a new entity, which would subsume RNZ and TVNZ, to strengthen delivery of public media services. It also seeks agreement to proposed characteristics (e.g. organisational form and focus) as well as reporting, monitoring and transitional arrangements for the new entity, for inclusion in the establishment legislation.

Comments: Treasury is generally comfortable with the paper. There are two matters that we wish to bring to your attention for noting:

First, the net additional cost to the Crown of the new entity (both at establishment and over time) will largely depend on the level of commercial revenue that it can generate. While the business case assumptions in this regard are conservative (i.e. anticipate lower commercial revenue) and so arguably result in a higher net new funding requirement than is necessary, what will ultimately be important are the appropriate commercial settings. That is, finding an optimal commercial balance that both requires and incentivises the new entity to generate sufficient non-Crown revenue to fund – and grow – its operations and wider sector objectives while maintaining its public media focus, and obviates any risk that additional Crown funding will be required to maintain its long-term viability. This will be a focus for Treasury through the legislation drafting and establishment phase and is a key reason why we have pushed for the Minister of Finance having a statutory role in relation to the entity's financial performance and Treasury to have an oversight role.

s9(2)(f)(iv)

Treasury Recommendation: Support

Fiscal Implications: Nil. Funding for establishment and implementation of the proposed new public media entity is being sought through the Budget 22 process, with the exception of 2021/22 establishment costs for which an early funding decision is necessary. As these are being met from tagged contingency, they are fiscally neutral.

Funding source		N/A							
Operating (\$m)					Capital (\$m)				
21/22	22/23	23/24	24/25	25/26 & outyears	21/22	22/23	23/24	24/25	25/26 & outyears
-	-	-	-	-	-	-	-	-	-

Recommended Action

We recommend that you **read** this report prior to the PreCab meeting with Treasury officials at 9:00am on Monday, 21 February 2022.

Helen Guissane
Manager, Governance and Accountability

Hon Grant Robertson
Minister of Finance

Hon Dr Megan Woods
Associate Minister of Finance

Hon David Parker
Associate Minister of Finance



TE TAI ŌHANGA
THE TREASURY

Annex 2: Broadcasting Crown Company and Entity Result Summaries

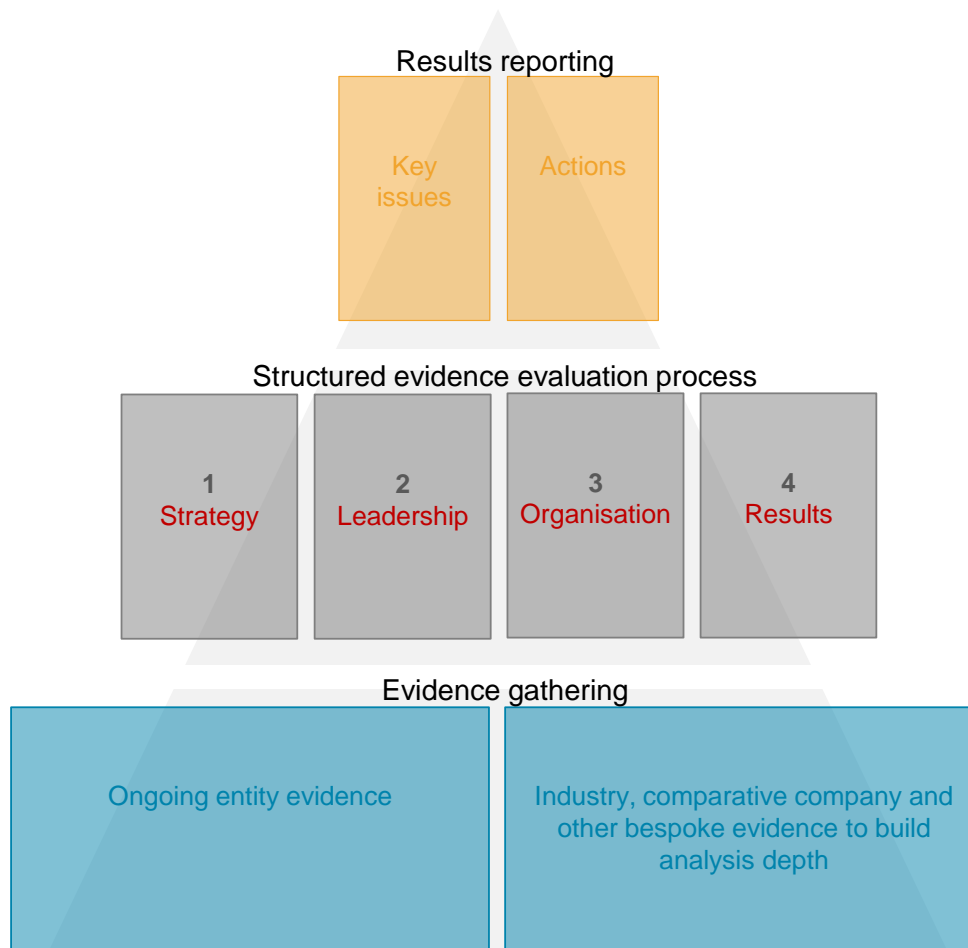
Half Year 2021/22

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How we Assess Entity Performance...

- Reports to Ministers aim to give a 'birds-eye' view of issues; actions they could take; and how we are engaging to lift entities' performance.
- The core of our approach is a systematic evidence gathering and evaluating process based on research about factors associated with company success.
- We assess performance in four key dimensions collecting evidence through investing in understanding our entities and the industries they operate in.
- To strengthen insight, and shed light on specific matters, our evidence collection draws on evidence from:
 - the entity (i.e. reports to Ministers, our engagement and information provided by the entity)
 - other sources (i.e. comparative companies, industry analysis and periodic reviews).
- We take a structured approach to applying evidence to reach robust conclusions about how entities are positioned to perform looking forward, refreshing assessments for reports to Ministers at half-year and year-end.



Performance Assessment Framework Dimensions

Strategic Alignment	<p>Are entities doing the right thing? For instance, are they:</p> <ul style="list-style-type: none"> • evaluating the achievement of their strategy; • maintaining a good understanding of industry trends and disruption risks and developing a clear and logical strategy to address these; • developing and retaining the core competencies needed to achieve their strategy; • aligning their strategic intentions with Shareholding Ministers' priorities and letters of expectations; • focusing on understanding customers and markets to make investment, service and pricing decisions; and, • making major capital allocation and investment decisions that add up strategically and perform to expectations.
Leadership	<p>Are boards and executive leaders effectively:</p> <ul style="list-style-type: none"> • providing collective leadership, direction and change management to the entity; • constructively managing relationships with Ministers, key partners and other stakeholders; • meeting public expectations of public sector entities to operate ethically, transparently and prudently as good stewards of public assets and resources; and, • evaluating their own effectiveness and working to maintain their strengths and to address skills and knowledge gaps.
Organisation	<p>Do entities have the capability and capacity to deliver? Are they:</p> <ul style="list-style-type: none"> • leveraging a clear and tangible competitive advantage to compete effectively; • structuring for efficiency, effectiveness and transparency • building a healthy and appropriate organisational culture and developing the workforce to meet needs and to promote diversity and inclusion; • managing financial, natural, manufactured, and information resources effectively for the short and long term.
Results	<p>Are entities achieving financial and operational results that are consistent with or better over time than, for instance:</p> <ul style="list-style-type: none"> • their own forecasts; • those comparable companies, and industry /sector benchmarks; • their cost of capital; and, • previous years' earnings.

Television New Zealand (TVNZ)

HY'22 | 4% of commercial oriented entities' value

s9(2)(g)(i)



Key Performance Issues

- 1 Online advertising revenues are growing, offsetting losses of television advertising revenues (reflecting shifts in technology and customer preferences). To remain financially viable, TVNZ must respond to shifts in technology and preferences while satisfying its TVNZ Act 2003 mandate.
- 2 The Ministry for Culture and Heritage's (MCH's) Strong Public Media (SPM) programme is considering the creation of a new public media entity, and the disestablishment of TVNZ and RNZ.
s9(2)(g)(i)
- 3 Planned investment of ~\$25.8m over FY22-FY24 in a future IP platform has a two to three-year lead-time for design, build and implementation.



What are we Doing?

- 1 Ongoing conversations with management on cost management and advertising sector trends.
- 2 Working with MCH to ensure shareholding Ministers have a clear view of the SPM programme implementation phase, assuming Cabinet endorses the business case. Where possible, we will support TVNZ's early understanding of, and engagement in implementation developments to help it navigate any operational challenges.
- 3 Requesting TVNZ prepares a business case to support the intended future IP platform. The investment may be timely as it could provide a new entity with a modern, fit-for-purpose platform. Consideration of the investment by shareholding Ministers and officials in the context of the SPM programme may avoid redundant or duplicated spend.



Results

NZDm	Actual		Budget		Variance
	HY 20	HY 21	HY 22	HY 22	
Revenue	179	176	184	178	3%
Opex	153	124	150	167	(10%)
EBITDA (underlying)	26	52	33	11	201%
NPAT	16	34	18	2	659%
Dividends	-	-	15	-	NA
Capex	2	1	2	7	(77%)
Revenue: TV advert.	155	144	150	145	3%
Revenue: Digital advert.	15	19	25	23	6%
Revenue: Other	9	13	9	10	(0%)

- Both television and online advertising revenues were above budget and up 3% and 27% year-on-year respectively.
- Operating costs were below budget due to the availability of international content and timing delays due to COVID-19.
- Following several years of zero dividends, a dividend based on FY21 results was declared.
- Capital expenditure was below budget due to the impact of COVID-19 and delays from overseas suppliers.
- Significant investment is being made in local entertainment content, which aligns with the Government's Public Media Objectives.
- The PwC quarterly television market results report indicates TVNZ maintained a strong network share of 66.6%.

Radio New Zealand (RNZ)

HY'22 | 1% of public benefit oriented entities' total assets

s9(2)(g)(i)



Key Performance Issues

- 1 The Ministry for Culture and Heritage's (MCH's) Strong Public Media (SPM) programme is considering the creation of a new public media entity. s9(2)(g)(i)
- 2 Consistent achievement of Statement of Performance Expectation targets suggests RNZ has insufficiently challenging performance expectations which need reviewing in light of the SPM programme.
- 3 RNZ has indicated it is experiencing ongoing cost management and information management challenges.
- 4 Due to an ongoing increase in maintenance costs, RNZ has updated its AM transmission strategy, reconfirming its commitment to national interest sites and identifying sites for closure.



What are we Doing?

- 1 Working with MCH to ensure shareholding Ministers have a clear view of the policy work required as the programme potentially reaches the implementation phase. Where possible, we will support RNZ's early understanding of SPM policy developments to help it navigate any operational challenges.
- 2 Encouraging continued review of performance measures and targets for FY23 business planning documents and providing input into any work undertaken as part of the SPM programme.
- 3 Exploring the nature of the cost and information management challenges and any trade-offs and impacts for services.
- 4 Engaging on the delivery of the AM transmission strategy to understand the pipeline of decisions, decommissioning impacts and the treatment of any sale proceeds.



Results

NZDm	Actual		Budget		Variance
	HY20	HY21	HY22	HY22	%
Revenue	24.1	24.2	24.6	24.6	0%
Opex	22.0	21.4	23.5	23.5	0%
EBITDA (underlying)	2.1	2.8	1.1	1.1	(1%)
NPAT	0.5	1.2	(0.4)	(0.4)	NM
Dividends	-	-	-	-	NA
Capex	1.6	1.7	2.4	2.0	24%
Radio listnrs. ('000/mo)	676	769	731	680	8%
Unique users ('000/mo)	3,529	3,337	3,755	3,800	(1%)
Māori broadcast hrs	37	27	80	50	60%

- The NPAT loss was in line with budget, with high costs in electricity, insurance, property leases and technology continuing to place pressure on budgeted activity.
- In October 2021, 1.36m New Zealanders read, watched or listened to content on RNZ.co.nz, its largest ever audience and placing RNZ.co.nz third among NZ news websites.
- RNZ's new Christchurch office was opened in November 2021, with the refurbished Wellington space due to be completed in February 2022.
- Closure of a Henderson AM transmission mast, and options for a new mast for continued AM broadcasting are being considered.

Glossary and Technical Notes

Capex	Capital expenditure. Cash spend on the purchase of fixed and intangible assets. We do not calculate capex net of asset disposals.
EBITDA (underlying)	Earnings before interest, tax, depreciation, and amortisation. It also excludes non-operating revenue and expenses. EBITDA (underlying) therefore is a measure of the underlying earnings generated from an entity's core business.
FY	Financial year. FY22 is the full year from 1 July 2021 to 30 June 2022.
Gearing	A measure of debt relative to total capital. It is net of cash and liquid investments, and calculated as <i>Net debt / (Net debt + Equity)</i> .
HY	Half year. HY22 is the half year from 1 July 2021 to 31 December 2021.
NPAT	Net profit after tax. NPAT is the 'bottom line' profit, and therefore includes all income statement line items.
Opex	Operating expenditure. The costs above the EBITDA line. I.e. Expenses excluding interest, tax, depreciation, and amortisation and non-operating expenses.
Underlying earnings	Is underlying EBITDA (see above).
Sources	Financials are sourced from CFISnet and reports supplied by the entities. CFISnet financials utilise standardised definitions for all entities, which is necessary when consolidating financials at a portfolio level. The standardised definitions sometimes do not align with definitions used by entities in their quarterly reports, so discrepancies may arise. Listed company data is sourced from Bloomberg and internal data maintained by Treasury.
Consolidations	We prepare consolidated financials by summing earnings, revenue, etc for each company. Note that this method does not eliminate inter-company transactions, like a set of consolidated GAAP financials for a single entity would.