

**Briefing Note for
Public Accounts Committee**

Thursday 3rd May 2018

Based on the expressions of particular interest from the members of the Public Accounts Committee, RTÉ now submits more detailed information on the following topics:

- *The Licence Fee: Its Collection and Oversight Arrangements*
- *RTÉ as an Employer including the Use of Contractors and its Remuneration of Top Earners*
- *RTÉ & Orchestral Funding*

RTÉ Funding & Oversight

The National Model for the Funding of Public Service Media

RTÉ is a dual funded public service media organisation, meaning that it is reliant on both public funding and commercial revenue to deliver against its remit. This model minimises the burden of costs in countries smaller in population and scale. The cost of RTÉ's public service activities is substantially in excess of the amount of public funding received through licence fee revenue. Therefore, RTÉ also engages in commercial activities to support its public service activities. These include sale of advertising and sponsorship, publication of the RTÉ Guide and other broadcast related commercial activities. In 2016, RTÉ received €179.1 million of licence fee revenue, and generated €158.2 million in commercial revenue.

Ireland has one of the lowest television licence fees in Europe, both per household and per capita. On a per capita basis it is a little over half that of the UK and under a third of Norway – see tables below:

Comparative Data on Annual Licence Fee € by Country

| | |
|----------------|-------------|
| Switzerland | €414 |
| Denmark | €330 |
| Norway | €305 |
| Austria | €284 |
| Germany | €210 |
| United Kingdom | €178 |
| Ireland | €160 |

Source EBU Report – Funding of Public Service Media 2017

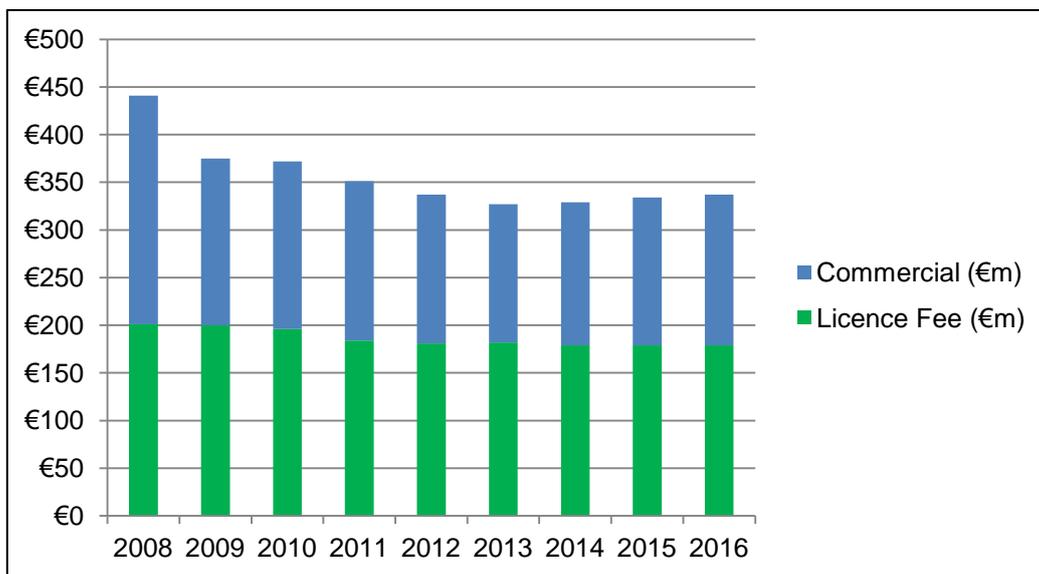
Comparative Data on Licence Fee per Capita € by Country

| | |
|----------------|--------------|
| Switzerland | €11.40 |
| Norway | €9.49 |
| Germany | €8.17 |
| Denmark | €7.25 |
| United Kingdom | €6.38 |
| Austria | €5.70 |
| Ireland | €3.77 |

Source EBU Report – Funding of Public Service Media 2017

Since 2008, both RTE's public funding and commercial revenue have been in marked decline and RTE has responded by reducing its cost base by over 22% between 2008 and 2016.

RTÉ Income 2008-2016



RTÉ Income 2008-2016 % change

| Year | Commercial | Licence Fee | Total Income | Operating Costs * |
|----------|-------------|-------------|--------------|-------------------|
| 2008 | €240m | €201m | €441m | €439m |
| 2016 | €158m | €179m | €337m | €343m |
| change | (€88m) | (€22m) | (€104m) | (€96m) |
| % change | -36% | -12% | -23% | -22% |

The TV Licence Fee: Its Collection and Distribution

The Department of Communications, Climate Action and Environment (DCCAE) is responsible for the collection of licence fee monies due, both from An Post (the appointed agent for the sale of TV licences) and from the Department of Social Protection in respect of 'free' television licences. DCCAE then makes grant-in-aid to RTE out of the licence monies collected. As illustrated below, RTE receives approximately 79% of each licence fee with all other disbursements itemised overleaf.

Collection Costs and Evasion

- Currently evasion stands at **15%** which results in a gross loss of c. €37 million annually.
- 'No TV Homes' (due to outdated TV exemptions) gross loss of c.€24m annually
- As a percentage of revenue received, An Post collection costs are at 5.5% which translates as a €12 million charge on revenue and is high by European standards
- Evasion levels in Ireland is over twice that in the UK and collection costs are more than double other European counterparts.

Over **€60 million every year is now being lost to public service media** due to inefficiencies in the licence fee collection system.

Comparative Data on Evasion Rates by Country

| | |
|----------------|------------|
| Germany | 2% |
| Austria | 4% |
| United Kingdom | 6.5% |
| Norway | 6.8% |
| Switzerland | 8.5% |
| Denmark | 9.9% |
| Ireland | 15% |

Source EBU Report – Licence Fee- Evasion Rates 2016

Utilisation of each Licence Fee Collected

As outlined below, RTÉ receives **79%** of licence fee monies collected with the remaining **21%** allocated or spent on Non-RTÉ Activities as outlined in the table below:

| Use of each €160 Licence Fee | 2016 € |
|--|---------------|
| RTÉ One | 46.23 |
| RTÉ Two | 29.52 |
| RTÉ Television | 75.75 |
| RTÉ Radio 1 | 12.83 |
| RTÉ 2fm | 3.74 |
| RTÉ Raidió na Gaeltachta | 8.55 |
| RTÉ lyric fm | 4.46 |
| RTÉ Radio | 29.58 |
| RTÉ Orchestras | 9.41 |
| Governance and financing charges | 4.54 |
| DTT related | 0.48 |
| Online services | 3.47 |
| Other channels | 3.14 |
| RTÉ Activities | 126.37 |
| RTÉ Activities % of Licence Fee | 79% |
| Non-RTÉ Activities | |
| RTÉ support for TG4 | 5.65 |
| BAI levy | 1.10 |
| TG4 deduction | 6.87 |
| BAI Sound & Vision fund | 10.53 |
| An Post collection costs and related charges | 9.48 |
| Non-RTÉ Activities Costs | 33.63 |
| Non- RTÉ Activities % of Licence Fee | 21% |
| Cost of TV licence | €160 |

Source: RTÉ Annual Report 2016, p18

RTÉ's Impact on the Irish Economy *

- RTÉ's 2016 total operating spend was €343.5 million of which RTÉ spent €297 million with Irish personnel and Irish suppliers. This was equivalent to 86% of total operating costs.
- RTÉ's Ireland-based expenditures in 2016 exceeded the licence fee income it received by €118 million.
- Excluding taxes, RTÉ's contribution to national output was approximately €315 million. This supported approximately 2,900 full-time equivalent jobs across the Irish economy which was in addition to the 1,834 full-time equivalent jobs directly employed by RTÉ.
- Tax contributions made by RTÉ in 2016 amounted to €79 million or, placed in context, 44% of the licence fee income received by RTÉ in 2016, i.e. of €179 million €79 million reverted directly to the State in taxes.
- For every €1 received in licence fee funding by RTÉ 2016, RTÉ contributed €2.20 to the Irish economy, including taxes.

** Source: PwC Report RTÉ's economic contribution to the Irish economy 2016*

Financial Transparency and Use of Licence Fee

Firstly on the matter of financial transparency, and in particular how the licence fee monies which RTÉ receives each year are spent.

Section 109 of the Broadcasting Act sets out RTÉ's financial reporting requirements to the Minister with regards to its income and expenditures each year, referencing in particular the annual accounts and audit. Section 109 (9) in particular requires RTÉ to provide:

- a statement in respect of the total revenue and costs in the financial year, distinguishing between monies received or expended on activities in pursuance of its public service objects, and activities in pursuance of its exploitation of commercial opportunities objects.
- a statement of the use it has made of the monies paid to it under Section 123 in that financial year in pursuance of its public service objects.

RTÉ can confirm that RTÉ's Annual Report and Financial Statements which are submitted each year to the Minister for Communications, Climate Action and Environment, and which are publicly available, provides the information which is in full compliance with the statutory requirements and deadlines as specified in Section 109 and in many aspects, goes considerably further in terms of the financial information it provides.

Financial Transparency

RTÉ's Annual Report contains not only the financial statements for the year but also provides comprehensive detail on the full range of RTÉ's activities, programming and services. RTÉ's Financial Statements are prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union which is applied in accordance with the provisions of broadcasting legislation. RTÉ's Financial Statements are also subject to an annual audit by external auditors KPMG.

As set out under Note 2 (d) of RTÉ's Financial Statements, there is a comprehensive financial statement in respect of RTÉ's total revenue and costs for that year reported by primary segment. RTÉ's primary reporting segments (in 2016) were its Integrated Business Divisions – Television, Radio, News & Current Affairs, Orchestras, Network, Digital and Corporate & Centrally Shared Services. A comprehensive breakdown of revenues and costs by segment for 2016 is attached at **Appendix 1** to this submission which includes the following financial information:

- Income by type including advertising, sponsorship, facilities income, circulation and event income, transmission mast and towers income, content, merchandising and related sales and other commercial revenues.
- Licence fee revenue attributed to each primary segment (TV, Radio, News and Current Affairs etc)
- Costs by main category of spend including:
 - In-house programming
 - Commissioned programming
 - Acquired programming
 - Broadcast and Transmission costs

- 2rn transmission and power costs
- Sales costs
- Other output related costs
- Corporate, administration and interest costs

RTÉ also provides under Note 2 (e) of its Financial Statements a further comprehensive financial statement of revenue and costs split by channel and service and separated between public service activities and commercial activities which is also attached at **Appendix 2** for 2016. Note 2 (e) provides the following financial information:

- Public service costs by type of spend including in-house programming, commissioned programming, acquired programming, broadcast and transmission and other costs.
- Indigenous programme spend analysed by channel and by genre type e.g.: drama, factual, news and current affairs, entertainment etc.
- Net contribution from commercial activity by each channel / service
- Licence fee attributed to each channel or service.

RTÉ's Financial Statements also provides a comprehensive analysis of total operating costs including employee costs, other personnel related costs, commissioned programmes, acquired programmes, sports and other copyrights, outside broadcast costs, communication circuits, music licences, insurance, network electricity and other third party costs. A comprehensive breakdown of RTÉ's operating costs for 2016 is contained at **Appendix 3**.

RTÉ's Financial Statements also provides a breakdown of employee costs between wages and salaries, social welfare costs, pension costs and life assurance. The RTÉ Annual Report also discloses the remuneration of RTÉ's Director-General and the Board members' fees and expenses. In addition RTÉ discloses on its website the salary banding for staff employed by RTÉ which is contained at **Appendix 4**.

The level of transparency and analysis provided by RTÉ in its Financial Statements most particularly in Note 2 (d) and Note 2 (e) as outlined above is detailed, extensive and comprehensive and is recognised by other European Public Service Broadcasters and by an EBU peer group as being best practise in terms of transparency and reporting.

Use of Licence Fee

In line with common practice among public-service media organisations across the EU, RTÉ attributes public funding to individual services based on the net cost of the public service. The net cost of the public service is the gross cost of delivering the public service, after deducting the contribution from commercial activities. The principles and methodology used for licence fee attribution are outlined in the RTÉ's Financial Statements and are attached at **Appendix 5** for convenience. RTÉ received €179 million in Licence Fee revenue for 2016 which was attributed by service as follows

| | Licence Fee Attribution (€'000's) | Licence Fee Attribution (% Total) | Net Cost of Public Service Activity pre Licence Fee Attribution (€000's) |
|-----------------|-----------------------------------|-----------------------------------|--|
| RTÉ One | 62,877 | 35.1 | 72,471 |
| RTÉ2 | 40,080 | 22.4 | 46,196 |
| RTÉ Radio 1 | 17,460 | 9.7 | 20,124 |
| RTÉ Orchestras | 12,666 | 7.1 | 12,666 |
| RTÉ RnaG | 11,543 | 6.4 | 11,543 |
| TG4 Support | 7,656 | 4.3 | 7,656 |
| Corporate HQ | 6,112 | 3.4 | 6,112 |
| RTÉ Lyric FM | 6,037 | 3.4 | 6,037 |
| RTÉ 2FM | 5,097 | 2.8 | 5,875 |
| Online Services | 4,677 | 2.6 | 5,875 |
| Other Channels | 4,243 | 2.4 | 4,243 |
| DTT Related | 633 | 0.4 | 633 |
| Total | 179,081 | 100 | 198,437 |

Source: Note 2(e), RTÉ Annual Report 2016 p128

The RTÉ Financial Statements in Note 2 (e) outlines in detail the expenditure on each service and is accompanied by a detailed description on how the channel or service contributes to the delivery of RTÉ's public service objects.

The availability of this extensive financial information included in the RTÉ Annual Report and Financial Statements and further top line summaries are actively promoted to our audience with radio and social media campaigns. The full RTÉ Annual Report is also made completely accessible online (both in English and in Irish) for any member of the public to see. The RTÉ Annual Report along with the Director General statement and the statement from the Chair of the Board, are also issued to a wide range of stakeholders, including all members of the Oireachtas subsequent to the Report being laid before the Houses of the Oireachtas. RTÉ also co-operates fully with all arising media requests relating to the Report and the Financial Statements.

Every effort is made by RTÉ to make its financial information including the breakdown of total expenditure and the utilisation of the licence fee as transparent as possible, as visible as possible, and as accessible as possible.

RTÉ and Fair Trading

As a dual funded public service media organisation, which is funded by both commercial revenue and the Licence Fee with circa 45% of overall income derived from commercial activities, which have been hugely challenged in recent years resulting from the overall decline within the national economy, and the migration of advertising revenue to digital media. The purpose of RTÉ's commercial trading activities is to efficiently generate revenue from opportunities arising from its public service activities to help fund its public service activities. This is a statutory obligation also enshrined within the Broadcasting Act 2009 under section 108. As set out in the Broadcasting Act, the Minister has the authority to restrict RTÉ's commercial activities through advertising minutage restrictions – at present RTÉ is allowed approximately half the advertising minutage of its commercial competitors on both radio and television.

RTÉ must ensure that it trades fairly, in all of its trading activities. It must also ensure that its commercial activities are not subsidised by public money. In order to more clearly demonstrate how it fulfils these obligations and it does this through its Fair Trading Policy and Procedures which is available on the RTÉ website. RTÉ has a designated Fair Trading Officer to lead and address its Fair Trading Policy and Procedures. There is also an RTÉ's Fair Trading Committee, comprising of members of a sub-committee of the RTÉ Board.

Additional Levels of Financial Reporting

RTÉ also publishes annually the Independent Productions Unit Report which details expenditure with the Independent Sector on commissioned programmes which is of the order of €40 million per annum. In any given year, c.80% of all Irish television programming is made or commissioned by RTÉ. RTÉ plays a critical role in the support of the independent sector, and within the creative economy. This report outlines details of both our statutory and non-statutory spend in this regard, and includes programme expenditure by each genre.

Details of RTÉ's commercial activities undertaken by RTÉ Commercial Enterprises Limited are outlined in its annual Directors' Report and Financial Statements which is prepared under IFRS, independently audited and as required by the Companies Act, are publically available from the Companies Office.

RTÉ also publishes a Directors' Report and Financial Statements with regards to all activities relating to the RTÉ Transmission Network (trading as 2rn). Tariffs for broadcasting carriage fees are regulated and set by Comreg, and comprehensive details of the revenue and costs associated with wholesale access to DTT multiplex (owned and managed by RTÉ) are contained in this report. This is also publically available at the Companies Office and is published annually.

RTÉ also complies with the Code of Practice for the Governance of State Bodies. The Minister for Public Expenditure and Reform published an updated version of the Code of Practice in August 2016, effective for accounting periods beginning on or after 1 September 2017 which introduced additional financial disclosures which have been implemented by RTÉ in its 2017 year end reporting.

Oversight Arrangements as regards the usage of these public funds

In the overall consideration of the checks and balances in place as regards RTÉ's funding, commercial activities, and its performance against its remit, there are legislative obligations (Broadcasting Act 2009), regulatory obligations (the BAI and others), and also voluntary standards to which RTÉ complies.

The scope and remit of RTÉ's activities are outlined in the Broadcasting Act 2009 S 114. These objects are quite extensive and include the provision of television and radio services which are public service in character, some provision of media for the diaspora, a website, archives, orchestras and performing groups, and the management of the national broadcasting multiplex.

The Act also introduced additional reporting requirements on RTÉ, including:

- The creation of a public service statement, every 5 years or as required by the Minister, setting out the principles to be observed and activities to be undertaken by RTÉ in order to fulfil its public service objects; (Available here <https://static.rasset.ie/documents/about/rte-public-service-statement-english.pdf>)
- RTÉ must prepare and present a statement of strategy every 5 years, setting out the strategy of the RTÉ Board for achieving its objects under the Act; (Available here: <https://www.rte.ie/about/en/policies-and-reports/reports/2013/0916/474579-rte-makes-available-five-year-strategy-documents/>)
- In addition, RTÉ must prepare an Annual Statement of Performance Commitments which must be aligned with RTÉ's objects, its Statement of Strategy and its Public Service Statement. (Available here <https://www.rte.ie/about/en/policies-and-reports/reports/2012/0417/317436-statement-of-commitments/>)

Regulatory

The Broadcasting Act 2009 also created the establishment of an independent regulatory body, the Broadcasting Authority of Ireland, who perform the following duties:

- Review of annual and multiannual public funding
- The regulation of broadcast content on Irish broadcasters
- Formal approval of the commencement of new services from the perspective of public value and sectoral impact.

RTÉ routinely reports to the BAI on a range of issues, and also provides a comprehensive outline of performance against annual performance commitments (as above), which relate to the objects outlined in Sections 114 of the Broadcasting Act. There is therefore significant, and frequent, oversight by the BAI, as to how RTÉ meets the needs of audiences in terms of its content and services.

The Oversight Agreement with DCCA

In terms of the Department of Communication and oversight of RTÉ, a formal Oversight Agreement is in place and binding until 2020.

In accordance with the Department's policy on the monitoring of governance arrangements, RTÉ meets with the Department quarterly, or more frequently as required, to provide updates on developments and achievement of targets as set out in this Agreement.

Voluntary Benchmarking

Over and above these statutory requirements, in the interests of working to best practice standards, RTÉ has also been the subject of external assessment, sought on a voluntary basis.

In 2017, RTÉ achieved the NSAI's Business Working Responsibly Mark (one of only 28 organisations in the country to achieve this standard). This certification is independently audited by the National Standards Authority of Ireland and is based on ISO 26000. The standard certifies responsible and sustainable business practice in the workplace, community, environment, marketplace and corporate governance.

An EBU peer group, commissioned by RTÉ in 2017 to assess its management practices and the quality of content, found that 'RTÉ is a role model for its peer PSM organisations in terms of transparency, reporting, and self-regulation noting.' RTÉ goes beyond its legal obligations in this respect and sets a higher standard for itself. RTÉ is also a pioneer regarding corporate social responsibility."

RTÉ and Standards of Efficiency

An extensive independent review carried out by New Era on Efficiency published in 2015 judged RTÉ to be efficient and made the following observations:

- Taking output trends and increased services, together with a substantial reduction in operating costs, it is reasonable to say that RTÉ now produces more for less cost than versus 2003 and has improved its financial efficiency over this period.
- Based on some relevant data we were able to obtain for other European Public Service Broadcasters, our analysis reads positively for RTÉ with RTÉ's cost per hour at the low end of the range versus 'TV only' European public service broadcasters, and in the middle of the range versus 'TV and Radio' European public service broadcasters.
- In comparison to a select group of public service broadcasters, RTÉ experienced the largest decline in revenues between 2008 and 2012 and reduced its operating costs by more

RTÉ & Employment

RTÉ as a Semi-State Direct Employer

RTÉ is a public service organisation with over 1,924 employees as at 31 December 2017 of which 1,607 were full time and 317 were part-time. Behind the visual and audio productions of RTÉ there are substantial numbers of staff that contribute enormously to its productions on both television, radio and online, management of the regulated transmission network, generation of commercial revenues, publishing activities of the RTÉ Guide and who are also employed in running the operations of RTÉ at every level. Prior to its most recent restructure, the organisation comprised of six independent business divisions, which also required the support of diverse professional services ranging from engineers, accounting, HR professionals, producers, researchers to graphic designers to cellists.

As noted by independent assessor Kieran Mulvey in his recent report on Gender and Pay (available here: <https://static.rasset.ie/documents/about/2017/11/review-of-role-and-gender-equality-in-rte-2017.pdf>)

“...RTÉ is both a fair and equitable employer with good terms and conditions of employment for its employees. It equals, and in various cases exceeds, national policy objectives and targets for gender related employment, including corporate targets and objectives.”

The following extract from the same report provides an overview of its staff profile:

- *Like all major state bodies, RTÉ was affected by the recent economic crisis and the downturn in national resources and business activity.*
- *In 2009, RTÉ employees, in response to the economic collapse, responded by undertaking voluntary cuts to their earnings/salaries.*
- *In 2008, managers in RTÉ, in response to the financial difficulties in RTÉ, agreed to a suspension of performance related increment increases. Salary reductions for all staff, including managers, were agreed and implemented in 2009. These reductions in pay are currently in the process of restoration, as is the case for other employees in the public sector who are covered by the various Public Service Agreements.*
- *Employees in RTÉ, through negotiations with their respective unions and associations have additional positive benefit schemes, including sick leave, employee assistance programmes, pensions, annual leave above the statutory minimum, career breaks, crèche facilities, exam leave, maternity leave, and other associated leave arrangements.*
- *RTÉ have also two robust, respected and effective internal dispute resolution structures, which provide for binding arbitration on certain matters: The Industrial Relations Tribunal (IRT) and the RTÉ Managers Dispute Tribunal (MDT).*
- *RTÉ has had a considerable period of industrial peace as a result of the work of the above bodies and has successfully managed its industrial relations business internally.*

Key Findings of the Mulvey Report:

Composition of the Board

The Board of RTÉ comprises twelve persons, of whom six are female, including the Chairperson (i.e.50/50 level of representation).RTÉ is ahead of the curve, and Government policy, in regard to its balanced gender profile at board level.

Other State Commercial Bodies do not have a similar profile at Board level: ESB - 4/12; Ervia - 2/10;CIE - 2/12; DAA - 1/11; Broadcasting Authority of Ireland - 4/9; An Post - 5/15; Bord na Mona- 2/12.

The Executive/Senior Management Board of RTÉ

The Executive of RTÉ comprises 9 persons, of whom four are female, including the Director-General, Chief Financial Officer, Director of Operations & Production Services, and the Director of Human Resources. Again RTÉ are ahead of most, if not all state enterprises in this regard; Bord na Mona - 1/14; ESB - 1/5; CIE - 1/5; Ervia - 2/10; An Post - 0/1.

Again, RTÉ has a reasonable level of female representation at senior management level (40%) or in key management positions, and is considerably ahead of other state enterprises in their level of management representation at the senior levels of the organisation.

Employees by Gender

| Gender | Number* | % by Gender | Average Service |
|---------------|----------------|--------------------|------------------------|
| Female | 1,003 | 48% | 13 years |
| Male | 1,086 | 52% | 15 years |
| Totals | 2,089 | 100% | 14 years |

**Employee numbers as at June 2017*

The gender distribution of employees is almost a 50/50 split in overall numerical terms with only a minor disparity in average periods of employment between the genders.

Comment from Kieran Mulvey (as reflected in the report):

In completing this analysis of the pay and staff grades in RTÉ, I have come to the conclusion that little evidence exists in the main to sustain any substantial argument that RTÉ discriminates in favour of either gender. The figures I have presented in this report are evidence of my assertion in this regard.

However, the pay differential overall shows a disparity of approximately 4%, which is significantly less than the general standard of 14% as quoted for the economy as a whole. That is not to say that the organisation is perfect in this regard, and there is a lacuna in certain areas of the broadcaster's remuneration, earnings and promotion policy and practice that requires further levels of transparency.

Source: Review of Role and Gender Equality in RTÉ: Kieran Mulvey (September 2017).

RTÉ Salaries

2016 staff costs amounted to €153 million which was €23 million i.e. 13% lower than 2008 levels. Our workforce at 31 December 2016 had reduced by over 310 (or 14%) since 2008 with further staff exiting in late 2017 under the 2017 Voluntary Exit Programme. In July 2009, RTÉ was the first public body to agree and implement reductions in basic salary for all staff with pay reductions ranging from 2.5% to 12.5% - with those staff members on highest incomes taking the largest reductions. These voluntary staff pay cuts delivered substantial cost reductions for the organisation since 2009. The restoration of these pay cuts was phased over the period Dec 2015 to Dec 2017.

Average basic pay for RTÉ staff serving at 31 December 2016 was €58,072. This places RTÉ's salaries compared to both public and private sector organisations, in the median or mid-range for comparable roles (source New Era Report published in 2015).

Total personnel related operating costs of €186 million in 2016 have reduced by 16% since 2008. Given we have maintained service levels in most areas and increased in some, staff productivity levels and flexibility have increased significantly over the period.

See Appendix 5 for Salary Banding of Employees as at 31 December 2016..

Workplace Standards

In 2017 RTÉ was also assessed by the National Standards Authority in the context of an independent assessment of performance in relation to the Business in the Community Business Mark (an ISO standard award for corporate social responsibility practices). In this context RTÉ's performance against a range of indicators, including its Workplace Standards, was benchmarked against a diverse range of commercial and semi-state companies. The findings of this assessment are as below:

| Pillar | Indicator Title | RTÉ | Average | Max |
|------------------------------|--|-----|---------|-----|
| CR/Sustainability Governance | CR/Sustainability Governance | 96 | 85 | 100 |
| | Stakeholder Engagement | 97 | 82 | 100 |
| Workplace | Employee Communications & Consultation | 72 | 79 | 99 |
| | Occupational H&S and Employee Well-being | 84 | 82 | 95 |
| | Training & Development | 77 | 87 | 100 |
| | Diversity & Equality | 83 | 77 | 98 |
| | Rewards & Recognition | 92 | 72 | 94 |
| | Change Management | 98 | 73 | 98 |
| | Work-Life Balance | 67 | 62 | 100 |

RTÉ and usage of independent contractors (including on-air talent)

In order to carry out its obligations as public service broadcaster, RTÉ enters into a broad range of contracts for the provision of goods and services with service providers. When transacting with suppliers, RTÉ seeks valid and up to date VAT registration and tax clearance information from suppliers prior to payment.

It is the nature of the business of media, and public service media in particular, that it requires the skills and commitment of a number of permanent employees; but also the flexibility to scale certain services, skillsets and projects, to a different capacity as required e.g. sports coverage, major events coverage and programme series runs.

Certain individuals working for RTÉ are independent contractors and are remunerated through specific contractual arrangements agreed with them, which relate to the programmes, or projects they are contacted to contribute to.

RTÉ does not have zero hours contract in operation. In line with a range of other industries, it does make use of flexible hours contracts, which are much less restrictive for both parties, and enable both parties to operate with maximum levels of flexibility.

RTÉ as a dual funded public service broadcaster is obliged by law to maximise its commercial revenues to support all it does, and to do so it must retain key presenting talent to maintain and grow audiences.

A number of RTÉ's top presenters are not staff but are contracted by the station for their services. Such arrangements between RTÉ and presenters are contractual in nature, primarily because the services provided to RTÉ are not full time, may be for a specified period / programme and also they may provide their services to other organisations and earn other sources of income; newspaper columns, writing, theatre, other broadcasting, event hosting, etc.

Such arrangements with on-air talent are commonplace across many industries, particularly media and broadcasting, as they afford of a number of benefits:

- Allows RTE to refresh on screen and on-air talent as audience needs and schedules change
- Allows RTÉ retain talent for particular programmes, events or seasons but not carry costs for the full year.

The obligation to pay all applicable taxes to the Revenue rests with the contactor and their own accountants / tax advisors. RTÉ seeks and retains valid tax clearance certificates for all of its top talent. In the case where companies exist they are registered with the CRO, which has its own disclosure and regulatory requirements for which the company / contractor are responsible.

A review of RTÉ's engagement with contractors is underway (commenced in early 2018) and is expected to be completed later this year.

RTÉ and the Remuneration of Top Earners

RTÉ routinely publishes the fees it pays on an annual basis. It does so in arrears to help protect its competitive position. The latest earnings figures were published in July 2017 for earnings for the year 2015.

The total Top 10 presenter earnings as disclosed in the most recent release (July 2017 see table below) represents less than 1% of RTÉ's total operating costs and less than 2% of total personnel related operating costs.

The fees negotiated are on the terms of individual contractual arrangements. The fees earned are audited by KPMG.

Top 10 Highest Paid Presenters on an Earnings Basis for 2015 and for 2014 (previously published)

Previously Published

New Figures Released by RTÉ

| Individual | Status | 2014 | | 2015 | |
|---|------------|-----------------------|---------------|-----------------------|---------------|
| | | Rank | Fees Earned € | Rank | Fees Earned € |
| Tuttle Productions Ltd (For the services of Ryan Tubridy) | Contractor | 1 | 495,000 | 1 | 495,000 |
| What Next Productions Ltd (For the services of Ray Darcy) | Contractor | Not in Top 10 in 2014 | | 2 | 400,000 |
| Cladaghgreen Ltd (For the services of Joe Duffy) | Contractor | 2 | 416,893 | 3 | 389,988 |
| Baby Blue Productions Ltd (For the services of Miriam O'Callaghan) | Contractor | 5 | 280,445 | 4 | 299,000 |
| Montrose Services Ltd (For the services of Marian Finucane) | Contractor | 3 | 295,000 | 5 | 295,000 |
| Sean O'Rourke | Employee | 4 | 290,096 | 6 | 290,113 |
| Derrouh Media Ltd (For the services of Claire Byrne) | Contractor | Not in Top 10 in 2014 | | 7 | 201,500 |
| Studz Entertainments Ltd (For the services of Nicky Byrne) | Contractor | Not in Top 10 in 2014 | | 8 | 200,583 |
| Bryan Dobson | Employee | 6 | 195,816 | 9 | 195,913 |
| Darragh Maloney | Employee | Not in Top 10 in 2014 | | 10 | 188,803 |
| George Lee | Employee | 7 | 179,031 | Not in Top 10 in 2015 | |
| Richard Crowley | Employee | 8 | 174,120 | Not in Top 10 in 2015 | |
| Colm Hayes Media Services (For the services of Colm Caffrey) | Contractor | 9 | 169,992 | Not in Top 10 in 2015 | |
| Derek Mooney | Employee | 10 | 168,871 | Not in Top 10 in 2015 | |
| % REDUCTION COMPARED TO 2008 TOP 10 HIGHEST PAID PRESENTER EARNINGS | | | | 34% | |

Basis of preparation:

The Directors of RTÉ are responsible for the proper preparation and fair presentation of the Fees Earned for the relevant periods. The Fees Earned for 2015 and 2014 have been independently audited. The RTÉ Top On-Air Talent Earnings for the years ended 31 December 2015 and 2014 are prepared on an accruals basis for employees and independent contractors who have a direct relationship with RTÉ.

Employee earnings include salaries, employer pension contributions and other benefits. Contractor earnings represent fees payable for services provided excluding VAT. Contractors do not earn salaries and RTÉ does not make any pension contributions on their behalf.

The latest released earning figures demonstrate a reduction of **34%** as compared to fees earned in 2008. The reduction continues to exceed the publicly-stated commitment given by RTÉ to reduce fees to on-air presenters by at least 30% compared to 2008 levels.

These earnings can rise and fall depending on broadcast commitments; such flexibility is imperative to the provision of quality and varied programming on behalf of RTÉ for the audience, without incurring year round costs.

As noted above in the case of most of the highest remunerated presenters, specific contractual arrangements apply for service. This fee is paid to the presenter's company, and the fee agreed is determined by a number of factors – viewing or listenership numbers, advertising revenues, the programmes themselves, availability, retention, and exclusivity factors. In the case where the fee is paid to a registered company, these are registered with the CRO which has its own disclosure and regulatory requirements for which the company/contractor are responsible. RTÉ retains valid tax clearance certificates for all of its top talent contractor presenters.

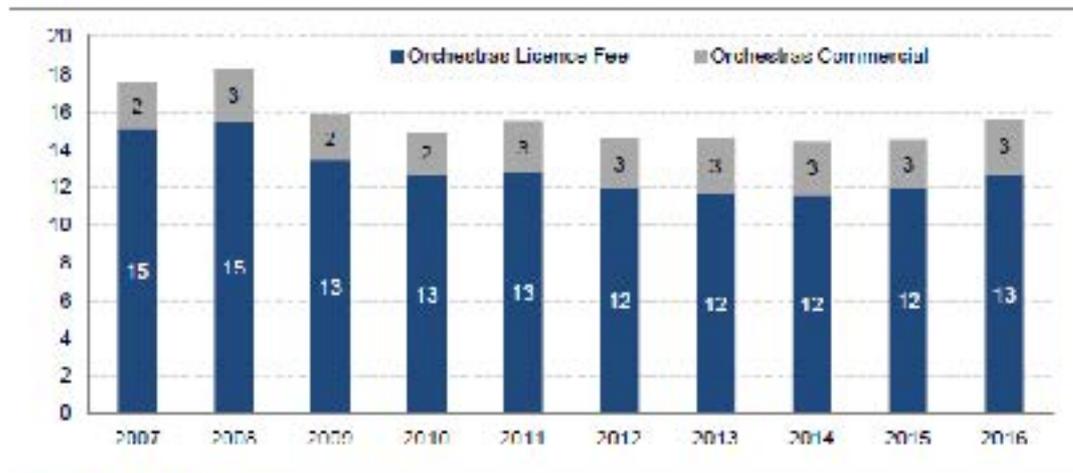
RTÉ & Orchestral Funding

RTÉ and Orchestral Funding

Considerations of the funding of orchestral funding must be viewed in the context of its overall funding position (as outlined on page 6). These financial challenges have impacted on investment in orchestral services as illustrated below:

These financial challenges flowed down to the performing groups, which have seen a cut in total income from a high of €18.3m in 2008 to €15.6m in 2016, with a low of €14.4m in 2014.

Figure 20: RTÉ orchestral income by revenue stream, 2007-16 (€m)



Source: RTÉ Annual Reports.

While the financial impact on the orchestras division has been significant, RTÉ as a whole, and many of its expenditure categories have experienced deeper cuts. As the chart above shows, the orchestras managed to stabilise their income after an initially steep drop, while RTÉ's income and its content expenditure suffered further cuts into the early 2010s.

In the context of its wider strategic review for the organisation as a whole, RTÉ felt that it was timely that the future of orchestral services be reviewed in greater depth, with a view to how best to create a sustainable outcome. Extracts from the review with some of the key findings are included overleaf.

The core conclusion from the report is that it is in the national interest that neither of RTÉ's two orchestras should be closed, rather, they should both be brought up to full strength. However, the report also made the following conclusion: "It is hard to see how RTÉ can fund even the current level of provision, let alone cover the increase to budgets that would be required for the orchestras to return to full strength and undertake touring and education programmes."

On that basis, the report recommends: "That the RTÉ National Symphony Orchestra should be established as a National Cultural Institution in its own right (or as part of the National Concert Hall) and funded by Government." This is now under consideration by both RTÉ and Government.

The Independent Review of Provision of Orchestral Services

In the context of considerations by RTÉ as to its future strategic direction, RTÉ asked independent consultants Mediatique and Helen Boaden (formerly of the BBC) to review RTÉ's two orchestras and to provide recommendations for their future structure, activities and funding.

On Monday 23rd April, RTÉ has published the report following this independent review of its provision of orchestral services. The independent report, entitled 'Ensuring a sustainable future for RTÉ's orchestras' was carried out by former Director of BBC Radio and of BBC News, Helen Boaden, with the support of strategy consulting firm, Mediatique.

This extensive and in-depth independent review looked at the best way of providing high-quality and sustainable orchestral services to the Irish public, and covered both the RTÉ National Symphony Orchestra (RTÉ NSO) and the RTÉ Concert Orchestra (RTÉ CO).

The full report is available here:

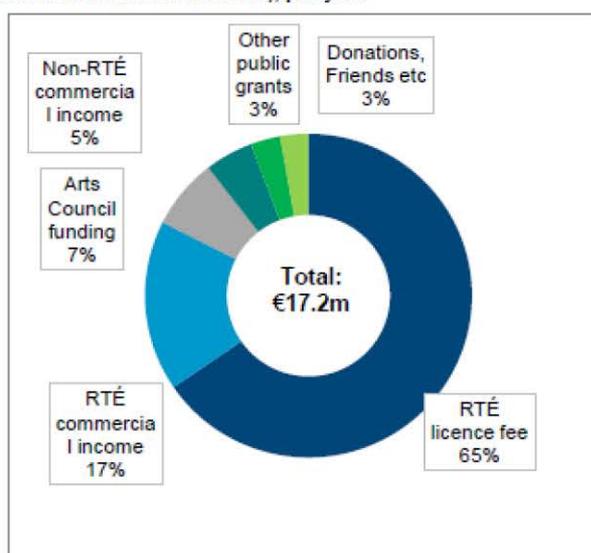
<https://static.rasset.ie/documents/about/2018/04/rte-report-rte-orchestras-ensuring-a-sustainable-future-230418.pdf>

Some additional context as identified in this review:

Public money is vital to the viability of orchestral music in Ireland. Together, the licence fee (through RTÉ), Arts Council grants, and central and local government funding constitute around 75% of total market income. Commercial income (including that of RTÉ) accounts for only 22%. A small amount of residual income (3%) is generated from donations and charitable giving.

2.20. We have estimated the total size of the Irish orchestral market, using various data sources to determine the breakdown of income by revenue stream.

Figure 1: Total orchestral funding (to non-educational orchestras and orchestral festivals), per year



Source: RTÉ, company/charity accounts, government/agency/council websites, Arts Council, Mediatique estimates.

Notes on methodology

- This chart represents a typical year based on data from – depending on data availability – an average of three years, or 2016, or the most recent year
- Where data was unavailable or incomplete, Mediatique estimates were used
- Excludes money awarded to or generated by Music Network, chamber music groups and festivals, youth orchestras, and ensembles not strictly classified as orchestral (such as Crash). With these sums included, the total would rise to around €20m
- Non-Irish orchestras at NCH excluded
- Educational institutions are excluded
- One-off infrastructure grants are excluded
- RTÉ orchestras data includes an apportionment of requisite central operating costs (e.g. HR, Finance)

Key Highlights from the Report: *RTÉ Orchestras: Ensuring A Sustainable Future.*

RTÉ's orchestras are the only full-time, full-size professional orchestras in the Republic of Ireland.

Non-RTÉ orchestral provision consists of a diverse array of smaller groups which operate on a retained, semi-professional, or voluntary basis (supplemented by visiting international orchestras). As such, RTÉ's orchestras heavily dominate the market for orchestral music in the Republic, accounting for more than 80% of total market income.

There is strong support among Irish audiences for the existence of RTÉ's orchestras, and for public funding to ensure their provision. Support for public intervention for orchestral provision exists even among people who do not consume orchestral music, according to market research undertaken by RTÉ.

Unlike most other European countries, the RTÉNSO is only supported by a single public funding stream – RTÉ – making it vulnerable to economic instability and leaving RTÉ with an unusually high level of cultural and financial responsibility.

Since 2008, the orchestras have suffered a drop in their total income, mitigated somewhat by their ability to grow commercial revenues over these years, for a net compound annual decline of 1.3%, compared to nearly 3% for RTÉ overall.

Funding pressures have had an impact both on employment – the two orchestras are currently understaffed by historical standards – and on frequency of performances, with regional and educational performances in particular subject to cuts in recent years.

These problems are compounded by a clear lack of consideration of the orchestras' roles within RTÉ, particularly in relation to their television and radio broadcast contributions.

RTÉ's (and therefore the orchestras') income is unlikely to return to 2007-8 levels in the medium term, due to a weak outlook for TV and radio advertising sales and continued pressures on licence fee receipts. In any case, any incremental income (e.g., from reform of licence fee collection) would have many claimants, including the many areas of RTÉ that endured deeper budget cuts than the orchestras, such as drama programming, original content expenditure, technology and the TV division as a whole.

The report contains a number of findings:

- There is strong support among Irish audiences for the existence of RTÉ's orchestras, and for public funding to ensure their provision; widespread support for the retention of both orchestras also exists across the orchestral music sector and within Government;
- Extensive international benchmarking reveals the degree to which orchestral music is publicly supported in other countries – often via direct national, regional and local Government funding; in Ireland, by contrast, orchestral music is dependent on just one funding source: the TV Licence fee;
- RTÉ saw a reduction in income of 24% between 2007 and 2016 and it continues to face very significant financial challenges; there is broad acknowledgment of these challenges;
- During this period, RTÉ's orchestras have been relatively protected (income has declined by 11% in that period), but now have significant vacancies and have been obliged to reduce commitments to touring and educational roles. Morale has suffered as a result;

- Given the importance of the RTÉ orchestras within the wider cultural life of the nation, the issues raised in the review affect not just RTÉ, but the sector as a whole.
- It is hard to see how RTÉ can fund even the current level of provision, let alone cover the increase to budgets that would be required for the orchestras to return to full strength and undertake touring and education programmes.

The report makes a number of recommendations:

- That neither of RTÉ's two orchestras should be closed, rather, they should be both be brought up to full strength;
- That the RTÉ National Symphony Orchestra should be established as a National Cultural Institution in its own right (or as part of the National Concert Hall) and funded by Government;
- That both the RTÉ National Symphony Orchestra and the RTÉ Concert Orchestra should return to historical levels of staffing and activity – including touring and educational programmes;
- That RTÉ should contribute funding to a newly independent National Symphony Orchestra in return for the right to broadcast its performances;
- That the RTÉ Concert Orchestra should remain within RTÉ and become a key means of RTÉ providing support of orchestral music – live and broadcast on television, radio and online. That this is fully consistent with its role as a public service media provider;
- That this solution is consistent with the Government's own policies around promoting cultural Ireland (including refurbishment of the National Concert Hall) and provides both orchestras with the opportunity to establish and promote a fresh cultural vision.
- That this solution is also similar to a proposal first made 20 years ago, in the PIANO report and that the extensive research and interviews included in the report firmly support this outcome.
- That the recommendation for the two orchestras fully reflects the importance of orchestral provision to Irish cultural life, is consistent with international best practice, resonates with the Government's own ambitions for arts and culture and delivers a sustainable funding model for the long term.

In recognition of RTÉ's statutory requirement to 'establish and maintain orchestras, choirs and other cultural performing groups', the RTÉ Board committed to consider the Report and Recommendations at its next Board meeting.

Following on from the publication of the review, and its consideration by the RTÉ Board, the following statement was released on Thursday 26 April 2018:

Statement by RTÉ Board on RTÉ's orchestras

The RTÉ Board welcomes the publication of the thorough and insightful report by Helen Boaden and Mediatique. The report shows the challenges and opportunities that face RTÉ's orchestras, placing the issue of their funding and provision in an international context as well as acknowledging the changing nature of the audience. In particular, the Board welcomes a clear recognition in the report that Ireland needs two full-time professional orchestras.

The Board would like to thank both Helen Boaden and Mediatique for the care they took in consulting widely and in accurately reflecting the views and concerns of many, both within RTÉ and across the orchestral and broader cultural sector.

RTÉ's orchestras are central to orchestral music in Ireland and RTÉ is acutely conscious that any decisions that follow this review will not be for it alone to make. The support of Government will be essential if orchestral music in Ireland is to flourish. It is also clear that, as far as the RTÉ orchestras are concerned, the status quo cannot continue.

In that regard the Board would like to acknowledge the statement from Ministers Naughten and Madigan, which clearly welcomed the recommendations of the report and indicated a willingness to engage with RTÉ to chart a positive future for both orchestras. That is most welcome.

Having considered the report at its meeting today, the Board would now ask the Director-General and her executive team to begin discussions with Government and with other internal and external stakeholders to develop a sustainable future for our national orchestras.

RTÉ has been central to orchestral music in Ireland for 70 years. The recommendations of this report offer an opportunity for it to remain so. Our focus now must be on developing a plan that gives to our best musicians both certainty and a clear creative direction. We also owe it to our audiences, young and old across the country, to offer them the opportunity to engage with the best orchestral music.

The Board will return to this matter at its next meeting.

Appendices

Appendix 1:
Note 2 (d) Revenues, costs and (deficit)/surplus by IBD, in line with RTÉ's organisation structure, year ended 31 December 2016

| | REPORTABLE SEGMENTS | | | | | | | OTHER | | | Group Total €'000 |
|--|--------------------------|----------------------------|-----------------------|-------------------------|---------------------------|-------------------------|-------------------------|----------------------------|-------------------------|------------------------------------|-------------------------|
| | News & Current | | | | | | | All | | | |
| | Commerci IBD €'000 | Television IBD €'000 | Radio IBD €'000 | Affairs IBD €'000 | Orchestra IBD €'000 | Network IBD €'000 | Digital IBD €'000 | Other Segments €'000 | DTT Related €'000 | Consolidati Adjustment €'000 | |
| Revenue | | | | | | | | | | | |
| Advertising income | 111,891 | - | - | - | - | - | - | - | (590) | 111,301 | |
| Sponsorship income | 9,969 | - | - | - | - | - | - | 198 | - | 10,167 | |
| Facilities income | 3,162 | - | - | - | - | - | - | 22 | (97) | 3,087 | |
| Circulation and event income | 5,711 | - | - | - | - | - | - | - | - | 5,711 | |
| Transmission, mast and towers income | - | - | - | - | - | 28,693 | - | - | (18,624) | 10,069 | |
| Content, merchandising and related sales | 13,024 | - | - | - | - | - | 401 | - | - | 13,425 | |
| Other commercial revenue | 281 | - | - | - | - | - | - | 4,236 | (40) | 4,477 | |
| Commercial revenue | 144,038 | - | - | - | - | 28,693 | 401 | 4,456 | (19,351) | 158,237 | |
| Licence fee revenue attribution | - | 72,393 | 29,600 | 54,956 | 12,666 | - | 2,721 | 6,112 | 633 | 179,081 | |
| | 144,038 | 72,393 | 29,600 | 54,956 | 12,666 | 28,693 | 3,122 | 10,568 | 633 | (19,351) | 337,318 |
| Costs by output category** | | | | | | | | | | | |
| <i>Programme costs - by source</i> | | | | | | | | | | | |
| In-house productions | - | (90,574) | (47,256) | (54,716) | - | - | - | - | - | 511 | (192,035) |
| Commissioned programming | - | (36,636) | (1,191) | - | - | - | - | - | - | - | (37,827) |
| Indigenous programming | - | (127,210) | (48,447) | (54,716) | - | - | - | - | - | 511 | (229,862) |
| Acquired programmes - Ireland | - | (3,033) | - | - | - | - | - | - | - | - | (3,033) |
| Acquired programmes - Overseas | - | (22,668) | - | - | - | - | - | - | - | - | (22,668) |
| | - | (152,911) | (48,447) | (54,716) | - | - | - | - | - | 511 | (255,563) |
| General broadcast and transmission costs | - | (22,602) | (2,388) | (240) | - | (18,556) | (3,109) | (302) | - | 679 | (46,518) |
| 2m transmission and power charges | - | (8,400) | (5,698) | - | - | - | - | (4,031) | - | 18,129 | - |
| Sales costs | (11,803) | - | - | - | - | - | - | (10) | - | 72 | (11,741) |
| Other output-related costs | (11,510) | (157) | - | - | (15,615) | - | (7,990) | (12) | (633) | 520 | (35,397) |
| | (23,313) | (184,070) | (56,533) | (54,956) | (15,615) | (18,556) | (11,099) | (4,355) | (633) | 19,911 | (349,219) |
| Other revenues and costs | | | | | | | | | | | |
| Corporate HQ | - | - | - | - | - | - | - | (7,166) | - | (50) | (7,216) |
| Interest payable | - | - | - | - | - | (1,152) | - | (412) | - | - | (1,564) |
| Interest receivable | - | - | - | - | - | - | - | 13 | - | - | 13 |
| Disposal of Assets | - | 53 | 6 | - | 4 | 9 | - | 47 | - | - | 119 |
| IBD (Deficit)/Surplus | 120,725 | (111,624) | (26,927) | - | (2,945) | 8,994 | (7,977) | (1,305) | - | 510 | (20,549) |
| Net defined benefit pension related | - | - | - | - | - | - | - | 1,193 | - | - | 1,193 |
| (Deficit)/Surplus before income tax | 120,725 | (111,624) | (26,927) | - | (2,945) | 8,994 | (7,977) | (112) | - | 510 | (19,356) |
| Income tax | | | | | | | | | | | (297) |
| Deficit for the year | | | | | | | | | | | (19,653) |

Appendix 2:
Note 2 (e) Analysis of revenues, costs and (deficit)/surplus by channel, service & genre and between public-service & non-public-service activities year end 31 December 2016

| | RTÉ One | RTÉ2 | Radio 1 | RTÉ 2fm | RTÉ lyric fm | RTÉ RnaG | TG4 Support | RTÉ Orchestras | Corporate HQ | DTT Related | Online Services | Other Channels | Consolidation Adjustments | Group Total |
|---|------------------|-----------------|-----------------|-----------------|----------------|-----------------|----------------|-----------------|----------------|--------------|-----------------|----------------|---------------------------|----------------------|
| | €'000 | €'000 | €'000 | €'000 | €'000 | €'000 | €'000 | €'000 | €'000 | €'000 | €'000 | €'000 | €'000 | €'000 |
| PUBLIC-SERVICE ACTIVITIES | | | | | | | | | | | | | | |
| In-house productions | (85,890) | (38,317) | (31,893) | (10,619) | (5,025) | (10,077) | (6,229) | - | - | - | (4,360) | (135) | - | 511 (192,034) |
| Commissioned programming | (25,860) | (9,312) | (976) | (46) | (91) | (79) | (1,366) | - | - | - | (98) | - | - | (37,828) |
| Indigenous Programme Costs | (111,750) | (47,629) | (32,869) | (10,665) | (5,116) | (10,156) | (7,595) | - | - | - | (4,458) | (135) | - | 511 (229,862) |
| Programme costs - by genre | | | | | | | | | | | | | | |
| Arts | (1,750) | - | (1,957) | - | (243) | (1) | - | - | - | - | - | - | - | (3,951) |
| Education | (96) | - | - | - | - | (9) | - | - | - | - | - | - | - | (105) |
| Religious | (2,086) | (61) | (168) | - | - | (112) | - | - | - | - | - | - | - | (2,427) |
| Other factual | (22,159) | (3,372) | (2,105) | - | (144) | (1,310) | - | - | - | - | (91) | - | - | (29,120) |
| Factual | (26,091) | (3,433) | (4,230) | - | (387) | (1,432) | - | - | - | - | (91) | - | - | (35,603) |
| Drama | (21,123) | (124) | (591) | - | - | (2) | (388) | - | - | - | (29) | - | - | (22,257) |
| Entertainment | (18,402) | (4,827) | (3,555) | (4,185) | (528) | (880) | (1,161) | - | - | - | (1,146) | - | - | (34,673) |
| Music | (972) | (414) | (5,754) | (4,035) | (3,635) | (1,795) | - | - | - | - | - | - | - | (16,562) |
| News, Current Affairs and Weather | (36,332) | (479) | (14,951) | (1,947) | (521) | (4,648) | (5,236) | - | - | - | (1,803) | - | - | (65,553) |
| Sport | (8,830) | (32,656) | (3,788) | (498) | - | (1,214) | (7) | - | - | - | (1,134) | - | - | (48,097) |
| Young People's | - | (5,696) | - | - | (45) | (185) | (803) | - | - | - | (255) | (135) | - | (7,117) |
| Indigenous programming | (111,750) | (47,629) | (32,869) | (10,665) | (5,116) | (10,156) | (7,595) | - | - | - | (4,458) | (135) | - | 511 (229,862) |
| Indigenous non-broadcast output costs | - | - | - | - | - | - | - | (15,615) | - | (633) | (7,466) | (12) | - | 365 (23,361) |
| Acquired programmes | | | | | | | | | | | | | | |
| - Ireland | (2,774) | (259) | - | - | - | - | - | - | - | - | - | - | - | (3,033) |
| - Overseas | (12,269) | (10,302) | - | - | - | - | - | - | - | - | - | (97) | - | (22,668) |
| General broadcast and transmission costs | (13,063) | (11,452) | (1,803) | (528) | (333) | (305) | (61) | - | - | - | - | (799) | - | (28,321) |
| 2rn transmission and power charges | (2,723) | (2,858) | (2,049) | (1,088) | (1,096) | (1,082) | - | - | - | - | - | (3,200) | - | (14,096) |
| Corporate HQ | - | - | - | - | - | - | - | - | (7,166) | - | - | - | - | (7,216) |
| Net interest payable | - | - | - | - | - | - | - | - | (399) | - | - | - | - | (399) |
| Net defined benefit pension related finance expense | - | - | - | - | - | - | - | - | 1,193 | - | - | - | - | 1,193 |
| Gross Cost of Public-Service Activities | (142,579) | (72,500) | (36,721) | (12,281) | (6,545) | (11,543) | (7,656) | (15,615) | (6,372) | (633) | (11,924) | (4,243) | - | 849 (327,763) |
| Surplus on Commercial Activities | 63,288 | 22,835 | 14,843 | 5,826 | 508 | - | - | 2,949 | 260 | - | 5,965 | - | 13,191 | (339) 129,326 |
| Distribution of Non-Channel Specific Contribution from Non-Public-Service Activities | 6,820 | 3,469 | 1,754 | 580 | - | - | - | - | - | - | 568 | - | (13,191) | - |
| Net Cost of Public-Service Activities Before Attribution of Public Funding | (72,471) | (46,196) | (20,124) | (5,875) | (6,037) | (11,543) | (7,656) | (12,666) | (6,112) | (633) | (5,391) | (4,243) | - | 510 (198,437) |
| Public Funding | | | | | | | | | | | | | | |
| Licence fee revenue attribution | 62,877 | 40,080 | 17,460 | 5,097 | 6,037 | 11,543 | 7,656 | 12,666 | 6,112 | 633 | 4,677 | 4,243 | - | 179,081 |
| Deficit before income tax | (9,594) | (6,116) | (2,664) | (778) | - | - | - | - | - | - | (714) | - | - | 510 (19,356) |
| Income tax | - | - | - | - | - | - | - | - | - | - | - | - | (297) | (297) |
| Deficit for the year | (9,594) | (6,116) | (2,664) | (778) | - | - | - | - | - | - | (714) | - | (297) | 510 (19,653) |

Appendix 3: Operating Costs for the year ended 31 December 2016
(before depreciation, amortisation and gain on disposal of assets)

| | 2016 |
|---|----------------|
| | €'000 |
| Employee costs | 153,223 |
| Other personnel-related costs (including contractors) | 32,558 |
| Personnel-Related Operating Costs | 185,781 |
| Direct commissioned programme costs | 35,810 |
| Direct acquired programme costs | 25,779 |
| Sports and other copyrights | 21,594 |
| Outside broadcast contracts | 5,892 |
| Communication circuits | 3,713 |
| <i>RTÉ Guide</i> printing and related costs | 1,493 |
| Network electricity | 2,261 |
| Music licences | 8,013 |
| Insurance policies | 1,376 |
| Other third-party costs | 51,736 |
| Non-Personnel-Related Operating Costs before depreciation and amortisation | 157,667 |
| Total Operating Costs (before depreciation and amortisation) | 343,448 |

Appendix 4: Basic Salary Banding of Employees as at 31 December 2016

| RTÉ Number of Employees by Salary | | | |
|--|----|----------|---|
| As at 31st December 2016 | | | |
| BASIC SALARY as at 31st Dec. 2016 | | | <i>Total Number of Employees</i> |
| €0 | to | €40,000 | 361 |
| €40,001 | to | €60,000 | 834 |
| €60,001 | to | €80,000 | 508 |
| €80,001 | to | €100,000 | 156 |
| €100,001 | to | €150,000 | 104 |
| €150,001 | to | €250,000 | 21 |
| Total | | | 1,984 |
| Average Salary | | | €58,072 |

Appendix 5: Principles and Methodology of Licence Fee Attribution

The utilisation of licence fee received by RTÉ to fund its public-services is reported in note 2 to the Financial Statements each year. The basis on which the licence fee is attributed to channels and services is set out in notes to the Financial Statements which is as follows:

RTÉ attributes public funding to individual services in a way that reflects the net cost of the public-service. Net cost of public-service is determined by deducting the contribution from commercial activities from the gross cost of delivering the public-service.

The following table seeks to represent the utilisation of an individual TV licence fee, bearing in mind that RTÉ is not the sole recipient of TV licence fee monies collected:

Utilisation of Each TV Licence Fee Collected

| | 2016 € |
|--|---------------|
| RTÉ One | 46.23 |
| RTÉ2 | 29.52 |
| | 75.75 |
| RTÉ Radio 1 | 12.83 |
| RTÉ 2fm | 3.74 |
| RTÉ Raidió na Gaeltachta (RnaG) | 8.55 |
| RTÉ lyric fm | 4.46 |
| | 29.58 |
| RTÉ Orchestras | 9.41 |
| Governance and financing charges | 4.54 |
| DTT related | 0.48 |
| Online services | 3.47 |
| Other channels | 3.14 |
| | 126.37 |
| | 79% |
| RTÉ support for TG4 | 5.65 |
| BAI levy | 1.10 |
| TG4 deduction | 6.87 |
| BAI Sound & Vision fund | 10.53 |
| An Post collection costs and related charges | 9.48 |
| | 33.63 |
| | 21% |
| Cost of TV licence | € 160 |

Licence fee attribution

Each RTÉ service has a detailed service description which clearly defines how the channel or service contributes to the delivery of RTÉ's public-service objects.

In line with common practice among public-service media organisations (PSMs) across the EU, RTÉ attributes public funding to individual services based on the net cost of the public-service. Net cost of public-service is the gross cost of delivering the public-service after deducting the contribution from commercial activities.

The gross public-service cost of each of RTÉ's channels and services includes all costs incurred in the production and delivery of the service. It does not include any costs incurred in the exploitation of commercial opportunities arising from the provision of the service. These costs are allocated against the commercial revenue to which they relate, to calculate the commercial

contribution. Surpluses on commercial activities not directly linked to channels or services are attributed to those public-service activities which have significant revenue generating potential (RTÉ One, RTÉ2, RTÉ Radio 1, RTÉ 2fm, online services) in proportion to the gross cost of public-services.

Licence fee revenue is firstly attributed to those public-service channels and services that have a limited capacity to generate commercial revenue in their own right and therefore are, of necessity, primarily funded by licence fee revenue in order to facilitate continued delivery of the public-service. The services at issue comprise RTÉ Orchestras, RTÉ Raidió na Gaeltachta, RTÉ lyric fm, statutory provision of programming to TG4, supplementary DTT and DAB channels ('other channels'), Corporate HQ and financing costs.

The remaining licence fee is attributed between services with significant commercial revenue potential in proportion to the net cost of the public-services. These services include: RTÉ One, RTÉ2, RTÉ Radio 1, RTÉ 2fm and online services. No licence fee revenue is attributed to 2m, the provision of multiplexing services by RTÉ or any costs incurred in the exploitation of commercial opportunities.