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STATEMENT OF PERFORMANCE EXPECTATIONS

1 July 2023 to 30 June 2024

Te Mana Whakaatu

CLASSIFICATION OFFICE

Statement of Performance Expectations
TE MANA WHAKAATU - Classification Office

Cite as: Te Mana Whakaatu Classification Office Statement of Performance Expectations 2023/24.

Wellington New Zealand: Te Mana Whakaatu, Classification Office.

July 2023

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Presented to the House of Representatives pursuant to s149 of the Crown Entities Act 2004

STATEMENT OF BOARD RESPONSIBILITY

The Statement of Performance Expectations for the Classification Office presented in this report for the year ending 30 June 2024 has been prepared in accordance with section 38 of the Public Finance Act 1989 and the Crown Entities Act 2004.

This Statement is to be read in conjunction with the Classification Office's 2021–2025 Statement of Intent, which outlines the Classification Office's longer-term strategic focus and operating environment. The Outcome framework figure on pages 22-23 shows the alignment of the Office's activities and intended outcomes.

The Chairperson of the Board of the Classification Office acknowledges that in signing this Statement they are responsible for the information contained in this Statement of Performance Expectations.

Caroline Flora
Chair

Rupert Ablett-Hampson
Deputy Chair

On behalf of the Board of the Classification Office

Dated: 30 June 2023

OUTPUT CLASS

Classification of Films, Videos and Publications

The functions and powers of the Classification Office and its accountabilities are set out in the Films, Videos, and Publications Classification Act 1993 and the Crown Entities Act 2004.

The Classification Office is funded in the estimates under Vote: Internal Affairs Non-Departmental Output Expense for a single output class: Classification of Films, Videos, and Publications (M41).

Scope of Appropriation 2023/24

> "The examination and classification of films, videos and publications by the Office of Film and Literature Classification under the Films, Videos, and Publications Classification Act 1993."

The Classification Office is an independent Crown Entity under the Crown Entities Act 2004. The Minister is accountable for the financial and non-financial performance of the Office and oversees the Crown's interests in the Office. The Minister's role in relation to the Office is set out in the Cabinet Office Manual and s27 of the Crown Entities Act 2004.

In addition to the Office's funding under Vote: Internal Affairs, the Classification Office is funded by:

- third-party revenue derived from fees, levies and charges, including Commercial Video on-Demand providers participating in the self-rating system, and members of the public; and
- interest revenue earned on funds held by the Office.

Revenue and Proposed Expenses 2023/24

	Ex GST $'000
Crown Appropriation	3,278
Third-Party Revenue	330
Interest Revenue	26
Total Revenue	4,092
Expenses	4,366
Expected Surplus/(Deficit)	(262)

Payments of Crown Appropriation

The total amount paid by the Crown for the provision of this output in 2023/24 is $3.278M (GST exclusive).

Payments are made on an annual basis within 20 working days of the commencement of the year.

Figure 1: Outcome Structure

Our Purpose

We provide information and ratings to empower New Zealanders to make informed choices about what they, and their rangatahi and tamariki, watch.

Our Impacts

The public is better educated & informed about the classification system

The public has greater confidence in the classification system

Our Activities

1. Classification decisions are produced
[s23]
2. Information about the Classification Act and the Office is produced and distributed
[s88(2)(b)]
3. An Inquiries and Complaints Service is provided
[s88(2)(c)]
4. Research is carried out which enables the Office to perform its functions effectively
[s88(2)(a)]
5. Support, approve, and review self-rating systems used by CVoD providers
[s77(1)(aa), (ac) & (ad)]
6. Support New Zealand's response to online violent extremist content

HOW WILL WE ASSESS OUR PERFORMANCE

ACTIVITY 1 – PRODUCTION OF CLASSIFICATION DECISIONS

Description

This activity is concerned with the examination and classification of publications in accordance with the relevant legislation.

How this will be assessed

QUANTITY[1]		Estimates
1.1	Number of **Third-Party** publications classified.	504 – 756 each year
1.2	Number of **Crown** publications classified.	264 – 856 each year
1.3	Number of classification decisions registered.	768 – 1,612 each year
QUALITY[2]		**Targets**
1.4	Classification decisions are consistent with the standards set down in the Practice Manual.	95%
1.5	**Classification decisions**	
	a) Classification decisions are written in a style that is accessible to a range of readers. b) The analysis supports the classification decision so that the reader understands the reasoning for the decision.	Our most complex decisions are reviewed throughout the year to provide an assessment of Adequate/Inadequate, and commentary with recommendations for improvements.
TIMELINESS[2]		**Targets**
1.6	**Standard s12 & s42**	
	Percentage of Standard s12 and s42 submissions that are classified within 30 working days of receipt.	90%
1.7	**Complex s12 & s42**	
	Percentage of Complex s12 and s42 submissions that are classified within 35 working days of receipt.	70%
1.8	**s13**	
	Percentage of s13 submissions that are classified within 55 working days of receipt, where statutory obligations enable this.	70%

Notes

1. These are demand-driven activities.
2. Timeliness and Quality targets are set at the minimum levels acceptable to the Office. Therefore, actual results are expected to be higher than the target.

ACTIVITY 2 – DISSEMINATION OF INFORMATION

Description

Section 88(2)(b) of the Classification Act requires the Classification Office to disseminate information about the functions, powers and procedures of the Office.

How this will be assessed

QUANTITY		Targets
2.1.	Number of visits to the Classification Office websites.	250 – 350 (average per day)
2.2	Number of public engagement activities.	15 – 25 each year
QUALITY		
2.3	Website is regularly updated with Editor- and Moderator-approved content.	4 (average per month)
2.4	Responses to Client Satisfaction surveys "Very Good" or better.	80%

ACTIVITY 3 – INQUIRIES AND COMPLAINTS

Description

Section 88(2)(c) of the Classification Act requires the Classification Office to receive inquiries and complaints concerning the operation of the classification system.

Sections 46H of the Classification Act requires the Office to receive and respond to complaints concerning warnings on video on-demand content.

How this will be assessed

QUANTITY		Estimates
3.1	Inquiries and Complaints answered.	250 – 350 each year
QUALITY		**Targets**
3.2	Responses to "request for feedback" on inquiries and complaints service are "Satisfied with service".	80%
TIMELINESS		
3.3	Inquiries and Complaints responded to promptly.	80% within five working days 100% within 20 working days

ACTIVITY 4 – RESEARCH

Description

Section 88(2)(c) of the Classification Act requires the Classification Office to provide research services to enable the Office to perform its functions effectively.

How this will be assessed

QUANTITY		Targets
4.1	Annual Research Report published each year.	1
QUALITY		
4.2	Published research helps inform the public, policy makers and others about content harms and classification issues.	A quantitative analysis is conducted and assesses the degree to which our annual research project achieves one or more of the below criteria: • Media coverage in mainstream outlets (within two weeks of publication) • Downloads of 30-50 per month • Research is used or cited/referenced in other publications, external resources or policy documents (over the year following publication)

ACTIVITY 5 – SELF-RATING SYSTEM

Description

Section 77(1)(aa) of the Classification Act requires the Office to support, approve, and review self-rating systems used by specified Commercial Video on-Demand (CVoD) providers.

Section 46J of the Classification Act sets out the complaints process for commercial video on-demand content.

How this will be assessed

QUANTITY		Targets / Estimate
5.1	Number publications assessed.	140 – 360 per year
QUALITY		
5.2	All approved self-rating systems are reviewed annually, using an appropriate review methodology.[2]	Estimated number of systems reviewed: 5 – 7 per year
TIMELINESS		
5.3	Approved self-rating systems are reviewed within three months of the anniversary of the date on which the system was originally approved.	75%

Note 5.2: This estimate is subject to changes made to the number of providers listed on Schedule 4 of the Films, Videos and Publication Classification Act, and the number of providers that elect to operate a self-rating system. During 2022/23 six providers were self rating their content, and eight providers were listed on Schedule 4 of the Classification Act.

ACTIVITY 6 - COUNTERING VIOLENT EXTREMISM

Description

This activity contributes to efforts to counter violent extremist (CVE) content online.

In December 2019, Cabinet agreed to policy proposals aimed at enhancing the ability of government and non-government partners to deter and respond to objectionable content online under the Films, Videos, and Publications Classification Act 1993, and to support enforcement activity to stop the viral spread of terrorist content of a potential real-world incident.

Amendments were made to the Classification Act in February 2022.

How this will be assessed

QUANTITY		Targets
6.1	Speakers Programme: Host subject matter experts to speak with agencies with significant interest in online violent extremism.	2 each year
6.2	Training Programme: Deliver training to enforcement agencies on the classification framework as applied to violent extremist material.	2 each year
QUALITY		
6.3	A qualitative analysis is conducted to review the application of s22A-D and Part 7A.	

REPORTING TO THE MINISTER

Quarterly Reports

The Classification Office provides the Minister with three reports relating to the quarters ending September, December, and March each year. Reports related to the first and third quarters are provided six weeks following the end of the quarter. The report related to the second quarter has an extended due date to allow for non-working days in January.

Copies of the report are also provided to the Department of Internal Affairs and Audit New Zealand.

For 2023/24 the reports to the Minister are due:

Quarter	Report provided to the Minister by:
Qtr. 1: 1 July – 30 September	13 November 2023
Qtr. 2: 1 October – 31 December	11 March 2023
Qtr. 3: 1 January – 31 March	13 May 2024

These reports contain information about matters set out in the Statement of Intent, and the Statement of Performance Expectations. They cover service and financial performance and are based upon unaudited internal management information, including:

- the environment and the Office's capability to meet its challenges
- the Office's performance in each quarter, which is measured against standards set out in the Statement of Performance Expectations
- explanations of significant variances, and any action proposed to correct them, and the factors driving them
- a summary of key events, significant activities or risks over the period, with particular emphasis on events or activities that occurred that were unforeseen, unusual and/or likely to:
  - have a major impact on the ability of the Office to satisfy its obligations under the Classification Act
  - affect the current financial year viability of the Office
  - lead to a financial surplus or deficit for the financial year, unless forecast.

Consultation between the Office and the Minister

The Classification Office ensures the Minister is kept informed in a timely manner on all significant matters for which the Office has responsibility. The Office acknowledges the importance of keeping the Minister informed of the Office's activities for the purposes of financial and non-financial accountability, service performance, and that the Minister is briefed on important matters in the public interest relating to classification matters.

The Minister acknowledges the importance of keeping the Classification Office informed in a timely manner of any matter of significance to the Office, or that could affect the performance of the Office's functions.

DISCUSSION OF FINANCIAL INFORMATION

Overview

The Classification Office has forecast a deficit of $262K in 2023/24.

This reflects an increase in forecast revenue of 4% and an increase in expenditure of 5%, in comparison to the 2022/23 budget.

Significant events that impact out-year forecasting include:

- Fees Review - During 2022 the planned funding review of existing classification activities was deferred. The intent of the deferral was to allow the review to align with the new content regulatory regime, or be incorporated with the review of the CVoD levy, which is required to be completed prior to May 2025.
- Revocation of Levy Regulations – The Films, Videos, and Publications Classification Commercial Video on-Demand Levy Regulations 2021 came into force on 17 May 2021 and are to be revoked in May 2025.
- Reducing Labelling Body Revenue –Labelling Body revenue is expected to contribute just 8% of revenue in 2023/24, and this reduces in out years.
- Erosion of Cash Reserves – The Office has been operating in a deficit position for a significant number of years and this has been funded by approximately $1.7M of cash reserves.

As a result of these factors, the Office is projecting insolvency in 2024/25. The Board has adopted strategic priorities and a work programme for the organisation, including the development of a sustainability and investment plan. The plan sets out the work the Board will do to realise savings and efficiencies, grow revenue, and review financial controls. As forecast, third-party revenue continues to decline, while operating costs, including rent and personnel, grow. A line-by-line review has identified areas for modest savings without compromising the delivery of the statutory functions of the Office. The Office is working with the Department of Internal Affairs on sustainability options for the medium term, and until the outcome of the Content Media Regulatory Review.

Further analysis of the Office’s financial forecast is discussed in detail below.

Revenue

HOW THE CLASSIFICATION OFFICE IS FUNDED

The Crown predominantly funds the Office as a non-departmental output of the Department of Internal Affairs.

Fee revenue is received from the Film and Video Labelling Body to classify commercially released films and games that may need to be restricted.

Fee revenue for classification and exemptions may also be received from members of the public, industry (usually related to non-film content), and online content hosts seeking the classification of material that is subject to a takedown notice issued by the Department of Internal Affairs.

Levy revenue is received from streaming video on-demand providers listed on Schedule 4 of the Classification Act as distributors of commercial video on-demand content. This levy supports the operation of a self-rating system, and this activity is intended to be partially (25%) funded by the Crown.

No fees are payable for submissions made by enforcement agencies as they are currently exempt under the fees regulations.

Crown Revenue

Classification Office Crown funding is currently composed of:

- baseline funding of $2,810K, which includes a partial contribution to the costs of operating the self-rating system (25%)

- a commitment of $468K per annum as part of initiatives responding to the 15 March Terror Attacks.

LABELLING BODY REVENUE

Fees for classification were set in the Films, Videos, and Publications Classification (Fees) Regulations 1994. The Department of Internal Affairs is responsible for the administration of these regulations.

The Classification Office estimates the number of publications it expects to receive using trends in activity from previous years, and discussions with submitters and distributors. Based on these estimates, the Office establishes targets for the number of publications it will process. The Office expects to meet demand and, where possible, allocates resources to enable this.

Labelling Body submissions, and therefore revenue, are forecast to reduce over time.

Forecast revenue from the Labelling Body for 2023/24 is $329K. While this is an increase on the 2022/23 forecast, it reflects a 30% reduction on recent volumes and is consistent with the downward trend in commercial submissions over recent years. The forecast for out-years assumes that Labelling Body revenue will decline until the point when DVDs are no longer submitted.

During 2022/23 some streaming providers covered by the CVoD legislation have influenced the number of submissions to the Film and Video Labelling Body. At this stage this only marginally offsets the reduction in submissions from traditional providers.

CVoD LEVY REVENUE

The Classification Act establishes an annual levy and/or fees payable by Commercial Video on-Demand (CVoD) providers listed in Schedule 4 of the Act. This applies to streaming providers such as Netflix, Neon and Disney. The addition, and removal, of providers on the Schedule will directly impact levy revenue.

Revocation of Levy Regulations – The Films, Videos, and Publications Classification Commercial Video on-Demand Levy Regulations 2021 came into force on 31 May 2021 and will be revoked in May 2025.

These forecasts assume that, after May 2025, the levy is reinstated at the current level, in the absence of information to the contrary.

SUNDRY REVENUE

While such submissions from members of the public tend to require significant resources to process, they have minimal bearing on forecast revenue (the fee for non-commercial submissions is just $25.50).

Expenditure

Total combined personnel and operating expenditure forecast for 2023/24 is 5% ($210K) higher than the year prior. Forecast personnel expenditure has increased by 10%, and savings in operating expenditure of 6% have been achieved.

Matters of specific note for forecast expenditure:

- In preparing this budget we have conducted a detailed line-by-line review of expenditure. Despite a range of unavoidable cost increases, this achieved saving of 6%.
- The forecast for revenue and expenditure for out-years is generally stable.
- In late 2022/23 the Classification Office settled a two-year collective agreement and this settlement, along with planned changes to staffing which support the Office's strategic priorities and work programme, are reflected in the 2023/24 personnel expenditure.
- The Office has not budgeted for any general, incremental or CPI salary movements in out years.

- The three-yearly rent review on the Office's space was carried out in February 2023. Under the terms of the lease, this resulted in a 9% increase in the rent. A further rent review is scheduled for 2026 and this has been included in the forecast.
- Depreciation is updated based on actual and forecast capital expenditure for the entire period of this forecast.

Capital Expenditure and Depreciation

Around $1.7M of capital funds set aside for asset replacement have been used to fund the deficit of previous years. This limits the Office's ability to invest in and replace capital assets, and has reduced the funds available to respond to critical or urgent investment requirements.

The Classification Database Application (CDA) is the core system of the Office's classification function, and was developed and deployed in 2008/09. It has retained its value to the Office, and the capital invested is focused on ensuring the CDA remains compatible with our wider IT environment. This asset was fully depreciated in 2021. The use of capital funds to finance the ongoing deficit limits the Office's ability to replace the CDA when this becomes necessary, which significantly restricts our ability to take up process improvement opportunities.

A capital injection in 2019/20 supported the development of the self-rating system, which has been set to depreciate over five years.

Equity

As discussed earlier, capital funds are funding the deficit and, as such, our ability to invest in maintaining or replacing significant capital assets is dwindling.

In 2020/21, following a delay in finalising the Regulations, the Office incurred a $500K cost of developing and implementing the self-rating framework for Commercial Video on-Demand providers, including the establishment of a new films database. This was unfunded, and further reduced cash reserves.

On current forecasts, the Office will have insufficient funds to continue to operate by the close of 2024/25.

The forecast financial information has been prepared as a best-effort indication of the Office's future financial performance, and the financial forecast signals medium-term risks for our financial viability. We will continue to work with the Department and the Minister of Internal Affairs on longer-term financial prospects and solutions.

Actual financial results for the period covered are likely to vary from the information presented, potentially in a material manner.

FORECAST FINANCIAL INFORMATION

Statement of Comprehensive Revenue and Expense

In New Zealand Dollars

REVENUE	Forecast 2022/23 $'000	Year 1 2023/24 $'000	Year 2 2024/25 $'000	Year 3 2025/26 $'000
Revenue from the Crown	3,201	3,278	3,278	3,278
Third Party Revenue	268	330	247	247
Levy & Sundry Revenue	458	458	458	458
Interest Revenue	10	38	18	8
Total Revenue	3,937	4,104	4,001	3,991
LESS EXPENSE				
Personnel	2,780	3,061	3,061	3,061
Operating	1,294	1,214	1,314	1,319
Depreciation	81	91	96	107
Total Expense	4,155	4,366	4,471	4,487
Surplus/(Deficit)	(218)	(262)	(470)	(496)
Other Comprehensive Revenue	0	0	0	0
Total Comprehensive Revenue & Expenses	(218)	(262)	(470)	(496)

Note 1: All information is GST exclusive unless otherwise stated.

Note 2: The above financial information does not include any allowance in 2022/23 or out years for inflation.

FORECAST OF FINANCIAL INFORMATION

Statement of Financial Position

As at 30 June

In New Zealand Dollars

CURRENT ASSETS	Forecast 2022/23 $'000	Year 1 2023/24 $'000	Year 2 2024/25 $'000	Year 3 2025/26 $'000
Cash & Cash Equivalents	45	444	(7)	(489)
Investments	500	-	-	-
Debtors & Other Receivables	131	130	123	123
Total Current Assets	676	574	116	(366)
CURRENT LIABILITIES				
Employee Entitlements	262	290	290	290
Creditors	124	116	126	126
Fees Received in Advance	3	11	11	11
GST Refund	34	37	35	35
Total Current Liabilities	423	454	462	462
Net Current Assets	253	120	(346)	(828)
NON-CURRENT ASSETS				
Property, Plant & Equipment	159	142	154	159
Intangible Assets	206	167	153	134
Total Non-Current Assets	365	309	307	293
Net Assets	618	429	(39)	(535)
Represented by:				
EQUITY				
General Funds	618	429	(40)	(536)
TOTAL EQUITY	618	429	(40)	(536)

Note 1: 2021/22 actual closing position is used as the opening position of the forecasted statements.
Note 2: Some cash held is earmarked for asset replacement over time.

FORECAST FINANCIAL INFORMATION

Statement of Changes in Equity

In New Zealand Dollars

	Forecast 2022/23 $'000	Year 1 2023/24 $'000	Year 2 2024/25 $'000	Year 3 2025/26 $'000
Opening Balance	836	691	429	(40)
Surplus/(Deficit)	(218)	(262)	(469)	(496)
Comprehensive Revenue & Expense	(218)	(262)	(469)	(496)
Closing Balance	618	429	(40)	(536)

FORECAST OF FINANCIAL INFORMATION

Statement of Cash Flows

In New Zealand Dollars

For the Year Ended 30 June

	Forecast 2022/23 $'000	Year 1 2023/24 $'000	Year 2 2024/25 $'000	Year 3 2025/26 $'000
CASHFLOWS FROM OPERATING ACTIVITIES				
Cash was provided from:				
Receipts from the Crown	3,201	3,278	3,278	3,278
Receipts from Customers	731	782	712	705
Interest Received	10	38	18	8
Net Goods & Services Tax Received	590	609	598	597
Cash was distributed to:				
Payment to Suppliers & Employees	4,078	4,281	4,366	4,380
Net Goods & Services Tax Paid	588	607	598	598
Net Cash Flow from Operating Activities	(134)	(181)	(358)	(390)
CASHFLOWS FROM INVESTING ACTIVITIES				
Cash was provided from:				
Sale of Property, Plant & Equipment	-	-	-	-
Sale of Investments	-	-	-	-
Cash was distributed to:				
Purchase of Property, Plant & Equipment	78	64	64	64
Purchase of Intangibles	58	29	29	29
Acquisition of Investments	0	-	-	-
Net Cash Flow from Investing Activities	(136)	(93)	(93)	(93)
CASHFLOWS FROM FINANCING ACTIVITIES				
Net Cash Flow from Financing Activities	-	-	-	-
Net Increase/(Decrease) in Cash & Cash Equivalents	(270)	(274)	(451)	(483)
Cash & Equivalents at Beginning of Year	316	718	444	(7)
Cash & Cash Equivalents at the End of Year	46	444	(7)	(490)

STATEMENT OF SIGNIFICANT ASSUMPTIONS

Reporting Entity

The Classification Office is an entity formed under the Films, Videos, and Publications Classification Act 1993. These statements have been prepared in accordance with the Crown Entities Act 2004.

The Office's primary objective is to provide public services to the New Zealand public, as opposed to making a financial return. Accordingly, the Office has designated itself as a public benefit entity (PBE) for financial reporting purposes.

Key Judgements and Assumptions

The preparation of financial statements requires judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, revenue and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revisions and future periods.

The Office does not intend to update these prospective financial statements subsequent to presentation.

Basis of Preparation

Statement of compliance

The forecast financial statements of the Office have been prepared in accordance with the requirements of the Crown Entities Act 2004, which includes the requirement to comply with New Zealand's generally accepted accounting practice ("NZ GAAP"). The Office is a public sector PBE, so has elected to prepare these financial statements in accordance with the Tier 2 PBE Standards with Reduced Disclosure Requirements applicable to public sector entities, as it does not have public accountability and is not large. The financial statements have been prepared on a 'going concern' basis, and the accounting policies have been applied consistently through the year.

Basis of measurement

The forecast financial statements have been prepared on the historical cost basis.

Functional and presentation currency

The forecast financial statements are presented in New Zealand dollars ($), which is the Office's functional currency, and all values are rounded to the nearest thousand dollars.

Significant Accounting Policies

The accounting policies set out below have been applied consistently to all periods presented in these forecast financial statements.

Budget figures

The budget figures are those approved by the Board of the Classification Office at the beginning of the financial year. The budget figures have been prepared in accordance with generally accepted accounting practice and are consistent with those adopted by the Office for the preparation of the financial statements.

Revenue

Revenue is measured at the fair value of consideration received or receivable.

CROWN REVENUE

The Office is primarily funded through revenue received from the Crown, which is restricted in its use for the purpose of the Office meeting its objectives as specified in the Statement of Performance Expectations.

Revenue from the Crown is recognised as revenue when earned and is reported in the financial period to which it relates.

INTEREST

Interest income is recognised using the effective interest method.

OTHER REVENUE

Labelling Body income, other fee income, and sundry income are recognised when earned and are reported in the financial period, and are considered exchange revenue.

Expenses

OPERATING LEASE

Leases that do not transfer substantially all the risks and rewards incidental to the ownership of an asset to the Office are classified as operating leases.

Lease payments under an operating lease are recognised as an expense on a straight-line basis over the term of the lease in the Statement of Comprehensive Revenue and Expense.

FINANCE LEASES

The Office has no finance leases.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held on call with banks, and other short-term, highly liquid investments with original maturities of three months or less.

Short-term investments

These investments comprise term deposits of more than three months and less than 12 months.

Debtors and other receivables

Debtors and other receivables are recorded at the amount due, less any provision for impairment.

Impairment of a receivable is established when there is objective evidence that the Office will not be able to collect amounts due according to the original terms of the receivable. Significant financial difficulties of the debtor, probability that the debtor will enter into bankruptcy and default in payments, are considered indicators that the debtor is impaired.

The amount of the impairment is the difference between the asset's carrying amount and the present value of the estimated future cash flows, discounted using the original effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the Statement of Comprehensive Revenue and Expense. When the receivable is uncollectible, it is written off against the allowance account for receivables.

Property, plant & equipment

Items of property, plant and equipment are shown at cost less any accumulated depreciation and impairment losses.

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

ADDITIONS

The cost of an item of property, plant and equipment is recognised as an asset only when it is probable that future economic benefits or service potential associated with the item will flow to the Office, and the cost of the item can be measured reliably.

Where an asset is acquired at no cost, or for a nominal cost, it is recognised at fair value when control over the asset is obtained.

DISPOSALS

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount of the asset. Gains and losses on disposals are included in the forecast Statement of Comprehensive Revenue and Expense.

DEPRECIATION

Depreciation is provided on a straight-line basis on all property, plant and equipment at the rates that will write off the cost of the assets to their estimated residual values over their useful lives.

The useful lives and associated depreciation rates of major classes of assets have been estimated as follows:

- Computer hardware 3 – 4 years
- Fitout 6 years
- Furniture and fittings 10 years
- Office equipment 4 – 5 years

- Other equipment 4 – 5 years
- Technical equipment 4 – 5 years
- Vehicles 5 – 6 years

The residual value and useful life of an asset is reviewed, and adjusted if applicable, at each financial year-end.

Intangible assets

SOFTWARE ACQUISITION AND DEVELOPMENT

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring into use the specific software.

Costs that are directly associated with the development of software for internal use by the Classification Office, are recognised as an intangible asset. Direct costs include the software development, employee costs, and an appropriate portion of relevant overheads.

Staff training costs are recognised as an expense when incurred. Costs associated with maintaining computer software are recognised as an expense when incurred. Costs associated with the development and maintenance of the Office's website are recognised as an expense when incurred. Intangible assets are reviewed annually for impairment.

AMORTISATION

The carrying value of an intangible asset with a finite life is amortised on a straight-line basis over its useful life. Amortisation begins when the asset is available for use and ceases at the date that the asset is derecognised. The amortisation charge for each period is recognised in the Statement of Comprehensive Revenue and Expense.

The useful lives and associated amortisation rates of intangible assets have been estimated as follows:

- Software 3 – 4 years
- Self-rating Tool 5 years
- Classification database 12 years

Impairment

Property, plant and equipment that have a finite useful life are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value, less costs to sell, and its value in use.

Value in use is depreciated replacement costs for an asset where the future economic benefits or service potential of the asset are not primarily dependent on the asset's ability to generate net cash inflows, and where the Office would, if deprived of the asset, replace its remaining future economic benefits or service potential.

If an asset's carrying amount exceeds its recoverable amount, the asset is impaired, and the carrying amount is written down to the recoverable amount. For revalued assets, the impairment loss is recognised against the revaluation reserve for that class of asset. Where that results in a debit balance in revaluation reserve, the balance is recognised in the Statement of Comprehensive Revenue and Expense.

For assets not carried at a revalued amount, the reversal of an impairment loss is recognised in the Statement of Comprehensive Revenue and Expense.

Creditors and other payables

Creditors and other payables are initially measured at fair value, and subsequently measured at amortised cost using the effective interest method.

Employee benefits

Employee benefits that are due to be settled within 12 months after the end of the year in which the employee provides the related service are measured based on accrued entitlements at current rates of pay. Entitlements to sick leave are calculated based on an actuarial approach to assess the level of leave that is expected to be taken over and above the annual entitlement, and calculated using current pay rates at the time of creation.

Superannuation Schemes

DEFINED CONTRIBUTION SCHEMES

Obligations for contributions to KiwiSaver are accounted for as a defined contribution superannuation scheme, and are recognised as an expense in the forecast Statement of Comprehensive Revenue and Expense as incurred.

Provisions

The Office recognises a provision for future expenditure of uncertain amount or timing, where there is a present obligation (either legal or constructive) as a result of a past event, and/or it is probable that expenditures will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax discount rate that reflects current market assessments of the time value of money, and the risks specific to the obligation.

Goods and services tax (GST)

All items in the financial statements are presented exclusive of GST, except for receivables and payables, which are presented on a GST inclusive basis. Where GST is not recoverable as input tax, it is recognised as part of the related asset or expense.

The net amount of GST recoverable from, or payable to, the Inland Revenue Department (IRD) is included as part of receivables or payables in the Statement of Financial Position.

The net GST paid to, or received from, the IRD, including the GST relating to investing and financing activities, is classified as an operating cash flow in the Statement of Cash Flows.

Commitments and contingencies are disclosed exclusive of GST.

Income tax

The Classification Office is exempt from the payment of income tax under the first schedule to the Films, Videos, and Publications Classification Act 1993.

Cost of service statements

The Office has only one output class, and all expenses are directly allocated to this one output class.

Commitments

Future payments are disclosed as commitments at the point when a contractual obligation arises, to the extent that they are equally unperformed obligations.

Commitments relating to employment contracts are not disclosed.

Contingent liabilities

Contingent liabilities are disclosed at the point at which the contingency is evident.

Figure Two: Performance Framework

Our Purpose	This will happen when...	Measured by...	Activities 2023/24	Measured by...	Targets / Estimates
We provide information & ratings to empower New Zealanders to make informed choices about what they, and their rangatahi and tamariki, watch. *Indicator: Percentage of people who say they feel that they, and their children, are safe in their homes and neighbourhoods. (Source: Quality of Life survey)*	A. Public has greater confidence in the classification system	60% or more of those surveyed indicate that they are satisfied with the classification system, because they are of the view that it is neither too lenient nor too strict (Source OFLC Data)	1. Classification decisions are produced [s23]	Quantity	
				1.1 Number of Third-Party publications classified	534 – 774 each year
				1.2 Number of Crown publications Classified	264 – 856 each year
				1.3 Number of decisions registered	878 – 1,810 each year
				Quality	
				1.4 Internal: Classification decisions are consistent with set standards	95%
				1.5 External: Classification decisions (a) Classification decisions are written in a style which is accessible to a range of readers (b) The analysis supports the classification decision, so that the reader understands the reasoning of the decision	Our most complex decisions are reviewed throughout the year to provide an assessment of Adequate/Inadequate and commentary with recommendations for improvements
				Timeliness	
				1.6 Standard decisions (s12 & s42)	90% within 30 working days
				1.7 Complex decisions (s12 & s42)	70% within 35 working days
				1.8 s13 decisions	70% within 55 working days
			2. Information about the Classification Act and the Office is produced and distributed [s88(2)(b)]	Quantity	
				2.1 Number of visits to Classification Office websites	Average of visits 250 – 350 per day
				2.2 Number of public presentations	15 - 20 each year
				Quality	
				2.3 Website regularly updated with Editor- and Moderator-approved content	4 (average per month)
				2.4 Responses to Client Satisfaction surveys	80% 'Very Good' or better
			3. An Inquiries and Complaints Service is provided [s88(2)(c)]	Quantity	
				3.1 Inquiries and Complaints answered	250 – 350 each year
				Quality	
				3.2 Responses to 'request for feedback' on inquires and complaints service are satisfied with service	80%
				Timeliness	
				3.3 Inquiries and Complaints responded to promptly	80% within 5 working days 100% within 20 working days
	B. Public is better educated and informed about the classification system	An increasing proportion of those surveyed indicate that they use classification information when making viewing choices for children (Source: OFLC Data)	4. Research is carried out which enables the Office to perform its functions effectively [s88(2)(a)]	Quantity	
				4.1 Research projects published each year	1
				Quality	
				4.2 Published research helps inform the public, policy makers and others about content harms and classification issues	A quantitative analysis is conducted and assesses the degree to which our annual research project achieves one or more of the below criteria: • Media coverage in mainstream outlets (within two weeks of publication) • Downloads 30 - 50 per month • Research is used or cited/referenced in other publications, external resources or policy documents (over the year following publication)
			5. Support, approve, and review self-rating systems used by CVoD providers [s77(1)(aa), (ac) & (ad)]	Quantity	
				5.1 Number of publications assessed	170 - 270 per year
				Quality	
				5.2 All approved self-rating systems are reviewed annually, using an appropriate review methodology	Estimated number of systems reviewed : 5 - 7 per year
				Timeliness	
				5.3 Annual review of self-rating systems are conducted within three months of the anniversary of the date on which the system was originally approved	75%
			6. Support New Zealand's response to online violent extremist content	Quantity	
				6.1 Speakers Programme	2 each year
				6.2 Training Programme	2 each year
				Quality	
				6.3 A qualitative analysis is conducted to review the application of s22A-D and Part 7A	

GLOSSARY

Section references are for the Films, Videos, and Publications Classification Act 1993.
Regulation references are the Films, Videos, and Publications Classification Regulations 1994.

SUBMISSIONS CHANNELS – THIRD-PARTY

Section 12(1)	Submission channel where the Labelling Body is not permitted to assign a rating.
Section 12(3)	Submission channel where the Labelling Body is having difficulty in assigning a rating.
Section 13(1)(c)	Submission channel for any other person subject to the Chief Censor's discretion.
Section 42	Application channel for persons seeking reconsideration of classifications.
Section 46E(3)	Submission of potentially objectionable content that has not previously been labelled or classified by CVoD providers.
Regulation 27(3)	Application channel for persons seeking poster approvals.
Regulation 27(4)	Application channel for persons seeking poster approvals where the Labelling Body has declined to approve.

SUBMISSION CHANNELS - CROWN

Section 13(1)(a)	Submission channel for the Comptroller of Customs.
Section 13(1)(ab)	Submission channel for the Commissioner of Police.
Section 13(1)(b)	Submission channel for the Secretary of Internal Affairs.
Section 13(1)(ba)	Submission channel for online content hosts.
Section 13(3)	Chief Censor's own motion to either the Comptroller of Customs or the Secretary of Internal Affairs to submit publications for classification.
Section 29(1)	Referral from the Courts.
Section 41(3)	Court referral for reconsideration of a classification brought at the instigation of the defendant.

Section 21 Consultation	In examining a publication, the Classification Office may show a publication to any person who may be able to assist the Office in forming an opinion of the publication.

TIMELINESS MEASURES

Standard Publications	A publication for which excisions are not offered is categorised as 'Standard'.
Complex Publications	A publication for which excisions are offered is categorised as 'Complex'. The submitter may choose to accept or refuse the excision/s offered.
Timeliness Parameters	The number of working days between the receipt of a publication and the date the decision is dispatched, being the combined queue and processing time.