

STATEMENT OF
PERFORMANCE EXPECTATIONS
1 July 2021 to 30 June 2022

TE MANA WHAKAATU
**Classification
Office**

**Watch carefully.
Think critically.**

Statement of Performance Expectations of the CLASSIFICATION OFFICE Te Mana Whakaatu



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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 2022 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 page 24 shows the alignment of the Office's activities and intended outcomes.

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



D E Shanks

Chairperson

On behalf of the Board of the Classification Office

Dated: 30 June 2021

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 2021/22

“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 applicants, 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 2021/22

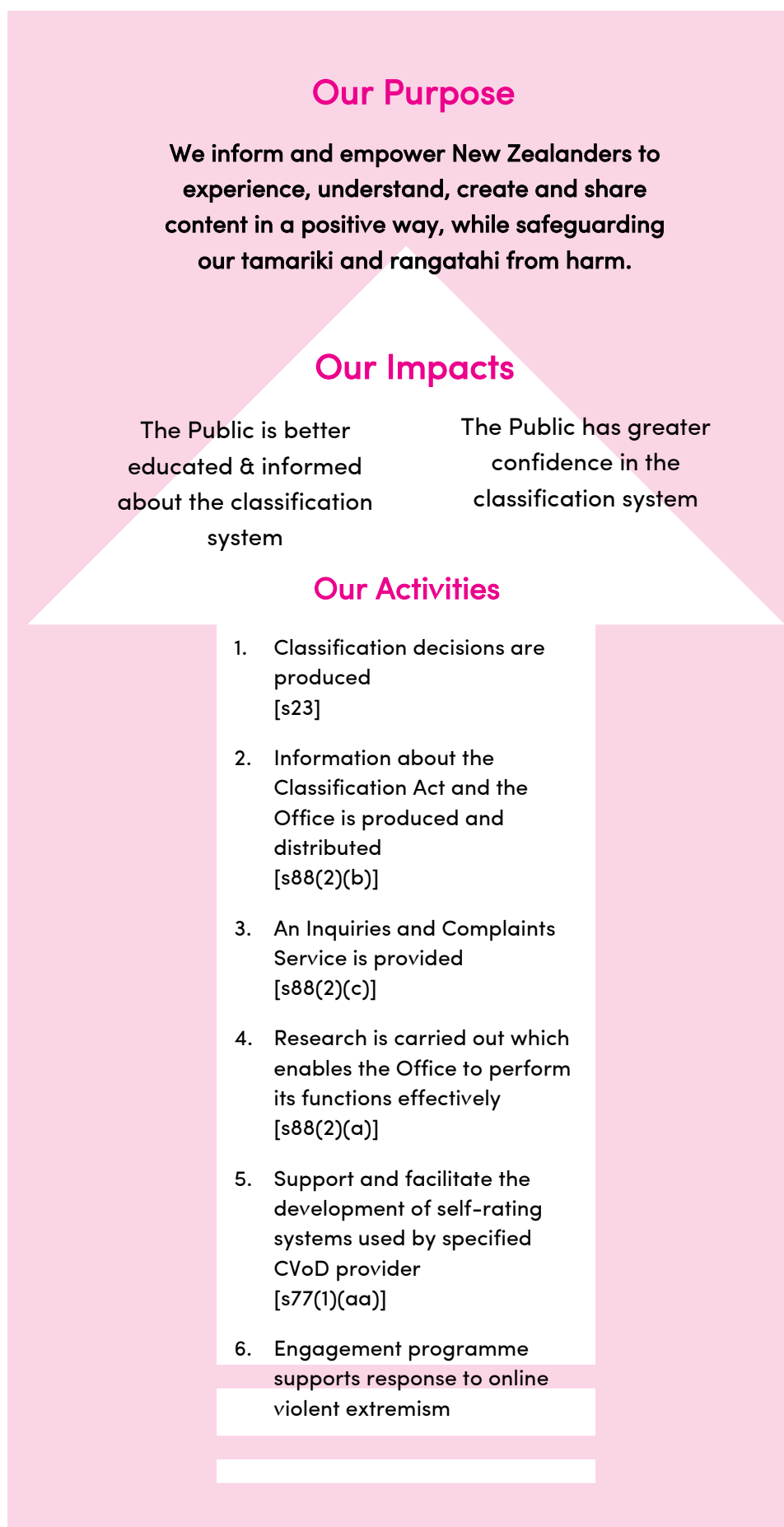
	Ex GST \$'000
Crown Appropriation	3,169
Third Party Revenue	796
Interest Revenue	21
Total Revenue	3,986
Expenses	4,178
Expected Surplus/(Deficit)	(192)

Payments of Crown Appropriation

The total amount paid by the Crown for the provision of outputs in 2021/22 is \$3.169m (GST exclusive).

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

Figure 1: Outcome Structure



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:

1.1	QUANTITY ¹	Targets
1.1.1	Third Party Number of publications classified	664 – 1,135 each year
1.1.2	Crown Number of publications classified	456 – 802 each year
1.1.3	Registrations Number of classification decisions registered	1,120 – 1,937 each year
1.2	QUALITY	Targets
1.2.1	Classification decisions are consistent with the standards set down in the Practice Manual	95%
1.2.2	Classification decisions <ol style="list-style-type: none"> Classification decisions are written in a style which is accessible to a range of readers. The analysis supports the classification decision so that the reader understands the reasoning of the decision. 	A sample of classification decisions are independently reviewed, and 75% of decisions are assessed 'good or very good' on a 4-point scale against each measure.
1.3	TIMELINESS ²	Targets
1.3.1	Standard s12 & s42 Percentage of Standard s12 and s42 submissions which are classified within 30 working days of receipt	90%
1.3.2	Complex s12 & s42 Percentage of Complex s12 and s42 submissions which are classified within 35 working days of receipt	70%
1.3.3	s13 Percentage of s13 submissions which are classified within 55 working days of receipt, where statutory obligations enable this.	70%

1. This is a demand driven activity.
2. Timeliness and Quality targets are set at the minimum levels which are 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 functions, powers and procedures of the Office.

How this will be assessed

2.1	Maintaining a Quality Web Presence	Targets
2.1.1	QUANTITY Number of visits to the Classification Office websites	400 (average per day)
2.1.2	QUALITY Website regularly updated with Editor and Moderator approved content	New content added every month 12-36 items each year
2.2	Public Engagement	Targets
2.2.1	QUANTITY Number of public engagement activities.	20 – 30 each year
2.2.2	QUALITY Responses to Client Satisfaction surveys "Very Good" or better.	80%

ACTIVITY 3 – INQUIRIES AND COMPLAINTS

Description

Sections 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 Classification Office to receive and respond to complaints concerning warnings on video on-demand content.

How this will be assessed

3.1	QUANTITY	Targets
	Inquiries and Complaints answered	400 – 600 each year
3.2	QUALITY	
	Responses to "request for feedback" on inquiries and complaints service are "Satisfied with service".	80%
3.3	TIMELINESS	
	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

4.1	QUANTITY	Targets
	Research projects per year 2021/22 Planned Topic – Understanding the Classification System: New Zealanders' Views	1
4.2	QUALITY	
	Published research helps inform the wider public about censorship issues.	<p>All Research: 50-100 downloads of Classification Office research reports each month.</p> <p>New research: In the 4 months following publication, downloads of the current research report makes up 30% of research report downloads</p>
4.3	TIMELINESS	
	Research findings are published within one month of report being finalised.	100%

ACTIVITY 5 – SELF-RATING SYSTEMS

Description

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

How this will be assessed

5.1	QUANTITY/QUALITY	Notes	Targets
5.1.1	All approved self-rating systems are reviewed annually, using an appropriate review methodology.	1	Estimated number of systems reviewed : 6-8 per year
5.1.2	All users of the Self-Rating Tool developed by the Classification Office, are surveyed annually regarding the tool's functionality.		100%
5.2	TIMELINESS		
	All approved self-rating systems reviewed within 3 months of the anniversary of the date on which the system was originally approved.		75%

Note 1

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.

Commentary on Additional Reporting

Section 46J of the Classification Act establishes a new process for complaints about the age rating or description assigned by a specified CVoD provider. These new provisions are established under the Films, Videos, and Publications Classification (Commercial Video on-Demand) Amendment Act 2020 and have a commencement date of 1 August 2021.

During 2021/22:

- We will monitor and report on a range of metrics to determine what additional quantity and timeliness measures are required assess our performance against Activity 5, from 2022/23.
- Complaints about on-Demand content will be reported under Activity 3 (Inquiries and Complaints), and Activity 1 (Quantity of Crown submissions classified) which includes the number of s13(3) classifications.

ACTIVITY 6 – COUNTERING VIOLENT EXTREMISM ENGAGEMENT PROGRAMME

Description

This activity contributes to efforts to counter violent extremism (CVE) 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.

How this will be assessed

6.1	QUANTITY	Targets
6.1.1	Speakers' Programme: Host subject matter experts to speak with agencies with significant interest in online violent extremism.	2 each year
6.1.2	Training Programme: Deliver training to enforcement agencies on the classification framework as applied to violent extremist material.	2 each year
6.2	QUALITY	
	Responses to Client Satisfaction surveys completed by participants "Very Good" or better.	80%

Commentary on Additional Reporting

As part of the suite of government initiatives responding to the 15 March terror attacks funding was provided to support enforcement agencies with prompt classification of suspected terrorist and violent extremist material.

A critical component of New Zealand's crisis-response framework is the ability to stop the viral spread of terrorist content. In some cases an urgent classification response is required to support New Zealand's online crisis response to a potential real-world incident.

During 2021/22:

- We will monitor and report on a range of metrics to determine what additional quantity and timeliness measures related to the submission and classification of violent extremist material are required to assess our performance from 2022/23.
- Violent extremist material is subject to the existing quantity, quality and timelines measures established under Activity 1.

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 within six weeks of the quarter end. 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 2021/22 the reports are due:

Quarter	Report provided to the Minister by:
Qtr 1: 1 July – 30 September	12 November 2021
Qtr 2: 1 October – 31 December	12 March 2022
Qtr 3: 1 January – 31 March	14 May 2022

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 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; and
- 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 classification Office to satisfy its obligations under the Classification Act; or
- affect the current financial year viability of the Classification Office; or
- 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 Classification Office has responsibility. The Classification Office acknowledges the importance of keeping the Minister informed of the Classification Office's activities, for purposes of financial and non-financial accountability, service performance and the Minister being briefed on important matters in the public interest relating to censorship.

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

The Office and the Minister have agreed to the following main priorities for 2021/22, as set out in the Minister's 2021/22 Letter of Expectations.

Strategic Direction

- Provide the Department with advice on the on-going impact of the recent changes to the Films, Videos, and Publications Classification Act 1993 (the Act) on the Classification Office and industry.
- As a subject matter expert on classification, provide the Department with operational input regarding the development of media content legislation and regulation.

Service Delivery

- Ensure that the Classification Office has the capacity to undertake and complete its statutory functions and obligations, including those of the Crown Entities Act 2004, to a high standard, and also to support the implementation of new legislative requirements under the Act.
- Consider how performance measures will be adjusted to reflect new functions and responsibilities of the Classification Office under the recent changes to the Act.

Stewardship

- Ensure there is clarity in the respective roles and responsibilities of the Board, the Chief Censor and the Deputy Chief Censor. This is of particular importance in 2020/21, given that a new Deputy Chief Censor will be appointed in this year.

Financial Management

- Demonstrate prudent financial management, transparency of expenditure, investment and value for money assessment.
- Work closely with the Department to ensure that the Classification Office's financial viability is managed. I regard this as particularly important in the current environment of a changing media content market and industry and of changes to the related legislation, with associated impacts on your activities, capability, costs and income.

Effective Working Relationships

- Maintain constructive working relationships with the industry, stakeholders and the Department.
- As far as possible, engage with the Department well in advance about opportunities, challenges or barriers, including those of a financial nature, to achieving organisational outcomes and the priorities in this Letter, so that these can be worked through.
- Maintain a "no surprises" policy, informing the Minister and the Department well in advance, as far as possible, of any event or issue that could be considered contentious or attract wide public interest.

DISCUSSION OF FINANCIAL INFORMATION

Overview

The Office's baseline funding was reviewed and in 2019/20 was increased to address the deficit created by the ongoing reduction in revenue from traditional classification activities. This was the first increase in Crown funding received since the baseline was initially set in 1998.

In addition the baseline funding increase is intended to partially fund the Classification Office's new functions established by the Films, Videos, and Publications Classification (Commercial Video on-Demand) Amendment Act 2020 and to support the work programme resulting from commitments to the Christchurch Call to counter violent extremist content online.

Explanation of Deficit

The Office has forecast a deficit of \$192K.

This reflects a forecast drop in Labeling Body revenue and submissions, combined with the proposed implementation of the Levy which has been established for specified Commercial Video on-demand providers under 149A of the Classification Act.

As a result of these factors the Office is projecting insolvency in out-years. Capital funds are funding the deficit, and as such our ability to invest in maintaining or replacing major capital assets is dwindling.

These matters are discussed in further detail below.

Revenue

Crown Revenue

The Classification Office is funded by a mix of Crown funding and by classification fees paid by the private sector.

Classification Office Crown funding is currently composed of:

- baseline funding of \$1,960K,
- a commitment of \$468K per annum as part of initiatives responding to the 15 March Terror Attacks, and
- \$741K in 2021/22 to support the ongoing financial viability of the Office and a partial

contribution to the costs of operating the Self Rating System. This was \$887K in 2020/21 and is \$773K for 2022/23 and \$850K in 2023/24 and out years.

Third Party Revenue

LABELLING BODY REVENUE

Fees for classification are set in regulation (Films, Videos, and Publications Classification (Fees) Regulations 1994). The Classification Office estimates the number of publications it expects to receive. This is done on the basis of trends in the level of activity of previous years and discussion with submitters and distributors. On the basis of this estimate, the Office establishes targets for the number of publications which will be processed by the Office. The Office expects to meet demand and allocates resources to enable this.

Labeling Body submissions, and therefore revenue, are forecast to reduce over time. This long standing trend has been accelerated by the impact of COVID-19 on both an international and local markets.

Revenue from the Labelling Body for 2021/22 is \$286K. This is 35% less than forecast in 2020/21 and makes up 36% of third party revenue. This forecast assumes that Labeling Body revenue will continue to decline at a rate of 25% per annum.

CVOD LEVY REVENUE

The Amendment Act allows for the payment of an annual levy and/or fees by Commercial Video on-demand providers that are listed in Schedule 4 of the Act. The levy is established by the Films, Videos, and Publications Classification Commercial Video on-Demand Levy Regulations 2021. These regulations came into force on 31 May 2021.

The Levy is expected to recover 75% of the cost of operating the Self Rating system from CVOD providers, with the balance funded by the Crown.

As this is a new area of activity, estimates of revenue and expenditure relating to the establishment and operation of the new Self Rating Framework are subject to change, particularly for out-years.

SUNDRY REVENUE

The Office is expecting an increase in submissions from members of the public in this time of heightened awareness and concern about terrorist and extremist material available and following the high profile classification decisions related to the Christchurch terrorist attack. While such submissions from members of the public tend to require significant resources to process, the fee for non-commercial submissions is just \$25.50, so have very little bearing on forecast revenue.

Expenditure

Total combined personnel and operating expenditure for 2021/22 has not changed significantly from 2020/21 however expected expenditure has been moved from Operating to Personnel as we move to a period of greater certainty. In addition the vacancy in the position a Deputy Chief Censor is expected to be filled in 2021/22.

Due to the current climate of fiscal restraint the Office has not budgeted for any general salary increase or salary movement in 2021/22 or out years.

Capital Expenditure and Depreciation

Over \$1,087K of capital funds which had set aside for asset replacement have been used to fund the deficit of prior years. This has limited the Office's ability to invest in, and replace, capital assets.

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 capital invested is focused on ensuring the CDA remains compatible with our wider IT environment. This asset will be 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.

Full depreciation of the CDA and the fitout on the Office's premises drives the drop in forecast depreciation from 2021/22.

A capital injection in 2019/20 supported the development of the Self Rating tool which is being depreciated over 5 years.

The forecast financial information has been prepared as a best efforts indication of the Classification Office's future financial performance and the financial forecast signals medium-term risks for our financial viability. The Classification Office expects to have greater certainty regarding levels of activity, particularly in relation to the new commercial video on-demand provisions, during 201/22. We will continue to work closely 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

	Forecast 2020/21 \$'000	Year 1 2021/22 \$'000	Year 2 2022/23 \$'000	Year 3 2023/24 \$'000
REVENUE				
Revenue from the Crown	3,315	3,169	3,201	3,278
Third Party Revenue	442	797	725	671
Interest Revenue	37	21	19	17
Total Revenue	3,794	3,987	9,945	3,966
LESS EXPENSE				
Personnel	2,542	2,711	2,711	2,711
Operating	1,533	1,344	1,349	1,362
Depreciation	270	124	154	187
Total Expense	4,345	4,178	4,214	4,260
Surplus/(Deficit)	(551)	(192)	(269)	(293)
Other Comprehensive Revenue	0	0	0	0
Total Comprehensive Revenue & Expensive	(551)	(192)	(269)	(293)

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

Note 2: The above financial information does not include any allowance in 2021/22 or out years for inflation.

FORECAST OF FINANCIAL INFORMATION

STATEMENT OF FINANCIAL POSITION

As at 30 June

In New Zealand Dollars

	Forecast 2020/21 \$'000	Year 1 2021/22 \$'000	Year 2 2022/23 \$'000	Year 3 2023/24 \$'000
CURRENT ASSETS				
Cash & Cash Equivalents	900	650	325	133
Investments	0	0	0	0
Debtors & Other Receivables	113	147	140	135
Total Current Assets	1,013	746	465	268
CURRENT LIABILITIES				
Employee Entitlements	230	230	230	230
Creditors	147	129	129	131
Fees Received in Advance	15	15	15	15
GST Refund	29	33	32	34
Total Current Liabilities	421	407	407	410
Net Current Assets	592	389	58	(142)
NON-CURRENT ASSETS				
Property, Plant & Equipment	136	193	225	235
Intangible Assets	218	173	202	98
Total Non-Current Assets	354	366	428	334
Net Assets	946	755	486	192
<i>Represented by:</i>				
EQUITY				
General Funds	946	755	486	192
TOTAL EQUITY	946	755	486	192

Note 1: 2019/20 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 2020/21 \$'000	Year 1 2021/22 \$'000	Year 2 2022/23 \$'000	Year 3 2023/24 \$'000
Opening Balance	1,498	946	755	486
Surplus/(Deficit)	(551)	(192)	(269)	(293)
Comprehensive Revenue & Expense	(551)	(192)	(269)	(29)
Closing Balance	946	755	486	192

FORECAST OF FINANCIAL INFORMATION

STATEMENT OF CASH FLOWS

In New Zealand Dollars
For the Year Ended 30 June

	Forecast 2020/21 \$'000	Year 1 2021/22 \$'000	Year 2 2022/23 \$'000	Year 3 2023/24 \$'000
CASHFLOWS FROM OPERATING ACTIVITIES				
<i>Cash was provided from:</i>				
Receipts from the Crown	3,315	3,315	3,201	3,278
Receipts from Customers	432	767	731	603
Interest Received	37	21	19	14
Net Good & Services Tax Received	562	590	590	582
<i>Cash was distributed to:</i>				
Payment to Suppliers & Employees	4,055	4,070	4,059	4,073
Net Good & Services Tax Paid	568	593	590	582
Net Cash Flow from Operating Activities	(277)	(115)	(109)	(178)
CASHFLOWS FROM INVESTING ACTIVITIES				
<i>Cash was provided from:</i>				
Sale of Property, Plant & Equipment	0	0	0	0
Sale of Investments	2,000	0	0	0
<i>Cash was distributed to:</i>				
Purchase of Property, Plant & Equipment	108	78	69	64
Purchase of Intangibles	58	58	147	29
Acquisition of Investments	2,000	0	0	0
Net Cash Flow from Investing Activities	(166)	(136)	(216)	(92)
CASHFLOWS FROM FINANCING ACTIVITIES				
Net Cash Flow from Financing Activities	0	0	0	0
Net Increase/(Decrease) in Cash & Cash Equivalents	(442)	(251)	(325)	(192)
Cash & Equivalents at Beginning of Year	1,343	900	650	325
Cash & cash equivalents at the end of the Year	900	650	325	133

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 Classification Office's primary objective is to provide public services to the New Zealand public, as opposed to that of making a financial return.

Accordingly, the Classification 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 Classification 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 Classification Office have been prepared in accordance with the requirements of the Crown Entities Act 2004, which includes the requirement to comply with New Zealand generally accepted accounting practice ("NZ GAAP"). The Classification Office is a public sector Public Benefit Entity and has elected to prepare these financial statements in accordance with 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 throughout 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 Classification 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 Classification Office is primarily funded through revenue received from the Crown, which is restricted in its use for the purpose of the Classification 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 in the financial period to which it relates.

Interest

Interest income is recognised using the effective interest method. Interest income on an impaired financial asset is recognised using the original effective interest rate.

Other revenue

Labelling Body income, other fee income and sundry income are recognised when earned and are reported in the financial period to which they relate.

Expenses

Operating lease

Leases that do not transfer substantially all the risks and rewards incidental to ownership of an asset to the Classification 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 expenses.

Finance leases

The Classification Office has no finance leases.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits with a maturity of less than three months.

Short Term Investments

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

Debtors and other receivables

Debtors and other receivables are initially measured at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment.

Impairment of a receivable is established when there is objective evidence that the Classification 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 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 expenses. 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 Classification 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 disposal 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 expenses.

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 licenses are capitalised on the basis of the costs incurred to acquire and bring in to 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 Classification Office's websites 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 Expenses.

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 classification 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 expenses.

For assets not carried at a revalued amount the reversal of an impairment loss is recognised in the statement of comprehensive revenue and expenses.

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

Entitlements to salary and wages and annual leave are recognised when they accrue to employees. This includes the estimated liability for salaries and wages and annual leave as a result of services rendered by employees up to balance date 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 defined contribution superannuation scheme and are recognised as an expense in the forecast statement of comprehensive revenue and expenses as incurred.

Provisions

The Classification 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, 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 then 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.

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...	Activities		Measured by...	2021/22 Targets
<p>We inform and empower New Zealanders to experience, understand, create and share content in a positive way, while safeguarding our tamariki and rangatahi from harm.</p> <p><i>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)</i></p>	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	Number of Publications Classified	Third Party: 664 - 1,135 each year Crown: 456 - 802 each year 1,120 - 1,937 each year
				Timeliness	Standard decisions (s12 & s42) Complex decisions (s12 & s42) s13 decisions	90% within 30 working days 70% within 35 working days 70% within 55 working days
				Quality	Internal: Classification decisions are consistent with set standards (as documented in the Classification Office Practice Manual) 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.	95% A sample of classification decisions are independently reviewed, and 75% of decisions are assessed 'good or very good' on a 4-point scale against each measure.
		An increasing proportion of those surveyed indicate that they use classification information when making viewing choices for children. (Source: OFLC Data)	2. Information about the Classification Act and the Office is produced and distributed [s88(2)(b)]	Maintaining a Quality Web Presence		Average of visits 400 per day
				Quantity	Number of visits to Classification Office websites	
				Quality	Website regularly updated with Editor and Moderator approved content	<ul style="list-style-type: none"> New content is added every month. 12-36 items each year
	B. Public is better educated and informed about the classification system	An increasing proportion of those surveyed correctly identify the meaning of at least six of seven classification labels. (Source: OFLC Data)	3. An Inquiries and Complaints Service is provided [s88(2)(c)]	Quantity	Inquiries and Complaints answered	20-30 each year
				Quality	Responses to 'request for feedback' on inquiries and complaints service are satisfied with service	80%
			4. Research is carried out which enables the Office to perform its functions effectively [s88(2)(a)]	Timeliness	Inquiries and Complaints responded to promptly	80% within 5 working days 100% within 20 working days
				Quantity	Research project	1 each year
			5. Support and facilitate the development of self-rating systems used by specified CVoD providers [s77]	Quality	Published research helps inform the wider public about censorship issues	All Research: 50-100 downloads of Classification Office research reports per month New research: In the 4 months following publication, downloads of the current research report makes up 30% of research report downloads 100% within 1 month of report being finalised
				Quantity/Quality	All approved self-rating systems are reviewed annually, using an appropriate review methodology. All users of the Self-Rating Tool, developed by the Classification Office, are surveyed annually regarding the tool's functionality.	Estimated number of systems reviewed : 6-8 per year 100%
				Timeliness	Annual review of self-rating systems are conducted within 3 months of the anniversary of the date on which the system was originally approved.	75%
			6. Engagement programme supports response to online violent extremism	Quantity	Speakers' Programme Training Programme	2 each year 2 each year
				Quality	Responses to Client Satisfaction surveys	80% 'Very Good' or better

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.
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(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.