

STATEMENT OF
PERFORMANCE EXPECTATIONS
1 July 2020 to 30 June 2021

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 2021 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 2020–2024 Statement of Intent, which outlines the Classification Office's longer-term strategic focus and operating environment. The Outcome framework figure on page 23 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: 18 December 2020

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 2020/21

“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 and charges, including commercial applicants and members of the public and
- interest revenue earned on funds held by the Office.

Revenue and Proposed Expenses 2020/21

| | Ex GST \$'000 |
|----------------------------|------------------|
| Crown Appropriation | 3,315 |
| Third Party Revenue | 442 |
| Interest Revenue | 37 |
| Total Revenue | 3,794 |
| Expenses | 4,345 |
| Expected Surplus/(Deficit) | (551) |

Payments of Crown Appropriation

The total amount paid by the Crown for the provision of outputs in 2020/21 is \$3.315m (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 | 585 – 908 per year |
| 1.1.2 | Crown Number of publications classified | 544 – 1,006 per year |
| 1.1.3 | Registrations Number of classification decisions registered | 1,129 – 1,914 per 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 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's Information Unit to disseminate information about functions, powers and procedures of the Office.

How this will be assessed

| 2.1 | Development of 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. | 30 – 40 each year |
| 2.2.2 | QUALITY 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's Information Unit to receive inquiries and complaints concerning the operation of the classification system.

How this will be assessed

| 3 | Inquiries and Complaints | Targets |
|-----|---|---|
| 3.1 | QUANTITY Inquiries and Complaints answered | 600 – 800 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's Information Unit to provide research services to enable the Office to perform its functions effectively.

How this will be assessed

| 4 | Research | Targets |
|-----|---|---|
| 4.1 | QUANTITY Research projects per year 2020/21 Working title: Disinformation in New Zealand | 1 |
| 4.2 | QUALITY Published research helps inform the wider public about censorship issues. | Research reports make up at least 10% of resources downloaded from the Classification Office website. |
| 4.3 | TIMELINESS Research findings are published within one month of report being finalised. | 100% |

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. These reports are provided within six weeks of the quarter end and a copy is provided to the Department of Internal Affairs and Audit New Zealand.

For 2020/21 the quarterly reports are due:

| Quarter | Report provided to the Minister by: |
|--------------------------------|-------------------------------------|
| Qtr 1: 1 July – 30 September | Week commencing 23 November 2020 |
| Qtr 2: 1 October – 31 December | 12 March 2021 |
| Qtr 3: 1 January – 31 March | 12 May 2021 |

The quarterly reports contain information about matters set out in the Statement of Intent and the Statement of Performance Expectations. These reports 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 that the main priorities for 2020/21, as set out in the Minister's 2020/21 Letter of Expectations, are:

Stewardship

- Apply an approach of continuous improvement to Board governance and culture, employ robust and effective self-review processes and to advise the Department and the Minister of the results. The Board should consider if any external evaluations or reviews of performance are needed.
- Ensure there is clarity in the roles and responsibilities of the Board, Chief Censor, and Deputy Chief Censor.

STRATEGIC DIRECTION

- Continue to provide input into the development of media content legislation and regulations.
- Work with the Department to provide advice on the impact of the proposed regulatory requirements on the Classification Office and industry.
- Maintain productive working relationships with industry and stakeholders that balance the Classification Office's role as a regulator and constructive interactions.

FINANCIAL MANAGEMENT

- Ensure transparent accounting for new third-party income and waivers in quarterly reports and other accountability documents.
- Demonstrate prudent financial management, transparency of expenditure, investment and assessment of value for money.

SERVICE DELIVERY

- Ensure the capability is in place to implement legislative changes.
- Give consideration to how Classification Office performance measures for 2020/21 and/or 2021/22 may need to reflect legislative changes.

DISCUSSION OF FINANCIAL INFORMATION

Overview

The Office's baseline funding was reviewed in 2019/20 and has been increased to address the ongoing reduction in revenue from traditional classification activities as well as 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 \$551k. This reflects estimated expenditure of \$745K on the establishment and operation of the new Self Rating Framework for commercial video on demand content. Of these expenses 75% are to be recovered from providers covered by the Amendment Act with the balance funded by the Crown. While the Amendment Act received royal assent in August 2020, a range of sections have a commencement date of 1 August 2021, unless an earlier date is appointed by Order in Council. The Amendment Act allows for the payment of an annual levy and/or fees. However the amount (or rate) of the levy and the way this may be determined will be established in Regulation. These regulations are under development and the Department of Internal Affairs is conducting a consultation process with the Providers. As a result the Office has forecast the cost of operating the system but has not preempted the outcome of this consultation process. As a result we have not forecast the amount of revenue or when this will be received.

As a result of these factors estimates of revenue and expenditure on the establishment and operation of the new Self Rating Framework are subject to change, particularly for outyears.

Explanation of 2019/20 Variance between Budget and Actual

Actual revenue and expenditure in 2019/20 varied significantly from forecast due to:

- funding and activity which supports the work programme resulting from commitments to the Christchurch Call to counter violent extremist content online, and
- capital injection for the development and initial delivery of the Self Rating Tool for the self rating of commercial Video on demand content.

Revenue

Crown Revenue

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

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.

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

Increased personnel and operating expenditure in 2020/21 is principally due to expected expenditure needed to establish and operationalize the new self rating framework for video on demand content as well as expanded capacity to respond to demands associated with online extremist content.

Due to the current climate of fiscal restraint the Office has not budgeted for any general salary increase or salary movement in 2020/21 or out years.

Capital Expenditure and Depreciation

Over \$900K of capital funds which were 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 2020/21. The use of capital funds to the ongoing deficit limits the Office's ability to replace the CDA when this becomes necessary.

The forecast financial information has been prepared as a best efforts indication of the classification Office's future financial performance. 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

| | Prior Year 2019/20 \$'000 | Prior Year 2019/20 Actuals | Year 1 2020/21 \$'000 | Year 2 2021/22 \$'000 | Year 3 2022/23 \$'000 |
|--|------------------------------------|-------------------------------------|-----------------------------|-----------------------------|-----------------------------|
| REVENUE | | | | | |
| Revenue from the Crown | 2,725 | 3,394 | 3,315 | 3,169 | 3,201 |
| Third Party Revenue | 595 | 357 | 442 | 400 | 356 |
| Sundry Revenue | 0 | 0 | 0 | 0 | 0 |
| Interest Revenue | 22 | 31 | 37 | 38 | 38 |
| Total Revenue | 3,342 | 3,782 | 3,794 | 3,607 | 3,595 |
| LESS EXPENSE | | | | | |
| Personnel | 1,933 | 2,204 | 2,542 | 2,544 | 2,544 |
| Operating | 1,135 | 1,083 | 1,533 | 1,533 | 1,538 |
| Depreciation | 285 | 278 | 270 | 141 | 147 |
| Total Expense | 3,353 | 3,565 | 4,345 | 4,218 | 4,229 |
| Surplus/(Deficit) | (11) | 217 | (551) | (611) | (634) |
| Other Comprehensive Revenue | 0 | 0 | 0 | 0 | 0 |
| Total Comprehensive Revenue & Expensive | (11) | 217 | (551) | (611) | (634) |

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

Note 2: The above financial information does not include any allowance in 2020/21 or out years for inflation.

FORECAST OF FINANCIAL INFORMATION

STATEMENT OF FINANCIAL POSITION

As at 30 June
In New Zealand Dollars

| | Prior Year 2019/20 \$'000 | Year 1 2020/21 \$'000 | Year 2 2021/22 \$'000 | Year 3 2022/23 \$'000 |
|----------------------------------|------------------------------------|-----------------------------|-----------------------------|-----------------------------|
| CURRENT ASSETS | | | | |
| Cash & Cash Equivalents | 419 | 28 | 218 | 142 |
| Investments | 1,274 | 1,274 | 524 | 24 |
| Debtors & Other Receivables | 93 | 79 | 75 | 70 |
| Total Current Assets | 1,786 | 1,381 | 817 | 236 |
| CURRENT LIABILITIES | | | | |
| Employee Entitlements | 191 | 191 | 191 | 191 |
| Creditors | 109 | 147 | 147 | 147 |
| Fees Received in Advance | 10 | 10 | 10 | 10 |
| GST Refund | 25 | 28 | 27 | 26 |
| Total Current Liabilities | 335 | 376 | 375 | 374 |
| Net Current Assets | 1,451 | 1,005 | 442 | (138) |
| NON-CURRENT ASSETS | | | | |
| Property, Plant & Equipment | 151 | 214 | 228 | 245 |
| Intangible Assets | 312 | 145 | 83 | 12 |
| Total Non-Current Assets | 463 | 359 | 312 | 257 |
| Net Assets | 1,914 | 1,364 | 753 | 119 |
| <i>Represented by:</i> | | | | |
| EQUITY | | | | |
| Taxpayer's Funds | 3,081 | 3,081 | 3,081 | 3,081 |
| Retained Earnings | (1,167) | (1,718) | (2,328) | (2,962) |
| Closing Equity | 1,914 | 1,364 | 753 | 119 |
| TOTAL EQUITY | 1,914 | 1,364 | 753 | 119 |

Note 1: 2018/19 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

| | | Prior Year 2019/20 \$'000 | Year 1 2020/21 \$'000 | Year 2 2021/22 \$'000 | Year 3 2022/23 \$'000 |
|------------------------------------|--------------|------------------------------------|-----------------------------|-----------------------------|-----------------------------|
| | <i>Notes</i> | | | | |
| Opening Balance | | 652 | 1,915 | 1,364 | 753 |
| Surplus/(Deficit) | | (11) | (551) | (611) | (634) |
| Capital Injection | <i>1</i> | 600 | - | - | - |
| Interim Funding | <i>2</i> | 674 | - | - | - |
| Comprehensive Revenue & Expense | | 1,263 | (551) | (611) | (634) |
| Closing Balance | | 1,915 | 1,364 | 753 | 119 |

Note 1:

Capital Injection specifically allocated for the development and initial delivery of Commercial Video on Demand Self Rating Framework

Note 2:

Interim funding specifically allocated for countering violent extremist content online initiatives responding to the 15 March Terror Attacks.

FORECAST OF FINANCIAL INFORMATION

STATEMENT OF CASH FLOWS

In New Zealand Dollars
For the Year Ended 30 June

| | Prior Year 2019/20 \$'000 | Year 1 2020/21 \$'000 | Year 2 2021/22 \$'000 | Year 3 2022/23 \$'000 |
|---|---------------------------------|-----------------------------|-----------------------------|-----------------------------|
| CASHFLOWS FROM OPERATING ACTIVITIES | | | | |
| <i>Cash was provided from:</i> | | | | |
| Receipts from the Crown | 2,725 | 3,315 | 3,169 | 3,201 |
| Receipts from Customers | 579 | 455 | 404 | 360 |
| Interest Received | 22 | 37 | 38 | 38 |
| Net Good & Services Tax Received | 496 | 565 | 536 | 534 |
| <i>Cash was distributed to:</i> | | | | |
| Payment to Suppliers & Employees | 3,067 | 4,042 | 4,077 | 4,082 |
| Net Good & Services Tax Paid | 486 | 556 | 537 | 534 |
| Net Cash Flow from Operating Activities | 269 | (226) | (467) | (483) |
| CASHFLOWS FROM INVESTING ACTIVITIES | | | | |
| <i>Cash was provided from:</i> | | | | |
| Sale of Property, Plant & Equipment | - | - | - | - |
| Sale of Investments | - | - | 750 | 500 |
| <i>Cash was distributed to:</i> | | | | |
| Purchase of Property, Plant & Equipment | 51 | 108 | 65 | 64 |
| Purchase of Intangibles | 233 | 58 | 29 | 29 |
| Acquisition of Investments | 1,274 | 0 | 0 | 0 |
| Net Cash Flow from Investing Activities | (1,588) | (166) | 656 | 407 |
| CASHFLOWS FROM FINANCING ACTIVITIES | | | | |
| Net Cash Flow from Financing Activities | 1,274 | - | - | - |
| Net Increase/(Decrease) in Cash & Cash Equivalents | (15) | (392) | 189 | (76) |
| Cash & Equivalents at Beginning of Year | 434 | 419 | 28 | 218 |
| Cash & cash equivalents at the end of the Year | 419 | 27 | 217 | 142 |

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

- Software – 3 – 4 years
- Self Rating Tool – 10 years
- Classification database – 12 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:

Creditors and other payables

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

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.

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... | Measured by... | Activities | Measured by... | Targets (2019/20) | | | | | | |
|---|--|---|---|--|--|--|--|---|--|---|--|
| Our Purpose | This will happen when... | Measured by... | Activities | Measured by... | Targets (2019/20) | | | | | | |
| | | | | | | Quantity | Number of Publications Classified | Third Party: 585 – 908 per annum Crown: 355 – 754 per annum 544 – 1,006 per annum | | | |
| | | | | | | | | | Timeliness | Number of Decisions Registered | 90% within 30 working days 70% within 35 working days 70% within 55 working days |
| | | | | | | | | | | | |
| 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. | 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. | | | | | | | | |
| | | | | Development of a Quality Web Presence | Quantity | Number of visits to Classification Office websites | Average of visits 400 per day | | | | |
| | | | | | | | | Quality | Website regularly updated with Editor and Moderator approved content | New content is added every month. 12-36 items per annum. | |
| | | | | | | | | | | | Public Engagement |
| Quality | Responses to Client Satisfaction surveys | 80% 'Very Good' or better | | | | | | | | | |
| | | | Quantity | Inquiries and Complaints answered | 600 – 800 per annum | | | | | | |
| | | | | | | Quality | Responses to 'request for feedback' on inquiries and complaints service are satisfied with service | 80% | | | |
| | | | | | | | | | Timeliness | Inquiries and Complaints responded to promptly | 80% within 5 working days 100% within 20 working days |
| Quantity | Research project | 1 per year | | | | | | | | | |
| | | | Quality | Published research helps inform the wider public about censorship issues | Research Reports make up more than 10% of resources downloaded from the OFLC Website | | | | | | |
| | | | | | | Timeliness | Research findings are published | 100% within 1 month of report being finalised | | | |
| | | | | | | | | | Research findings are published | 100% within 1 month of report being finalised | |

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

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| 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. |

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| 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. |
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TIMELINESS MEASURES

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|-----------------------|--|
| 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. |