



**OFFICE OF FILM
& LITERATURE CLASSIFICATION**

Te Tari Whakarōpū Tukuata, Tuhituhinga

**Statement
of
Performance
Expectations**

2018/19



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STATEMENT OF BOARD RESPONSIBILITY

The Statement of Performance Expectations for the Office of Film & Literature Classification presented in this report for the year ending 30 June 2019 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 2017–2021 Statement of Intent, which outlines the Office's longer-term strategic focus and operating environment. The Outcome Framework figure on page 21 shows the alignment of the Office's activities and intended outcomes.

The Chairperson and Deputy Chairperson of the Board of the Office of Film & Literature Classification acknowledge, in signing this statement, that they are responsible for the information contained in this Statement of Performance Expectations.

The image shows two handwritten signatures in black ink. The signature on the left is for D E Shanks, and the signature on the right is for J S Mullen. Both signatures are fluid and cursive.

D E Shanks
Chairperson

J S Mullen
Deputy Chairperson

On behalf of the Board of the Office of Film & Literature Classification

Dated: 30 June 2018

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 2018/19

“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 lodging applications; and
- interest revenue earned on funds held by the Office.

Revenue and Proposed Expenses 2018/19

	Ex GST \$'000
Crown Appropriation	1,960
Third Party Revenue	625
Interest Revenue	16
Total Revenue	2,601
Expenses	2,869
Expected Surplus/(Deficit)	(268)

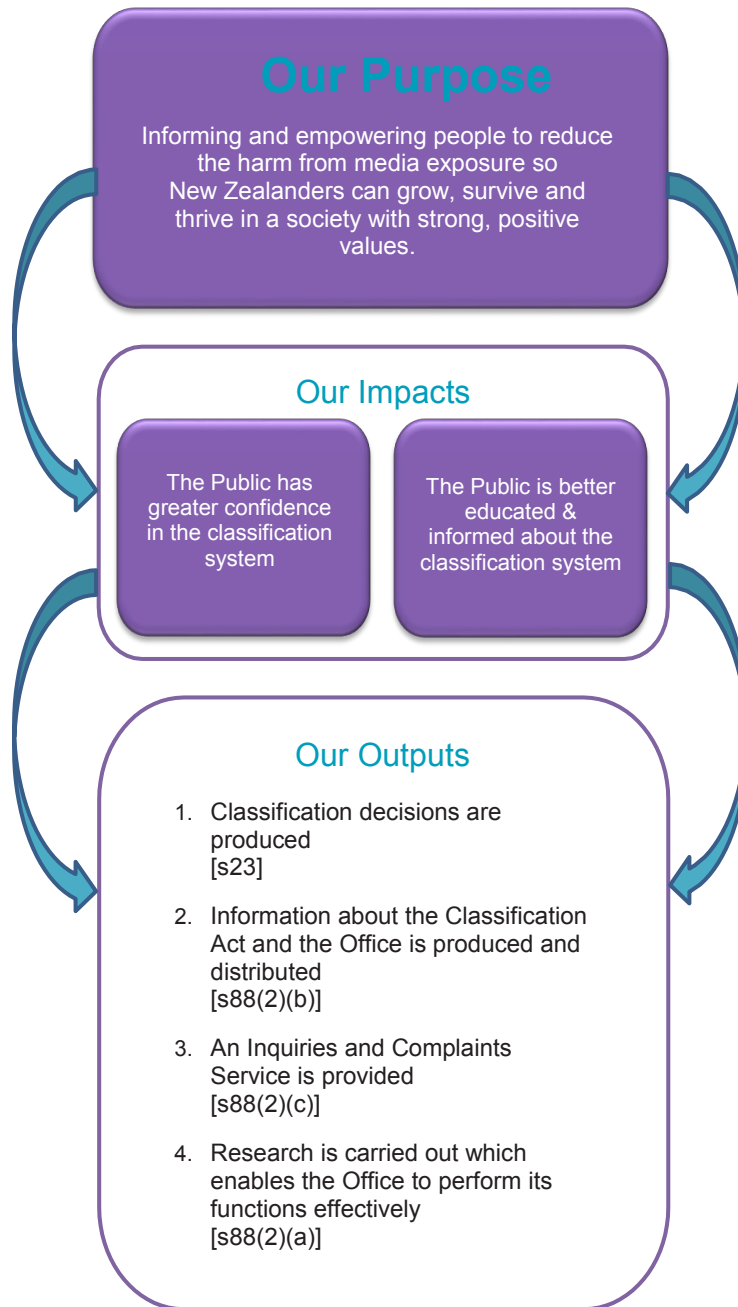
Payments of Crown Appropriation

The total amount paid by the Crown for the provision of outputs in 2018/19 is \$1.960m (GST exclusive).

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

What we intend to achieve

Figure 1:



How we will assess our performance

Activity 1 - Classification Decisions are Produced

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.	996 - 1,326 per year
1.1.2	Crown Number of publications classified.	453 - 1,093 per year
1.1.3	Registrations Number of classification decisions registered.	1,449 - 2,419 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: (a) apply all relevant criteria (b) are soundly reasoned (c) are written in a style which is accessible to a range of readers.	Each second year a sample of classification decisions are externally reviewed, and at least 95% will meet set standards, and recommendations will be addressed.
1.2.3	Classification decisions are appropriately classified.	95% of Board of Review decisions are the same as, or lower than, decisions issued by the Office, for decisions issued over a 5-year period.
1.3	TIMELINESS ²	Targets
1.3.1	Standard s12 & s42³ 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%

- This is a demand driven activity.*
- 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.*
- s12 and s42 publications requiring assistance under s21 of the Classification Act are excluded from the timeliness measures (see Glossary).*

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 the 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 (average per day).	250
2.1.2	QUALITY Website regularly updated with Editor and Moderator approved content.	<ul style="list-style-type: none">• New content added every month• 12-36 items each year

2.2	Public Engagement	Targets
2.2.1	QUANTITY Number of public engagement activities.	25 - 35 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 ¹ 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 within 5 days within 20 working days.	80% 100%

1. This is a demand driven activity

Activity 4 - Research

Description

Section 88(2)(a) 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	1
4.2	QUALITY Published research helps inform the wider public about censorship issues.	Research reports make up at least 10% of resources downloaded.
4.3	TIMELINESS Research findings are published within 1 month of report being finalised.	100%

REPORTING TO THE MINISTER

Quarterly Reports

The Classification Office provides the Minister with four quarterly reports relating to the quarters ending September, December, March and June 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 2018/19 the quarterly reports are due:

Quarter	Report provided to the Minister by:
Qtr 1: 1 July - 30 September	9 November 2018
Qtr 2: 1 October - 31 December	11 February 2019
Qtr 3: 1 January - 31 March	10 May 2019
Qtr 4: 1 April - 30 June	9 August 2019

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 2018/19, as set out in the Minister's 2018/19 Letter of Expectations, will be to:

- continue our public education initiatives on ways that New Zealanders can make safe, informed media choices,
- be an active collaborator in cross-agency work to develop potential changes to media content regulation,
- maintain our strong levels of service performance, in the face of significantly varying workload demands,
- continue to carefully manage our financial performance, particularly in light of the restructure undertaken in 2017; and
- if required, work with the Department of Internal Affairs on other options for improved financial viability.

DISCUSSION OF FINANCIAL INFORMATION

OVERVIEW

The Office is forecasting an operating deficit for 2018/19 of \$268K and similar levels of deficit in out years. This is a significant improvement from forecasts in the previous Statement of Performance Expectations and reflects a conservative approach to forecasting in a volatile environment. The Office is projecting a small negative cash flow from operating activities for 2018/19 and out years. We currently have sufficient working capital, made up of funds set aside for asset replacement, to fund this in the short term. However equity is forecast to be fully eroded during 2021/22.

During 2017/18 the Office implemented an organisational change programme. This came at a significant cost, resulting in a revised forecast deficit of \$865K against a forecast deficit of \$543K as set in the 2017/18 Statement of Expectations. This change has put the Office in a stronger position to deliver on its strategic objectives and will result in annual savings in salary expenditure of \$400.5K. While we are now in a more sustainable position these changes will not be sufficient on their own to address the shortfall from the reducing income from commercial submissions.

In December 2017 the Minister for Broadcasting, Communications and Digital Media Minister Clare Curran announced that she was consulting with stakeholders to reach greater agreement on the Digital Convergence Bill. The Office welcomes the opportunity for positive change to resolve the current situation, where streaming video-on-demand providers no longer operate within a recognised regulatory regime in New Zealand.

In the interim, we continue to work with local and international distributors of online material to encourage and assist them to provide the New Zealand public with the information they need and we are working with the Department of Internal Affairs to put in place a long term solution to the funding shortfall.

REVENUE

Crown Revenue

The Classification Office is funded by the Crown and by classification fees paid by the private sector. Crown funding was fixed in 1998 at \$1,960K per annum and remains at this level.

Third Party Revenue

Fees for classification are set in regulation (Films, Videos, and Publications Classification (Fees) Regulations 1994) which was last updated in 1996.

Third party revenue forecasts are driven by the expected volume of third party submissions. The leave of the Chief Censor is not required for the bulk of submissions and while classification is compulsory for films, DVDs, videos and electronic games that contain content that may be restricted, streaming video-on-demand content is no longer overseen by any recognised regulatory regime in New Zealand.

Each financial year the Classification Office determines an estimated range of 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 number of publications they expect to submit in the upcoming year. 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.

Forecast volumes have been adjusted to reflect the withdrawal of streaming video-on-demand submitters from the classification system, a continuing slow contraction of the DVD market, which are offset to a degree by a stable slow growth in cinematic releases and a strong games industry. Correspondingly the Office forecast a reduction in third party revenue in 2018/19 and a further reduction in 2019/20.

Interest Revenue

Forecast interest revenue is driven by the value of cash and investments held. Erosion of the Office's cash reserves and significant changes in interest rates available impact the Office's interest revenue.

EXPENDITURE

Personnel

Personnel expenditure consistently makes up 60% of the Office's total expenditure. With the completion of the organisational change programme in 2017/18, forecast personnel expenditure in 2018/19 is reduced by 10%. Total staff numbers have been reduced by five full-time equivalent positions and we have moved away from distinct information and classification teams, with staff now operating across both areas. This change has put the Office in a strong position to deliver on our strategic objectives.

Operating

Operating expenditure has been reduced by 3% in 2018/19 against 2017/18 SPE and 5.5% against revised 2017/18 estimates. In addition expenditure in out years has been reduced by 10-13%.

While some small savings have been made in operational expenditure following a line by line review, the main force driving these savings is the allocation of personnel resources to information service activities. As the Office's financial position deteriorated over the previous 6 years, funds allocated to information services have been reduced in an attempt to achieve a break-even position. Increased operating expenditure for Information Services was allocated in the 2017/18 budget for outyears in order to rebuild capacity in this area. These funds have been reallocated to personnel, while still achieving savings on personnel expenditure.

Depreciation

Depreciation expense is forecast to increase by 5% following a hardware refresh project conducted during 2017/18. However the major components of the Office's depreciation charge are the fit-out on the Office's premises and the Classification Database Application (CDA). While the CDA was developed and deployed 9-10 years ago it has retained its value to the Office and remains compatible with upgrades to our wider IT environment. Capital was invested in maintaining this asset during 2015/16 and any further investment will focus on maintaining functionally.

There is an accumulating gap between the required levels of depreciation and expenditure necessary for asset replacement. The Office spends between \$50K- \$100K per year on property, plant, equipment and intangible assets, however the annual depreciation expense is in excess of \$200K. This contributes to the Office's deficit position and reducing equity. During 2019/20 fitout expense will be fully depreciated and will result in annual savings of \$48K on depreciation. During 2020/21 the CDA will be fully depreciated with annual savings of \$116k on depreciation. The use of capital funds, which had been set aside for asset replacement, to fund the ongoing deficit position will limit the Office's ability to replace the CDA when this becomes necessary.

The forecast financial information includes revised budget figures for 2017/18 which reflect actual expenditure associated with the organisational change programme, as well as the changes in content, medium and volume of publications submitted for classification. They have 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 Expenses

In New Zealand Dollars

	Revised Budget 2017/18 \$'000	Year 1 2018/19 \$'000	Year 2 2019/20 \$'000	Year 3 2020/21 \$'000
Revenue				
Crown Revenue	1,960	1,960	1,960	1,960
Third Party Revenue	683	625	596	596
Interest Revenue	31	16	12	10
Total Revenue	2,674	2,601	2,568	2,566
Less Expenses				
Personnel	2,416	1,773	1,773	1,773
Operating	913	864	864	864
Depreciation	210	232	220	185
Total Expenditure	3,539	2,869	2,857	2,822
Nett Operating Surplus/(Deficit)	(865)	(268)	(289)	(256)
Attributable to:				
Equity holders	(865)	(268)	(289)	(256)
Nett Profit/(Loss)	(865)	(268)	(289)	(256)

NOTES:

1. All financial information is GST exclusive unless otherwise stated.
2. The above financial information does not include any allowance in 2018/19 or out years for inflation

FORECAST FINANCIAL INFORMATION

Statement of Financial Position

As At 30 June

In New Zealand Dollars

	Revised Budget 2017/18 \$'000	Year 1 2018/19 \$'000	Year 2 2019/20 \$'000	Year 3 2020/21 \$'000
Current Assets				
Cash & Cash Equivalents	(178)	2	19	1
Investments	815	505	355	235
Debtors, Receivables, Prepayments	93	88	85	85
GST Refund	0	0	0	0
Total Current Assets	730	595	459	321
Current Liabilities				
Employee Entitlements	196	196	196	196
Creditors	87	83	83	83
Fees Received in Advance	16	16	16	16
GST Payable	22	22	22	22
Total Current Liabilities	321	317	317	317
Net Current Assets	409	278	142	4
Non Current Assets				
Property, Plant & Equipment	190	158	112	102
Intangible Assets	408	303	196	88
Total Non Current Assets	598	461	308	190
Net Assets	1,007	739	450	194
Taxpayers' Funds				
Taxpayer's Funds	1,807	1,807	1,807	1,807
Retained Earnings	(800)	(1,068)	(1,357)	(1,613)
Total Taxpayers' Funds	1,007	739	450	194

NOTES

- 2016/17 Actual closing position is used as the opening position of the forecasted statements.
- Some cash held is earmarked for asset replacement over time.

FORECAST FINANCIAL INFORMATION

Statement of Changes in Equity

In New Zealand Dollars

	Prior Year 2017/18 \$'000	Year 1 2018/19 \$'000	Year 2 2019/20 \$'000	Year 3 2020/21
Opening Equity	1,872	1,007	739	450
Net Surplus/(Deficit) and Revaluations Surplus/(Deficit)	(865)	(268)	(289)	(256)
Comprehensive Income for Period	(865)	(268)	(289)	(256)
Closing Equity	1,007	739	450	194

FORECAST FINANCIAL INFORMATION

Statement of Cash Flows

In New Zealand Dollars

	Prior Year 2017/18 \$'000	Year 1 2018/19 \$'000	Year 2 2019/20 \$'000	Year 3 2020/21 \$'000
Cash Flows from Operating Activities				
<i>Cash was provided from:</i>				
Crown Revenue	1,960	1,960	1,960	1,960
Receipts from Customers	671	630	598	596
Interest Received	31	16	12	10
Net GST Received	395	388	384	383
	3,057	2,994	2,954	2,949
<i>Cash was disbursed to:</i>				
Payments to Suppliers & Employees	3,371	2,641	2,637	2,637
Net GST Paid	396	388	383	383
Net Cash Flows from Operating Activities	(710)	(35)	(66)	(71)
Cash Flows from Investing Activities				
<i>Cash was provided from:</i>				
Sale of Property, Plant & Equipment	0	0	0	0
Sale of Investments	0	310	150	120
<i>Cash was disbursed to:</i>				
Purchase of Property, Plant & Equipment	66	81	53	53
Purchase of Intangibles	22	14	14	14
Acquisition of Investments	0	0	0	0
Net Cash Flow from Investing Activities	(88)	215	83	53
Cash Flows from Financing Activities				
<i>Cash was provided from:</i>				
Capital contribution from the Crown	0	0	0	0
Net Cash Flow from Financing Activities	0	0	0	0
Net Increase/(Decrease) in Cash Held	(798)	180	17	(18)
Cash Balance at 1 July	620	(178)	2	19
Cash balance (overdraft) at 30 June	(178)	2	19	1

STATEMENT OF SIGNIFICANT ASSUMPTIONS

Reporting Entity

The Office of Film and Literature Classification is a Crown 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 of Film and Literature Classification'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.

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 3 months.

Short Term Investments

Investments comprise term deposits of more than 3 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
- 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 2: Performance Framework

Our Purpose	This will happen when...	Activities	Measured by...
<p>Informing and empowering people to reduce the harm from media exposure so New Zealanders can grow, survive and thrive in a society with strong positive values</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>	<p>Measured by...</p> <p>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)</p>	<p>1. Classification Decisions are produced [s23]</p>	<p>Targets (2018/19)</p> <p>Third Party: 996 - 1,326 per annum Grown: 453 - 1,093 per annum 1,449 - 2,419 per annum</p> <p>90% within 30 working days 70% within 35 working days 70% within 55 working days</p> <p>95%</p> <p>Each second year a sample of classification decisions are externally reviewed, and at least 95% will meet set standards, and recommendations will be addressed.</p> <p>At least 95% of Board of Review decisions are the same as, or lower than, decisions issued by the Office, for decisions issued over a 5 year period.</p>
	<p>A. Public has greater confidence in the classification system</p> <p><i>An increasing proportion of those surveyed indicate that they use classification information when making viewing choices for children. (Source: OFLC Data)</i></p>	<p>2. Information about the Classification Act and the Office is produced and distributed [s88(2)(b)]</p>	<p>Development of a Quality Web Presence</p> <p>Number of Publications Classified</p> <p>Number of Decisions Registered</p> <p>Standard decisions (s12 & s42)</p> <p>Complex decisions (s12 & s42)</p> <p>s13 decisions</p> <p>Classification decisions are consistent with set standards (as documented in the Classification Office Practice Manual)</p> <p>Classification decisions:</p> <p>(a) apply all relevant criteria</p> <p>(b) are soundly reasoned</p> <p>(c) are written in a style which is accessible to a range of readers</p> <p>Classification decisions are appropriately classified.</p> <p>Average of visits to Classification Office websites</p> <p>Website regularly updated with Editor and Moderator approved content.</p> <p>Number of public engagement activities.</p> <p>Responses to Client Satisfaction surveys</p> <p>600 - 800 per annum</p> <p>80%</p> <p>80% within 5 days 100% within 20 days</p> <p>1 per year</p> <p>Research Reports make up more than 10% of resources downloaded from the OFLC Website</p> <p>100% within 1 month of report being finalised</p>
<p>Public is better educated and informed about the classification system</p>	<p>B. Public is better educated and informed about the classification system</p> <p><i>An increasing proportion of those surveyed correctly identify the meaning of at least six of seven classification labels. (Source: OFLC Data)</i></p>	<p>3. An Inquiries and Complaints Service is provided [s88(2)(c)]</p> <p>4. Research is carried out which enables the Office to perform its functions effectively [s88(2)(a)]</p>	<p>Public Engagement</p> <p>Number of public engagement activities.</p> <p>Responses to Client Satisfaction surveys</p> <p>Inquiries and Complaints answered</p> <p>Responses to 'request for feedback' on inquiries and complaints service are satisfied with service</p> <p>Inquiries and Complaints responded to promptly</p> <p>Research project</p> <p>Published research helps inform the wider public about censorship issues</p> <p>Research findings are published</p>

GLOSSARY

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

Regulation references are the Films, Videos, and Publications Classification Regulations 1994.

SUBMISSION 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

CONSULTATION

Section 21	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

Standard Publications	A publication for which the Classification Office does not offer excisions is categorised as 'Standard'.
Complex Publications	A publication for which the Classification Office offers excisions 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 despatched, being the combined queue and processing time.

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