STATEMENT OF
PERFORMANCE EXPECTATIONS
1 July 2022 to 30 June 2023

Te Mana Whakaatu

CLASSIFICATION OFFICE

Statement of Performance Expectations of the TE MANA WHAKAATU – Classification Office

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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 2023 has been prepared in accordance with section 38 of the Public Finance Act 1989 and the Crown Entities Act 2004.

This Statement is to be read in conjunction with the Classification Office's 2021–2025 Statement of Intent, which outlines the Classification Office's longer-term strategic focus and operating environment. The Outcome framework figure on pages 23-24 shows the alignment of the Office's activities and intended outcome.

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

Acting Chair

Rupert Ablett-Hampson

On behalf of the Board of the Classification Office

Dated: 30 June 2022

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 2022/23

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

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

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

- Third-party revenue derived from fees, levies and charges, including commercial video on-demand providers participating in the self-rating system and members of the public; and

- Interest revenue earned on funds held by the Office.

Revenue and Proposed Expenses 2022/23

	Ex GST
	$'000
Crown Appropriation	3,201
Third Party Revenue	725
Interest Revenue	9
Total Revenue	3,916
Expenses	4,155
Expected Surplus/(Deficit)	(218)

Payments of Crown Appropriation

The total amount paid by the Crown for the provision of this output in 2022/23 is $3.201 m (GST exclusive).

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

Figure 1: Outcome Structure

Our Purpose

We inform and empower New Zealanders to experience, understand, create and share content in a positive way, while safeguarding our tamariki and rangatahi from harm.

Our Impacts

The Public is better educated & informed about the classification system

The Public has greater confidence in the classification system

Our Activities

1. Classification decisions are produced [s23]

2. Information about the Classification Act and the Office is produced and distributed [s88(2)(b)]

3. An Inquiries and Complaints Service is provided [s88(2)(c)]

4. Research is carried out which enables the Office to perform its functions effectively [s88(2)(a)]

5. Support, approve, and review self-rating systems used by CVoD providers [s77(1)(aa), (ac) & (ad)]

6. Support New Zealand's response to online violent extremist content

HOW WILL WE ASSESS OUR PERFORMANCE

ACTIVITY 1 – PRODUCTION OF CLASSIFICATION DECISIONS

Description:

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

How this will be assessed:

QUANTITY[1]		Estimates
1.1	**Third-Party**	
	Number of publications classified.	512 – 761 each year
1.2	**Crown**	
	Number of publications classified.	283 – 790 each year
1.3	**Registrations**	
	Number of classification decisions registered.	795 – 1,551 each year
QUALITY[2]		**Targets**
1.4	Classification decisions are consistent with the standards set down in the Practice Manual.	95%
1.5	**Classification decisions**	
	a) Classification decisions are written in a style that is accessible to a range of readers.	A sample of classification decisions are independently reviewed, and 75% of decisions are assessed as 'good or very good' on a 4-point scale against each measure.
	b) The analysis supports the classification decision so that the reader understands the reasoning of the decision.	
TIMELINESS[2]		**Targets**
1.6	**Standard s12 & s42**	
	Percentage of Standard s12 and s42 submissions that are classified within 30 working days of receipt.	90%
1.7	**Complex s12 & s42**	
	Percentage of Complex s12 and s42 submissions that are classified within 35 working days of receipt.	70%
1.8	**s13**	
	Percentage of s13 submissions that are classified within 55 working days of receipt, where statutory obligations enable this.	70%

Notes

1. These are demand-driven activities.

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

ACTIVITY 2 – DISSEMINATION OF INFORMATION

Description

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

How this will be assessed

2.1	Maintaining a Quality Web Presence	
QUANTITY		Targets
2.1.1	Number of visits to the Classification Office websites	250-350 (average per day)
QUALITY		
2.1.2	Website regularly updated with Editor and Moderator approved content.	4 (average per month)
2.2	Public Engagement	
QUANTITY		Targets
2.2.1	Number of public engagement activities.	15 – 25 each year
QUALITY		
2.2.2	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. Timeliness performance is reported under Activity 5.8.

How this will be assessed

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

ACTIVITY 4 – RESEARCH

Description

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

How this will be assessed

QUANTITY		Targets
4.1	Research projects per year.	1
QUALITY		
4.2	Published research helps inform the wider public about censorship issues.	**All Research**: 50-100 downloads of Classification Office research reports each month.
		New research: In the 4 months following publication, downloads of the current research report makes up 30% of research report downloads.
TIMELINESS		
4.3	Research findings are published within one month of the report being finalised.	100%

ACTIVITY 5 – SELF-RATING SYSTEM

Description

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

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

How this will be assessed

QUANTITY		Estimate/Target
5.1	Number of Assessments of CVOD content conducted.	80-180 per year
5.2	Number of publications referred to Providers following complaint under s 46J(1).[1]	20-40 per year
QUALITY		
5.3	All approved self-rating systems are reviewed annually, using an appropriate review methodology.[2]	Estimated number of systems reviewed: 6-8 per year
5.4	All users of the Self-Rating Tool are surveyed annually regarding the tool's functionality.	100%
TIMELINESS		
5.5	Approved self-rating systems are reviewed within 3 months of the anniversary of the date on which the system was originally approved.	75%
5.6	Complainants are promptly advised of the Office's decision under s 46J(2).	80% within five working days
		100% within 20 working days

Note 1: This is a demand-driven activity.

Note 2: This estimate is subject to changes made to the number of providers listed on Schedule 4 of the Films, Videos and Publication Classification Act and the number of providers that elect to operate a Self-Rating System.

ACTIVITY 6 – COUNTERING VIOLENT EXTREMISM

Description

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

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

Amendments were made to the Classification Act in February 2022.

How this will be assessed

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

6.2	Interim Classification Assessments & Take Down Notices	
QUANTITY		**Estimates**
6.2.1	Number of Interim classification assessments issued	0-5
QUALITY		
6.2.2	A qualitative analysis is conducted that reviews the application of s 22A-D and Part 7A.	
TIMELINESS		**Targets**
6.2.3	Publications which are subject to an Interim classification assessment are classified within 20 days.	80%
6.2.4	Publications submitted by online content hosts, which are subject to a s 119C takedown notice, are classified within 55 working days of receipt, where statutory obligations enable this.	70%

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 2022/23 the reports are due:

Quarter	Report provided to the Minister by:
Qtr 1: 1 July – 30 September	11 November 2022
Qtr 2: 1 October – 31 December	10 March 2023
Qtr 3: 1 January – 31 March	12 May 2023

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 is measured against standards set out in the Statement of Performance Expectations;

- explanations of significant variances and any action proposed to correct them and the factors driving them; 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 priorities for 2022/23, and these are set out in a Letter of Expectations.

DISCUSSION OF FINANCIAL INFORMATION

Overview

The Office has forecast a deficit of $218K in 2022/23.

This reflects a reduction in expenditure of 0.6% and reduced forecast revenue of 1% in comparison to the 2021/22 budget.

Significant events that impact out-year forecasting include:

- **Fees Review** - In 2020, Cabinet agreed that a funding review of existing classification activities will happen no later than 30 June 2023.

- **Revocation of Levy Regulations** – The Films, Videos, and Publications Classification Commercial Video on-Demand Levy Regulations 2021 came into force on 17 May 2021 and will be revoked in May 2025.

- **Reducing Labeling Body Revenue** – In 2018/19, Labeling Body revenue made up 19% of revenue. For 2022/23, Labeling Body revenue contributes 6% of revenue, reducing in out years.

- **Erosion of Cash Reserves** – The Office has been operating in a deficit position for a significant number of years and this has been funded by approximately $1.4M of cash reserves.

As a result of these factors, the Office is projecting insolvency 2024/25. These matters are discussed in further detail below.

Revenue

HOW THE CLASSIFICATION OFFICE IS FUNDED

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

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

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

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

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

Crown Revenue

Classification Office Crown funding is currently composed of:

- baseline funding of $1,960K

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

- $773K in 2022/23 (and $850K in 2023/24 and out years) to support the ongoing financial viability of the Office and a partial contribution to the costs of operating the Self Rating System (25%).

Third Party Revenue

LABELLING BODY REVENUE

Fees for classification are set in regulation (Films, Videos, and Publications Classification (Fees) Regulations 1994) and were established in 1994.

The Classification Office estimates the number of publications it expects to receive using trends in

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

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

Forecast revenue from the Labelling Body for 2022/23 is $268K. This is 7% less than forecast in 2021/22. The forecast for out-years assumes that Labeling Body revenue will decline at 25% per annum.

Early signs are that some streaming providers covered by the CVOD legislation have increased the number of submissions to the Film and Video Labeling Body. At this stage, it is unclear to what degree this will offset the reduction in submissions from traditional providers.

Fees Review – In 2020, Cabinet agreed that a funding review of existing classification activities will happen no later than 30 June 2023. This work has not yet commenced and is not incorporated into these forecasts.

The Classification Act establishes an annual levy and/or fees payable by Commercial Video on-demand providers listed in Schedule 4 of the Act. The addition and/or removal of providers from the Schedule will directly impact actual Levy revenue.

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.

From 2022/23, Levy revenue has been moved from 'Third Party Revenue' to 'Levy & Sundry Revenue'. This is a purely presentational change.

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

This has been incorporated into out-year forecasts from 2024/25.

The Office is expecting a moderate 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), they have minimal bearing on forecast revenue.

Expenditure

Total combined personnel and operating expenditure forecast for 2022/23 is 0.5% ($23K) less than the prior year. There have been changes in the allocation of costs between operating and personal. Forecast personal expenditure has increased by 2.6%, and operating expenditure has dropped by 3.7%. This is primarily driven by changes in the CVOD space as we move from establishment to 'business as usual' and the October 2021 Ministerial appointment of a Deputy Chief Censor following an 18-month vacancy.

Forecast for revenue and expenditure for out years is stable with the following exceptions:

- The 3 yearly review on the Office's space is due in February 2023
- Depreciation is updated based on actual and forecast capital expenditure for the entire period.

Capital Expenditure and Depreciation

Over $1.4M of capital funds set aside for asset replacement have been used to fund the deficit of prior years. This limits 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 was fully depreciated in 2021. The use of capital funds to finance the ongoing deficit limits the Office's ability to replace the CDA when this becomes necessary.

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

A capital injection in 2019/20 supported the development of the Self Rating tool which has been set to depreciate over 5 years.

Equity

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

In 2020/21, following a delay in finalising Regulations, the Office incurred a $500K cost of developing and implementing the Self Rating Framework for Commercial video on-demand providers, including the establishment of a new Films database. This was unfunded and further reduced cash reserves.

The forecast Statement of Cash Flows indicates a negative cash flow at the close of 2024/25.

The forecast financial information has been prepared as a best effort 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 2022/23. We will continue to work with the Department and the Minister of Internal Affairs on longer-term financial prospects and solutions.

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

FORECAST FINANCIAL INFORMATION

Statement of Comprehensive Revenue and Expense

In New Zealand Dollars

	Forecast 2021/22 $'000	Year 1 2022/23 $'000	Year 2 2023/24 $'000	Year 3 2024/25 $'000
REVENUE				
Revenue from the Crown	3,169	3,201	3,278	3,278
Third Party Revenue	797	268	201	151
Levy & Sundry Revenue	–	458	457	419
Interest Revenue	21	10	10	10
Total Revenue	**3,987**	**3,937**	**3,946**	**3,858**
LESS EXPENSE				
Personnel	2,711	2,780	2,777	2,777
Operating	1,344	1,294	1,308	1,308
Depreciation	124	81	92	103
Total Expense	**4,179**	**4,155**	**4,177**	**4,188**
Surplus/(Deficit)	**(192)**	**(218)**	**(231)**	**(330)**
Other Comprehensive Revenue	0	0	0	0
Total Comprehensive Revenue & Expenses	(192)	(218)	(231)	(330)

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

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

FORECAST OF FINANCIAL INFORMATION

Statement of Financial Position

As at 30 June

In New Zealand Dollars

	Forecast 2021/22 $'000	Year 1 2022/23 $'000	Year 2 2023/24 $'000	Year 3 2024/25 $'000
CURRENT ASSETS				
Cash & Cash Equivalents	316	45	202	(108)
Investments	500	500	–	–
Debtors & Other Receivables	137	131	124	115
Total Current Assets	**953**	**676**	**326**	**7**
CURRENT LIABILITIES				
Employee Entitlements	262	262	262	262
Creditors	129	124	125	126
Fees Received in Advance	3	3	3	3
GST Refund	33	34	33	33
Total Current Liabilities	**427**	**423**	**423**	**424**
Net Current Assets	**526**	**253**	**(97)**	**(417)**
NON-CURRENT ASSETS				
Property, Plant & Equipment	127	159	172	177
Intangible Assets	183	206	312	297
Total Non-Current Assets	**310**	**365**	**484**	**474**
Net Assets	**836**	**618**	**387**	**57**
Represented by:				
EQUITY				
General Funds	836	618	387	57
TOTAL EQUITY	836	618	387	57

Note 1: 2020/21 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 2021/22 $'000	Year 1 2022/23 $'000	Year 2 2023/24 $'000	Year 3 2024/25 $'000
Opening Balance	1,028	836	618	387
Surplus/(Deficit)	(192)	(218)	(231)	(330)
Comprehensive Revenue & Expense	(192)	(218)	(231)	(330)
Closing Balance	836	618	387	57

FORECAST OF FINANCIAL INFORMATION

Statement of Cash Flows

In New Zealand Dollars

For the Year Ended 30 June

	Forecast 2021/22 $'000	Year 1 2022/23 $'000	Year 2 2023/24 $'000	Year 3 2024/25 $'000
CASHFLOWS FROM OPERATING ACTIVITIES				
Cash was provided from:	3,169	3,201	3,278	3,278
Receipts from the Crown	732	731	664	578
Receipts from Customers	21	10	10	10
Interest Received	585	590	591	578
Net Good & Services Tax Received	3,169	3,201	3,278	3,278
Cash was distributed to:				
Payment to Suppliers & Employees	4,117	4,078	4,084	4,085
Net Good & Services Tax Paid	591	588	591	577
Net Cash Flow from Operating Activities	(201)	(134)	(132)	(218)
CASHFLOWS FROM INVESTING ACTIVITIES				
Cash was provided from:				
Sale of Property, Plant & Equipment	–	–	–	–
Sale of Investments	2,000	–	500	–
Cash was distributed to:				
Purchase of Property, Plant & Equipment	78	78	64	64
Purchase of Intangibles	58	58	147	29
Acquisition of Investments	2000	0	0	0
Net Cash Flow from Investing Activities	(136)	(136)	289	(93)
CASHFLOWS FROM FINANCING ACTIVITIES				
Net Cash Flow from Financing Activities	–	–	–	–
Net Increase/(Decrease) in Cash & Cash Equivalents	(337)	(270)	157	(311)
Cash & Equivalents at Beginning of Year	652	316	45	203
Cash & cash equivalents at the End of Year	315	46	202	(108)

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 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 income is recognised using the effective interest method.

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

Expenses

OPERATING LEASE

Leases that do not transfer substantially all the risks and rewards incidental to 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 include cash on hand, deposits held on call with banks, and other shortterm, highly liquid investments with original maturities of three months or less.

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 recorded at the amount due, 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 expense. When the receivable is uncollectible, it is written off against the allowance account for receivables.

Property, plant & equipment

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

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

ADDITIONS

The cost of an item of property, plant and equipment is recognised as an asset only when it is probable that future economic benefits or service potential associated with the item will flow to the 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 licences are capitalised on the basis of the costs incurred to acquire and bring into use the specific software.

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

Staff training costs are recognised as an expense when incurred.

Costs associated with maintaining computer software are recognised as an expense when incurred.

Costs associated with the development and maintenance of the Classification Office's website are recognised as an expense when incurred. Intangible assets are reviewed annually for impairment.

AMORTISATION

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

Employee benefits that are due to be settled within 12 months after the end of the year in which the employee provides the related service are measured based on accrued entitlements at current rates of pay.

Entitlements to sick leave are calculated based on an actuarial approach to assess the level of leave that is expected to be taken over and above the annual entitlement, and calculated using current pay rates at the time of creation.

Superannuation Schemes

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, it is recognised as part of the related asset or expense.

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

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

Commitments and contingencies are disclosed exclusive of GST.

Income tax

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

Cost of service statements

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

Commitments

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

Commitments relating to employment contracts are not disclosed.

Contingent Liabilities

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

Figure Two: Performance Framework

Our Purpose	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. Indicator: Percentage of people who say they feel that they, and their children, are safe in their homes and neighborhoods. (Source: Quality of Life survey)					
This will happen when...	**A.** Public has greater confidence in the classification system				**B.** Public is better educated & informed about the classification system	
Measured by...	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)		An increasing proportion of those surveyed indicate that they use classification information when making viewing choices for children. (Source: OFLC Data)		An increasing proportion of those surveyed correctly identify the meaning of at least six of seven classification labels. (Source: OFLC Data)	
Activities	1	2	3	4	5	6
	Classification Decisions are produced [s23]	Information about the Classification Act & the Office is produced & distributed [s88(2)(b)]	An Inquiries & Complaints Service is provided [s88(2)(c)]	Research is carried out which enables the Office to perform its functions effectively [s88(2)(a)]	Support, approve & review self-rating systems used by CVoD providers [s77(1)(aa), (ac) & (ad)]	Support New Zealand's response to online violent extremist content
		2.1 Maintaining a Quality Web Presence				**6.1 Engagement Programme**
Measured by...	**Quantity**	**Quantity**	**Quantity**	**Quantity**	**Quantity**	**Quantity**
	1.1 Number of Publications 1.2 Classified each year **Estimate:** Third Party: 512–761 Crown: 283–790 1.3 Number of Decisions Registered each year **Estimate:** 795 – 1,551 each year	2.1.1 Number of visits to Classification Office websites **Target:** Average visits per day 250–350	3.1 Inquiries and Complaints answered **Estimate:** 250 – 350 each year	4.2 Research projects each year **Target:** 1 each year	5.1 Number of Assessments of CVOD content conducted **Target:** 80–180 per year 5.2 Number of publications referred to Providers following complaint under s 46J(1) **Estimate:** 20–40 per year	6.1.1 Speakers' Programme 6.1.2 Training Programme **Target:** 2 each year

	1	2	3	4	5	6
	Quality	**Quality**	**Quality**	**Quality**	**Quality**	**Quality**
	1.4 Classification decisions are consistent with set standards (as documented in the Classification Office Practice Manual) **Target:** 95%	2.1.2 Website regularly updated with Editor and Moderator approved content **Target:** 4 (average per month)	3.2 Responses to 'request for feedback' on inquiries and complaints service are satisfied with service **Target:** 80%	4.2 Published research helps inform the wider public about censorship issues **Targets** **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	5.3 All users of the Self-Rating Tool, developed by the Classification Office, are surveyed annually regarding the tool's functionality **Target:** 100% 5.4 All approved self-rating systems are reviewed annually, using an appropriate review methodology. **Estimate:** Number of systems reviewed 6-8 per year	6.1.3 Responses to Client Satisfaction surveys **Target:** 80% 'Very Good' or better
	1.5 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. **Target:** 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.	**2.2 Public Engagements** **Quantity** 2.2.1 Number of public engagement activities **Target:** 20-30 each year **Quality** 2.2.2 Responses to Client Satisfaction surveys **Target:** 80% 'Very Good' or better				**6.2 Interim Classification Assessments & Take Down Notices** **Quantity** 6.2.1 Number of Interim classification assessments issued **Estimate:** 0-5 **Quality** 6.2.2 A qualitative analysis is conducted that reviews the application of s 22A-D and Part 7A.
	Timeliness		**Timeliness**	**Timeliness**	**Timeliness**	**Timeliness**
	1.6 Standard decisions(s12 & s42) **Target:** 90% classified within 30 working days **1.7** Complex decisions (s12 & s42) **Target:** 70% classified within 35 working days **1.8** s13 decisions **Target:** 70% classified within 55 working days, where statutory obligations enable this.		**3.3** Inquiries and Complaints responded to promptly **Target:** 80% within 5 working days1 00% within 20 working days	**4.3** Research findings are published **Target:** 100% within one month of report being finalised	**5.5** Annual review of self-rating systems are conducted within 3 months of the anniversary of the date on which the system was originally approved. **Target:** 75% **5.6** Complainants are promptly advised of the Office's decision under s 46J(2) **Targets:** 80% within five working days 100% within 20 working days	**6.2.3** Publications subject to an Interim classification assessments are classified **Target:** Within 20 days **6.2.4** Publications submitted by online content hosts which are subject to a 119C takedown notice are classified **Target:** Within 55 working days of receipt, where statutory obligations enable this.

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.
NEW Section 46E(3)	Submission of potentially objectionable content that has not previously been labelled or classified, by CVOD providers.
Regulation 27(3)	Application channel for persons seeking poster approvals.
Regulation 27(4)	Application channel for persons seeking poster approvals where the Labelling Body has declined to approve.

SUBMISSION CHANNELS – CROWN

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

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

TIMELINESS MEASURES

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