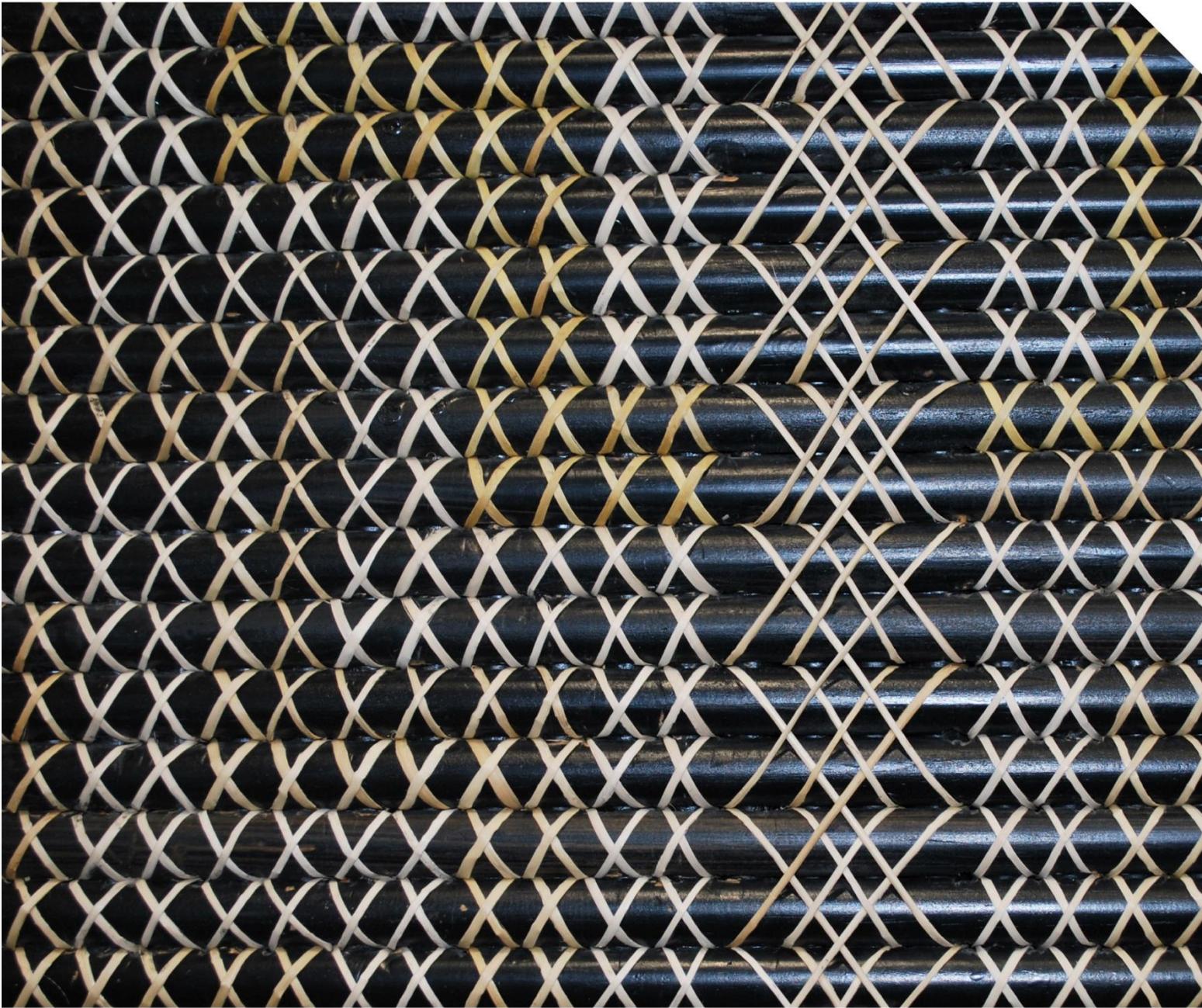


2014/15–2017/18

# Statement of Performance Expectations

Human Rights Commission  
Te Kāhui Tika Tangata



## Commission contact details

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Email [infoline@hrc.co.nz](mailto:infoline@hrc.co.nz)

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Language Line and NZ Sign Language interpreter available

If you have a hearing or speech impairment, you can contact the Commission using the New Zealand Relay Service. NZ Relay is a telecommunications service and all calls are confidential. [www.nzrelay.co.nz](http://www.nzrelay.co.nz)

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## Introduction

The Human Rights Commission (the Commission) is an Independent Crown Entity responsible for advocating and promoting respect for, and an understanding and appreciation of, human rights in New Zealand and encouraging harmonious relations, and as such we set our own priorities in fulfilling our role.

The Office of Human Rights Proceedings (OHRP) is part of the Commission and provides legal representation under the Human Rights Act 1993 and brings proceedings under the Privacy Act 1993.

This *Statement of Performance Expectations 2018* has been prepared in accordance with the requirements of section 149 of the Crown Entities Act 2004. It outlines how we will contribute over the next year and beyond to preserving and protecting human rights and promoting harmonious relations between all people in New Zealand.

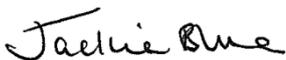
This *Statement of Performance Expectations* reflects, and is intended to be read with, the Commission's 2014/15–2018/19 *Statement of Intent*.



David Rutherford  
Chief Commissioner  
Te Amokapua



Dame Susan Devoy  
Race Relations Commissioner  
Kaihautū Whakawhanaunga a Iwi



Dr Jackie Blue  
Equal Employment Opportunities Commissioner  
Kaihautū Ōriteanga Mahi



Paul Gibson  
Disability Rights Commissioner  
Kaihautū Tika Hauātanga



Karen Johansen  
Commissioner  
Kaihautū



Richard Tankersley  
Commissioner  
Kaihautū

## Output activities for 2014/15 and Outyears

The Commission is funded under the Justice Advocacy, Advice and Promotion Services output class. Our advocacy, advice and promotion is in relation to our legislated role to advocating and promoting respect for, and an understanding and appreciation of, human rights in New Zealand and encouraging harmonious relations.

Our Statement of Intent outlines the strategic impacts that we intend to have. These are:

- 1 Effective engagement of specific groups in decision-making affecting them and in the design of their communities
- 2 Development of a culture where violence and abuse is not tolerated or unreported
- 3 Increased adoption of effective policies and practices that provide for equality of opportunity and non-discrimination
- 4 Increased observance of procedural safeguards by decision-makers when exercising their legislative oversight and public sector management responsibilities
- 5 Better remedies for breaches of human dignity and rights
- 6 People and organisations that have legal obligations to respect and protect human dignity and rights do so
- 7 More people in New Zealand know and practice their rights and fulfil their responsibility to respect the human dignity and rights of others.

An output of the National Plan of Action will be a set of human rights indicators to measure New Zealand's performance against international standards. These indicators will measure both the long term impacts of interventions that New Zealand undertakes, as well as the Commission's performance in contributing against these indicators.

In 2016, we will also have our accreditation as a National Human Rights Institution (NHRI) reviewed. This process takes place every five years. It entails the Commission being independently assessed against strict criteria. Accordingly, this measure is included below, as a proxy of the Commission's independence, credibility and effectiveness.

# Summary of Output and Output Expenses for 2014/15

The Forecast expenses for the Commission's Output and the total forecast revenue are provided below:

## Forecast output expenditure 2014/15

<b>Output Class – Justice Advocacy, Advice and Promotion Services</b>	
<b>Output area – On-going activities</b>	\$ 8.375m
Output 1: National Plan of Action for the Promotion and Protection of Human Rights in New Zealand	
Output 2: Education, promotion and advocacy for human rights, dignity and harmonious relations between diverse populations	
Output 3: Monitoring and reporting on compliance with New Zealand human rights legislation and international human rights instruments/norms	
<b>Output area – Complaints of unlawful discrimination</b>	\$ 1.195m
Output 4: Responding to, and resolving, complaints of unlawful discrimination	
<b>Output area Output area – Legal representation and proceedings</b>	\$ 0.652m
Output 5: Providing legal representation and bringing proceedings	
<b>Total forecast output expenditure</b>	<b>\$10.222m</b>

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## Forecast revenue

<b>Crown Revenue</b>	<b>\$ 9.396m</b>
<b>Interest revenue</b>	<b>0.116m</b>
<b>Other revenue</b>	<b><u>0.071m</u></b>
<b>Total Forecast Revenue</b>	<b>\$ 9.583m</b>
<b>Surplus to / (shortfall from) Current reserves</b>	<b>\$ (0.639m)</b>

# Forecast Service Performance 2014/15

Measures by output activities under the Commission's Output for this financial year are detailed in the tables below:

## Education promotion and advocacy

Measure	Baseline	2014/15	2015/16	2016/17	2017/18
Effectiveness of working arrangements with government partners to realise human rights	New	Feedback from social policy and justice sector Chief Executives  Key HRC recommendations implemented by central and local government agencies	Feedback from social policy and justice sector Chief Executives  Key HRC recommendations implemented by central and local government agencies	Feedback from social policy and justice sector Chief Executives  Key HRC recommendations implemented by central and local government agencies	Feedback from social policy and justice sector Chief Executives  Key HRC recommendations implemented by central and local government agencies
Increased reach and relevance	New	Reach and relevance measured by stakeholder survey.	3% increase measured by stakeholder survey. Inclusion in public omnibus survey	3% increase measured by stakeholder survey and inclusion in public omnibus survey	3% increase measured by stakeholder survey and inclusion in public omnibus survey
Quality of legal interventions to promote human rights	New	Positive feedback from external peer review			
Effectiveness of engagement with, civil society including tangata whenua, business and affected sector groups	280 community organisations and affected sector groups contributed to the Universal Periodic Review	50 civil society and affected sector groups involved in the development of the NPA	3 Monitoring mechanisms established through the National Plan of Action	3 Monitoring mechanisms established through the National Plan of Action	300 community organisations and affected sector groups contribute to the Universal Periodic Review

Measure	Baseline	2014/15	2015/16	2016/17	2017/18
Overall effectiveness of the NPA process					NPA is recognised as a good practice exemplar by the Office of the United Nations High Commissioner for Human Rights, International Coordinating Committee of National Institutions, Asia Pacific Forum of National Human Rights Institutions (NHRIs) and other NHRIs

## Monitoring and reporting

Measure	Baseline	2014/15	2015/16	2016/17	2017/18
<p>Effectiveness of servicing and reporting on the independent monitoring mechanisms for the:</p> <ul style="list-style-type: none"> <li><i>Convention on the Rights of Persons with Disabilities</i></li> <li><i>Optional Protocol for the Convention against Torture</i></li> </ul>	<ul style="list-style-type: none"> <li>100%</li> <li>90%</li> </ul>	<ul style="list-style-type: none"> <li>90% satisfaction with the coordinating role played by the Commission</li> <li>Report(s) tabled in accordance with agreed timeframes</li> </ul>	<ul style="list-style-type: none"> <li>90% satisfaction with the coordinating role played by the Commission</li> <li>Report(s) tabled in accordance with agreed timeframes</li> </ul>	<ul style="list-style-type: none"> <li>90% satisfaction with the coordinating role played by the Commission</li> <li>Report(s) tabled in accordance with agreed timeframes</li> </ul>	<ul style="list-style-type: none"> <li>90% satisfaction with the coordinating role played by the Commission</li> <li>Report(s) tabled in accordance with agreed timeframes</li> </ul>
Measure	Baseline	2014/15	2015/16	2016/17	2017/18
<p>Quality of annual review and report into the 'good employer' obligations implemented by Crown entities</p> <p>Effectiveness of the advice and guidance provided to Crown entities to improve their performance</p>		<ul style="list-style-type: none"> <li>Relevant and accurate report</li> <li>Advice to at least three Crown entities improve their 'good employer' practices</li> </ul>	<ul style="list-style-type: none"> <li>Relevant and accurate report</li> <li>Advice to at least 3 different Crown entities improve their 'good employer' practices</li> </ul>	<ul style="list-style-type: none"> <li>Relevant and accurate report</li> <li>Advice to at least 3 different Crown entities improve their 'good employer' practices</li> </ul>	<ul style="list-style-type: none"> <li>Relevant and accurate report</li> <li>Advice to at least 3 different Crown entities improve their 'good employer' practices</li> </ul>

Measure	Baseline	2014/15	2015/16	2016/17	2017/18
Effectiveness of the process to establish performance indicators for the NPA	New	Indicators established	Data sets and data collected and reported to support indicators	Data sets and data collected and reported to support indicators	International recognition of the quality of the indicators, including the Office of the United Nations High Commissioner for Human Rights

### Responding to and resolving anti-discrimination complaints

Measure	Baseline	2014/15	2015/16	2016/17	2017/18
Customer satisfaction with the mediation service	90% of customers satisfied with the mediation process	90% of customers satisfied with the mediation process	90% of customers satisfied with the mediation process	90% of customers satisfied with the mediation process	90% of customers satisfied with the mediation process
Responsive and timely resolution of enquiries and complaints	5800 new enquiries and complaints  1400 human rights complaints (including unlawful discrimination) are provided a disputes resolution service  80% of complaints of unlawful discrimination are closed within one year	5800 new enquiries and complaints  1400 human rights complaints (including unlawful discrimination) are provided a disputes resolution service  80% of complaints of unlawful discrimination are closed within one year	5800 new enquiries and complaints  1400 human rights complaints (including unlawful discrimination) are provided a disputes resolution service  80% of complaints of unlawful discrimination are closed within one year	5800 new enquiries and complaints  1400 human rights complaints (including unlawful discrimination) are provided a disputes resolution service  80% of complaints of unlawful discrimination are closed within one year	5800 new enquiries and complaints  1400 human rights complaints (including unlawful discrimination) are provided a disputes resolution service  80% of complaints of unlawful discrimination are closed within one year
Percentage of cases resolved through dispute resolution service and resolution leads to positive systemic changes which increase the realisation of human rights	78%  77 Positive systemic changes	80%  80 Positive systemic changes	80%  85 Positive systemic changes	80%  90 positive systemic changes	80%  95 positive systemic changes

### Providing legal representation and bringing proceedings (Office of Human Rights Proceedings)

Measure	Baseline	2014/15	2015/16	2016/17	2017/18
Responsive and timely decision making	<p>60-80 human rights and privacy matters received and undertaken</p> <p>80 % of applications are assessed and allocated to a solicitor within 10 working days</p> <p>Currently six months</p>	<p>60-80 human rights and privacy matters received and undertaken</p> <p>90 % of applications are assessed and allocated to a solicitor within 10 working days</p> <p>Applications for representation substantially progressed within four months</p>	<p>60-80 human rights and privacy matters received and undertaken</p> <p>90 % of applications are assessed and allocated to a solicitor within 10 working days</p> <p>Applications for representation substantially progressed within 4 months</p>	<p>60-80 human rights and privacy matters received and undertaken</p> <p>90 % of applications are assessed and allocated to a solicitor within 10 working days</p> <p>Applications for representation substantially progressed within 4 months</p>	<p>60-80 human rights and privacy matters received and undertaken</p> <p>90 % of applications are assessed and allocated to a solicitor within 10 working days</p> <p>Applications for representation substantially progressed within 4 months</p>

## National Human Rights Institution independence, credibility and effectiveness

In 2016, the Commission will have its accreditation as a National Human Rights Institution reviewed by the International Coordinating Committee of National Institutions for the Promotion and Protection of Human Rights. The process entails independent assessment by the Commission's international counterparts against strict criteria.<sup>1</sup> The results of the accreditation process are included in the *Statement of Performance Expectations*, because it serves as a useful proxy measure. Retention of A-status provides international recognition of the Commission's credibility and professionalism.

Measure	Baseline	2014/15	2015/16	2016/17	2017/18
Independence, credibility and effectiveness in discharging the functions of a National Human Rights Institution	A-status accreditation	n/a	n/a	Maintenance of A-status accreditation	n/a

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<sup>1</sup> The basis for NHRI accreditation is compliance, both in law and practice, with the *Principles Relating to the Status of National Institutions for the Promotion and Protection of Human Rights* adopted by the United Nations General Assembly in 1993.

# Forecast Financial Statements 2014/15-2016/17

## Forecast Statement of Comprehensive Revenue and Expense

	Estimated Actual 2013/14 \$000	Forecast 2014/15 \$000	Forecast 2015/16 \$000	Forecast 2016/17 \$000
<b>Revenue</b>				
Revenue from the Crown	9,396	9,396	9,396	9,396
Interest received	170	116	98	96
Other revenue	161	71	50	50
<b>Total revenue</b>	<b>9,727</b>	<b>9,583</b>	<b>9,544</b>	<b>9,542</b>
<b>Expenses</b>				
Employee benefit costs	7,051	6,930	6,881	6,679
Travel costs	346	368	359	357
Other expenses	1,739	1,732	1,446	1,464
Projects <sup>2</sup>	1,462	961	800	800
Depreciation and amortisation	214	231	177	180
Finance costs	3	-	-	-
<b>Total expenses</b>	<b>10,815</b>	<b>10,222</b>	<b>9,663</b>	<b>9,480</b>
<b>Net surplus/(deficit)</b>	<b>(1,088)</b>	<b>(639)</b>	<b>(119)</b>	<b>62</b>
<b>Other comprehensive revenue</b>	-	-	-	-
<b>Total comprehensive revenue and expense</b>	<b>(1,088)</b>	<b>(639)</b>	<b>(119)</b>	<b>62</b>

<sup>2</sup>Includes management of change, transition and redundancy costs associated with the Commission's organisational review and its implementation in 2013/14 and 2014/15.

## Forecast Statement of Financial Position

	Estimated Actual 2013/14 \$000	Forecast 2014/15 \$000	Forecast 2015/16 \$000	Forecast 2016/17 \$000
<b>Equity</b>				
Accumulated funds	2,115	1,476	1,357	1,419
<b>Total equity</b>	<b>2,115</b>	<b>1,476</b>	<b>1,357</b>	<b>1,419</b>
<b>Current assets</b>				
Cash and cash equivalents	1,568	1,654	1,389	1,421
Short-term deposits	1,200	-	-	-
Debtors and other receivables	45	45	45	45
Prepayments	130	130	130	130
<b>Total current assets</b>	<b>2,943</b>	<b>1,829</b>	<b>1,564</b>	<b>1,596</b>
<b>Current liabilities</b>				
Creditors and other payables	440	455	455	455
Finance lease	13	-	-	-
Employee entitlements	531	507	466	407
GST payable	150	150	150	150
<b>Total current liabilities</b>	<b>1,134</b>	<b>1,112</b>	<b>1,071</b>	<b>1,012</b>
<b>Working capital</b>	<b>1,808</b>	<b>717</b>	<b>493</b>	<b>584</b>
<b>Non-current assets</b>				
Property, plant and equipment	375	537	674	678
Intangible assets	8	305	273	240
<b>Total non-current assets</b>	<b>383</b>	<b>842</b>	<b>947</b>	<b>918</b>
<b>Non-current liabilities</b>				
Employee entitlements	76	82	82	82
<b>Total non-current liabilities</b>	<b>76</b>	<b>82</b>	<b>82</b>	<b>82</b>
<b>Net assets</b>	<b>2,115</b>	<b>1,476</b>	<b>1,357</b>	<b>1,419</b>

## Forecast Statement of Changes in Equity

	<b>Estimated Actual 2013/14 \$000</b>	<b>Forecast 2014/15 \$000</b>	<b>Forecast 2015/16 \$000</b>	<b>Forecast 2016/17 \$000</b>
Balance at 1 July	3,203	2,115	1,476	1,357
Total comprehensive revenue and expense	(1,088)	(639)	(119)	62
Balance at 30 June	<b>2,115</b>	<b>1,476</b>	<b>1,357</b>	<b>1,419</b>

## Forecast Statement of Cash Flows

	Estimated Actual 2013/14 \$000	Forecast 2014/15 \$000	Forecast 2015/16 \$000	Forecast 2016/17 \$000
<b>Cash flows from operating activities</b>				
Receipts from the Crown	9,396	9,396	9,396	9,396
Receipts from other sources	161	71	50	50
Interest received	170	116	90	96
Payments to employees and suppliers	(10,806)	(9,994)	(9,527)	(9,359)
Goods and services tax (net)	(1)	-	-	-
<b>Net operating cash inflow/(outflow)</b>	<b>(1,080)</b>	<b>(411)</b>	<b>17</b>	<b>183</b>
<b>Cash flows from investing activities</b>				
Maturity of short-term deposits	200	1,200	-	-
Purchases of property, plant and equipment	(10)	(367)	(280)	(149)
Purchases of intangible assets	(1)	(323)	(2)	(2)
<b>Net investing cash inflow/(outflow)</b>	<b>189</b>	<b>510</b>	<b>(282)</b>	<b>(151)</b>
<b>Cash flows from financing activities</b>				
Payments of finance lease	(28)	(13)	-	-
<b>Net financing cash outflow</b>	<b>(28)</b>	<b>(13)</b>	<b>-</b>	<b>-</b>
Net increase/(decrease) in cash	(919)	86	(265)	32
Cash and cash equivalents at the beginning of the year	2,487	1,568	1,654	1,389
<b>Cash and cash equivalents at the end of the year</b>	<b>1,568</b>	<b>1,654</b>	<b>1,389</b>	<b>1,421</b>

## Notes to and forming part of the Forecast Financial Statements

The Board of the Commission is responsible for the forecast financial statements presented in this *Statement of Performance Expectations*, including the appropriateness of the assumptions underlying the forecast financial statements and all other required disclosures.

The forecast financial statements were approved by the Board of the Commission on 30 June 2014.

### Statement of Significant Underlying Assumptions

The forecast financial statements are based on the following assumptions:

- 1 Functions will remain broadly the same as in the previous year
- 2 No extra Government funding will be received for the foreseeable future and at least until 2020
- 3 A focus on a few human rights outcome changes for the whole organisation with interventions to deliver improved services within existing funding levels
- 4 Financial sustainability until 2019–20
- 5 Increased efficiencies to manage cost drivers within tight financial constraints, and
- 6 Using the Commission's accumulated funds, or reserves, to fund operating deficits.

These forecast financial statements have been prepared on the basis of actual events, transactions and financial results up to 31 May 2014 and assumptions about future events that are reasonably expected to occur, associated with the actions that are reasonably expected to be taken, as at the date that this information was prepared.

The purpose of these financial statements is to indicate the likely financial impact and implementation of the Commission's longer term strategic direction. The information disclosed is indicative only and may not be appropriate for any other purpose.

Readers are cautioned that actual results are likely to vary from the information presented here and that the variations may be material.

It is not intended that this published material will be updated.

The Commission's forecast financial statements have been prepared in accordance with the Crown Entities Act 2004 and are consistent with generally accepted accounting practice. The purpose of the forecast financial statements is to assist Parliament's consideration of the appropriations for, and planned performance of, the Commission. Use of this information for other purposes may not be appropriate.

## Statement of Accounting Policies

### Reporting entity

The Human Rights Commission (the Commission) is a Crown Entity as defined by the Crown Entities Act 2004 and is domiciled in New Zealand. The Commission's ultimate parent is the New Zealand Crown.

The Commission's functions and responsibilities are set out in the Human Rights Act 1993.

The Commission has designated itself as a public benefit entity for the purposes of Public Benefit Entity Accounting Standards (PBE Standards) as appropriate for public sector entities.

### Basis of preparation

### Statement of compliance

These forecast financial statements have been prepared in accordance with NZ GAAP and comply with Public Benefit Entity Financial Reporting Standard 42

*Prospective Financial Statements* and other PBE Standards as appropriate for a public sector entity. They are the Commission's first set of forecast financial statements presented in accordance with PBE Standards as appropriate for public sector entities.

### **Measurement base**

The forecast financial statements have been prepared on an historical cost basis, except for assets and liabilities that have been valued at fair value as identified in their respective accounting policies.

### **Functional and presentation currency**

The forecast financial statements are presented in New Zealand dollars and all values are rounded to the nearest thousand dollars (\$000). The functional currency of the Commission is New Zealand dollars.

### **Changes in accounting policies**

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

### **Significant accounting policies**

#### **Revenue**

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

#### **Revenue from the Crown**

The Commission is primarily funded through revenue received from the Crown through the Ministry of Justice for the provision of outputs. Revenue from the Crown is recognised as revenue when earned and is reported in the financial period to which it relates.

#### **Other revenue**

Other revenue is received from the supply of contract work, grants for specific activities, and the provision of advice and educational workshops to third parties. Other revenue is recognised at the time the product or service is provided to the

client or, in the case of grant income, when the conditions of the grant have been met unless there is no obligation to return the grant, in which case the grant is recognised as revenue when received.

### **Interest**

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

### **Grant expenditure**

Discretionary grants are those grants where the Commission has no obligation to award on the receipt of a grant application and are recognised as expenditure when approved by the Commission and the approval has been communicated to the applicant.

### **Leases**

#### **Finance leases**

A finance lease is a lease that transfers to the lessee substantially all of the risks and rewards incidental to ownership of an asset whether or not title is eventually transferred.

At the commencement of the lease term, finance leases are recognised as assets and liabilities in the statement of financial position at the lower of the fair value of the leased item or the present value of the minimum lease payments.

The finance charge is charged to the surplus or deficit over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability.

The amount recognised as an asset is depreciated over its useful life. If there is no certainty as to whether the Commission will obtain ownership at the end of the lease term, the asset is fully depreciated over the shorter of the lease term and its useful life.

### **Operating leases**

An operating lease is a lease that does not transfer substantially all the risks and rewards incidental to ownership of an asset. Lease payments under an operating lease are recognised as an expense on a straight-line basis over the lease term.

Lease incentives received are recognised in the surplus or deficit over the lease term as an integral part of the total lease expense.

### **Foreign currency transactions**

Foreign currency transactions are translated into New Zealand dollars using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the surplus or deficit.

### **Financial instruments**

Financial assets and financial liabilities are initially measured at fair value plus transaction costs unless they are carried at fair value through surplus and deficit in which case the transaction costs are recognised in the surplus or deficit.

### **Cash and cash equivalents**

Cash and cash equivalents include cash on hand and funds on deposit at banks with an original maturity of three months or less.

### **Short-term deposits**

Short-term deposits include funds on deposit at banks with an original maturity of more than three months but not more than 12 months and are initially measured at fair value plus transaction costs.

### **Debtors and other receivables**

Debtors and other receivables are recorded at their face value, less any provision for impairment.

Impairment of a receivable is established when there is objective evidence that the Commission 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, receivership or liquidation, 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 surplus or deficit. When the receivable is uncollectible, it is written off against the allowance account for receivables. Overdue receivables that are renegotiated are reclassified as current (that is, not past due).

### **Property, plant and equipment**

Property, plant and equipment consists of motor vehicles, equipment, furniture and fittings, leasehold improvements, and library books.

Property, plant and equipment is measured at cost less any accumulated depreciation and impairment losses.

### **Additions**

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

Work in progress is measured at cost less impairment and is not depreciated.

In most instances, an item of property, plant and equipment is initially recognised at its cost. Where an asset is acquired at no cost, or for a nominal cost, it is recognised at fair value as at the date of acquisition.

## Disposals

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount of the asset. Gains and losses on disposals are included in the surplus or deficit.

## Subsequent costs

Costs incurred subsequent to initial acquisition are capitalised only when it is probable that future economic benefits or service potential associated with the item will flow to the Commission and the cost of the item can be measured reliably. The costs of day-to-day servicing of property, plant and equipment are recognised in the surplus or deficit as they are incurred.

## Depreciation

Depreciation is provided on a straight-line basis on all property, plant and equipment, at 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 property, plant and equipment have been estimated as follows:

Motor vehicles	4–5 years	20–25%
Equipment	3–10 years	10–33%
Furniture and fittings	5–10 years	10–20%
Leasehold improvements	5–9 years	11–20%
Library books	5 years	20%

Leasehold improvements are depreciated over the unexpired period of the lease or the estimated remaining useful lives of the improvement, whichever is the shorter.

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

## Intangible assets

### Software acquisition

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

Costs associated with maintaining computer software, the development and maintenance of the Commission's website, and staff training costs are recognised as an expense when incurred.

### Trademarks

Trademarks are capitalised on the basis of the costs incurred to register the trademark with the Intellectual Property Office of New Zealand.

### 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 financial year is recognised in the surplus or deficit.

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

Computer software	2–10 years	10–50%
Trademarks	10 years	10%

### Impairment of property, plant and equipment and intangible assets

Property, plant and equipment and intangible assets 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 value in use.

Value in use is depreciated replacement cost 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 entity 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. The total impairment loss is recognised in the surplus or deficit. A reversal of the impairment loss is also recognised in the surplus or deficit.

Intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. An intangible asset that is not yet available for use at the balance sheet date is tested for impairment annually.

### **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.

### **Borrowings**

Borrowings are initially recognised at their fair value plus transaction costs. After initial recognition, all borrowings are measured at amortised cost using the effective interest method.

Borrowings are classified as current liabilities if the borrowings are expected to be settled within 12 months of balance date. All other borrowings are classified as a non-current liability.

### **Employee entitlements**

#### **Short-term employee entitlements**

Employee benefits that are due to be settled within 12 months after the end of the period in which the employee renders the related service are measured based on accrued entitlements at current rates of pay. These include salaries and wages

accrued up to balance date and annual leave earned but not yet taken at balance date.

### **Long-term employee entitlements**

Employee benefits that are due to be settled beyond 12 months after the end of the period in which the employee renders the related service, such as long service leave and retirement leave, have been calculated on an actuarial basis. The calculations are based on:

- 1 likely future entitlements accruing to staff, based on years of service, years to entitlement, the likelihood that staff will reach the point of entitlement and contractual entitlements information and
- 2 the present value of the estimated future cash flows.

### **Presentation of employee entitlements**

Accrued salaries and wages, annual leave and vested long service leave are classified as a current liability. Non-vested long service leave and retirement leave expected to be settled within 12 months of balance date are classified as a current liability. All other employee entitlements are classified as a non-current liability.

### **Superannuation schemes**

#### **Defined contribution schemes**

Obligations for contributions to KiwiSaver, the Government Superannuation Fund and the Pension National Scheme of the National Provident Fund are accounted for as defined contribution schemes and are recognised as an expense in the surplus or deficit as incurred.

#### **Defined benefit schemes**

The Commission currently does not make contributions to defined benefit schemes.

### **Provisions**

A provision is recognised for future expenditure of an uncertain amount or timing when there is a present obligation (either legal or constructive) as a result of a past

event, it is probable that an outflow of future economic benefits 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 expenditure expected to be required to settle the obligation using a discount rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognised as an interest expense and is included in finance costs.

### **Commitments**

Expenses yet to be incurred on non-cancellable contracts that have been entered into on or before balance date are disclosed as commitments to the extent that there are equally unperformed obligations.

Cancellable commitments that have penalty or exit costs explicit in the agreement on exercising that option to cancel are disclosed at the value of that penalty or exit cost.

### **Accumulated funds**

Accumulated funds is the Crown's investment in the Commission and is measured as the difference between total assets and total liabilities.

### **Goods and services tax (GST)**

All items in the forecast financial statements are stated exclusive of GST, except for receivables and payables, which are stated 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 Commission is a public authority and consequently is exempt from the payment of income tax.

### **Project costs**

Direct costs are costs that are directly attributable to an output and are charged to the relevant project activity and reported in the statement of comprehensive revenue and expense as project expenditure.

Indirect costs are costs that cannot be identified accurately to a specific output and are not allocated to the Commission's project activities.

### **Critical accounting estimates and assumptions**

In preparing these forecast financial statements the Commission has made estimates and assumptions concerning the future. These estimates and assumptions may differ from the subsequent actual results. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The estimates and assumptions that have a significant risk of causing material adjustment to the carrying amount of assets and liabilities within the next financial year are discussed below:

- 1 Estimating useful lives and residual values of property, plant and equipment and intangible assets
- 2 Management has made an estimate as to the useful lives and residual amounts in respect of property, plant and equipment and intangible assets. Assessing the appropriateness of useful life and residual value estimates of property, plant and equipment requires a number of factors to be considered such as the physical condition of the asset, expected period of use of the asset by the Commission, and expected disposal proceeds from the future sale of the asset. An incorrect estimate of the useful life or residual value will affect the

depreciation or amortisation expense recognised in the surplus or deficit and carrying amount of the asset in the statement of financial position.

### **Retirement and long service leave**

The liability for retirement and long service leave entitlements is carried at the present value of estimated future cash flows. Two key assumptions used in calculating the retirement and long service leave liability include the discount rate and the salary inflation factor. Any changes in these assumptions will impact on the carrying amount of the liability.

A discount rate of 5.5% has been used which reflects the expected long-term interest rate on government bonds. A salary inflation factor of 3.5% has been used which is the long-term annual increase in salaries and wages expected by the New Zealand Treasury.

### **Comparatives**

Where necessary, comparative information has been reclassified to achieve consistency in disclosure.