



Human Rights Commission
Te Kāhui Tika Tangata

Human Rights Commission

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Statement of Performance Expectations (SPE)

2017 - 2018

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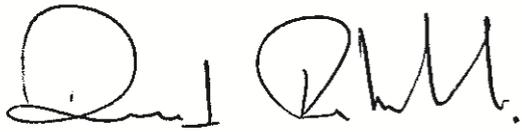
Introduction

The Human Rights Commission is an Independent Crown Entity. The Board of the Commission determines the strategic direction and general activities of the Commission consistent with the Human Rights Act 1993 and Crown Entities Act 2004. The Commission has an “A” status accreditation as a National Human Rights Institution with the Global Alliance of National Human Rights Institutions (GANHRI). This means we operate in accordance with the Principles relating to the Status of National Institutions, commonly known the ‘Paris Principles’. These principles set out the minimum international standards required for National Human Rights Institutions (NHRIs) to be considered credible and to operate independently.

The Office of Human Rights Proceedings (OHRP) is part of the Commission and the Director independently makes decisions to provide legal representation under the Human Rights Act 1993 and brings proceedings under the Privacy Act 1993.

This *Statement of Performance Expectations* has been prepared in accordance with the requirements of section 149C 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 for all people in New Zealand.

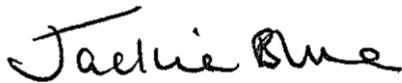
This *Statement of Performance Expectations* reflects, and is intended to be read with, the Commission’s 2016/17–2019/20 *Statement of Intent*.



David Rutherford
Chief Commissioner
Te Amokapua



Dame Susan Devoy
Race Relations Commissioner
Kaihautū Whakawhanaunga a Iwi



Dr Jackie Blue
Equal Employment
Opportunities Commissioner
Kaihautū Ōritenga Mahi



Paul Gibson
Disability Rights Commissioner
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Karen Johansen
Commissioner
Kaihautū



Richard Tankersley
Commissioner
Kaihautū

Output activities for 2017/18

The Commission is funded under the Output Expense: Services from the Human Rights Commission.

The Commission's primary functions, as set out in section 5(1) of the Human Rights Act 1993, are to: (a) advocate and promote respect for, and an understanding and appreciation of, human rights in New Zealand society (b) encourage the maintenance and development of harmonious relations between individuals and among the diverse groups in New Zealand society (c) promote racial equality and cultural diversity (d) promote equal employment opportunities (including pay equity) (e) promote and protect the full and equal enjoyment of human rights by persons with disabilities.

Section 5(2) of the Human Rights Act 1993 lists the detailed functions of the Commission. In addition to the Human Rights Act 1993, important human rights principles are enshrined in New Zealand's constitutional arrangements or legislation, including the:

- 1 Treaty of Waitangi 1840
- 2 New Zealand Bill of Rights Act 1990
- 3 Crimes of Torture Act 1989.

As a member of the United Nations, New Zealand supports the human rights provisions of the United Nations Charter and the Universal Declaration of Human Rights (UDHR) 1948. New Zealand is obliged in international law to meet its human rights obligations to people in New Zealand as set out in the International human rights treaties New Zealand has ratified.

New Zealand has ratified a number of international human rights instruments, including the:

1. International Covenant on Civil and Political Rights (ICCPR),
2. International Covenant on Economic, Social and Cultural Rights (ICESCR)

3. International Convention on the Elimination of All Forms of Racial Discrimination (CERD)
4. Convention on the Elimination of All Forms of Discrimination against Women (CEDAW)
5. Convention against Torture and Other Cruel, Inhuman or Degrading Treatment or Punishment (CAT)
6. Convention on the Rights of the Child (CRC)
7. Convention on the Rights of Persons with Disabilities (CRPD)
8. United Nations Declaration on the Rights of Indigenous Peoples (UNDRIP).

The Commission also has functions to facilitate the resolution of disputes, involving unlawful discrimination in the most efficient, informal, and cost-effective manner possible. The Commission has no adjudicative or judicial function. Those functions are carried out by the Human Rights Tribunal and the courts.

Our Statement of Intent 2016 – 2020 outlines the strategic impacts that we intend to have over this period. These are:

1. Increased adoption of policies and practices to achieve equality of opportunity and non-discrimination
2. Advancing human rights, including the reduction of barriers to inclusion to facilitate peaceful and inclusive societies
3. Protecting human dignity and rights through effective mechanisms of redress and increased observance of human rights obligations by decision makers.

The Commission has reviewed and refreshed its Outcomes framework to ensure it is meaningful and aligned with our strategic objectives. The resulting structure provides a clear reportable framework that forms the basis for the Commission's ongoing work programme in both the short- and long-term.

Of focus for the Commission over the next few years will be business and human rights, as increasingly governments, investors, consumers and market regulators expect companies to be reporting on their salient human rights issues and report on

progress in meeting them and provide remedies for abuse. National human rights institutions such as the Commission that comply with the Paris Principles¹ have an important role to play in helping States identify whether relevant laws are aligned with their human rights obligations and are being effectively enforced and in providing guidance on human rights also to business enterprises and other non-State actors.

The UN Guiding Principles (UNGPs)² emphasise the important role of NHRIs about the State's duty to protect. Companies increasingly perceive a responsibility to respect human rights, and are learning what their human rights responsibilities mean in practice. The Commission is working to inform, educate and assist government, civil society and business to embrace human rights in their work practices and policies to ensure a fair and just society that promotes equal opportunities for everyone.

In 2015/16 the Commission developed and implemented New Zealand's National Plan of Action (NPA) for the Protection and Promotion of Human Rights. The NPA sets out the ongoing actions Government will take to improve the realisation of human rights in New Zealand. Progress will be monitored and updated over the period of this Statement of Performance Expectations.

¹ The Paris Principles were defined at the first International Workshop on National Institutions for the Promotion and Protection of Human Rights held in Paris in October 1991. They were adopted by the United Nations Human Rights Commission by Resolution 1992/54 of 1992, and by the UN General Assembly in its Resolution 48/134 of 1993. The Paris Principles relate to the status and functioning of national institutions for the protection and promotion of human rights. It includes a comprehensive series of recommendations on the role, composition, status and functions of national human rights institutions (NHRIs)

² The United Nations Guiding Principles on Business and Human Rights (UNGPs) are a global standard for preventing and addressing the risk of adverse impacts on human rights linked to business activity.

The monitoring of the NPA will inform the mid-cycle review and third Universal Periodic Review of New Zealand's human rights record at the United Nations. The next full review will be in 2018/19.

There will also be targeted programmes to address discrimination across all sectors of New Zealand society as research indicates that this continues to be a significant issue in employment, education, health and housing. Discrimination based on race, age, ethnicity, disability, nationality, gender and sexual orientation remain barriers to inclusion for many people in our society. In addition, the country is still working towards equal employment opportunities for all, and there remain significant gender and pay imbalances across the board.

In 2016, the Commission's accreditation as New Zealand's National Human Rights Institution (NHRI) was reviewed by the Sub-Committee on Accreditation of the Global Alliance of National Human Rights Institutions (GANHRI). The Commission's "A Status" was then reconfirmed by GANHRI and the Office of the United Nations High Commissioner for Human Rights. This process takes place every five years. It requires the Commission to be independently assessed against strict criteria set out in the Paris Principles.

Measuring our Impacts

We will measure our impacts through the following mechanisms

- The New Zealand public has a greater awareness and appreciation of human rights of all the diverse groups of people that make up our society
- Central and local government agencies increasingly consider and implement human rights standards and obligations into policy and legislative decisions
- Increased positive outcomes from breaches of human rights standards through the provision of effective dispute resolution services and legal representation

We will deliver through

- Human rights education, promotion, and advocacy programmes

- Effective engagement with government, civil society and business to protect human rights and reduce barriers to inclusion
- Legal Interventions in courts and tribunals
- Recommending, monitoring and reporting on human rights standards to the United Nations, government, civil society and business
- Human rights enquiries and complaints received are advanced and concluded within agreed timeframes and standards
- Applications for legal representation under the Human Rights Act 1993 and referrals received under the Privacy Act 1993, and associated litigation are progressed within the agreed timeframes and in accordance with expected professional legal standards.

Summary of Output and Output Expenses for 2017/18

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

Forecast output expenditure 2017/18

Output Class – Services from the Human Rights Commission

Output area – On-going activities³ \$8.395m

Output 1: Education, promotion and advocacy for human rights

Output 2: Engagement with government, thangata whenua, civil society and business

Output 3: Legal interventions in courts and tribunals promote human rights

Output 4: Monitoring and reporting on compliance with New Zealand law and international human rights instruments

Output area – Complaints of unlawful discrimination

Output 5: Responding to, and resolving, complaints of unlawful discrimination \$1.179m

Output area – Legal representation and proceedings

Output 6: Providing legal representation and bringing proceedings \$0.662m

Total forecast output expenditure **\$10.236m**

Forecast revenue

Crown revenue \$9.696m

Other revenue \$0.181m

Interest revenue \$0.121m

Total forecast revenue **\$9.998m**

Surplus to (deficit from) current reserves **(\$0.238m)**

³ General operating costs, such as office accommodation and depreciation, are included in on-going activities.

Forecast Service Performance 2017/18

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

Output 1: Human rights education, promotion, and advocacy programmes that are delivered effectively

Objective	Measure	Baseline	2017/18
Increased Reach and Relevance	The number of downloads and access to Commission digital information ⁴	35,000	8% Increase from previous year (41,580 annual downloads)
	Percentage of civil society and government stakeholders that provide positive feedback about key HRC external events ⁵	70%	70% ⁶

⁴ The Commission will measure civil society and government stakeholder feedback on the effectiveness of its communications and engagement on a biennial basis. The next survey will be during the 2017/18 financial year.

⁵ Measured through formal feedback solicited at key external events.

⁶ A static target has been set for this measure as the baseline is deemed ambitious.

Increase the understanding of the human rights dimensions of the Treaty of Waitangi (Te Mana I Waitangi)	Percentage of engaged ⁷ civil society and government stakeholders that provide positive feedback on the effectiveness of Te Mana i Waitangi training, promotion, and education	70% ⁸	70%
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Output 2: Effective engagement with government, civil society and business to protect human rights and reduce barriers to inclusion

Objective	Measure	Baseline	2017/18
Engagement with government, civil society and business to effect positive human rights changes	Percentage of planned engagements ⁹ that result in actions that progress positive change	70%	75%

⁷ The Commission engages with civil society and government stakeholders based on relevance to current priorities and areas of need for tangata whenua.

⁸ Baseline has now been established and incrementally increases over the next few years.

⁹ Includes face to face and written engagement, incl. but not limited to, facilitation of events and submissions. Engagements occur in line with the strategic objectives and advocacy areas as defined in the Commission's business plan. Success is measured through reviewing the outcomes of engagements that indicates positive progression towards a goal, or a tangible result.

Output 3: Legal interventions in courts and tribunals promote human rights

Objective	Measure	Baseline	2017/18
Legal interventions to promote human rights	Number of new legal interventions ¹⁰ the Commission engages in related to significant human rights matters	11	At least 2 new legal interventions per year

Output 4: Recommending, monitoring and reporting on human rights standards to government, civil society and business

Objective	Measure	Baseline	2017/18
Monitoring and analysing progress in improving equal opportunity employment opportunities in New Zealand and reporting on the outcomes	Number of Crown entities per year improving on their previous compliance rating ¹²	3	Increase from previous year

¹⁰ The Commission intervenes in legal proceedings in Courts and tribunals when there are significant human rights issues involved and where our participation will contribute positively to the development of jurisprudence, policies or practice that will enhance observance of human rights in New Zealand. Legal interventions require significant preparation work, input and time commitment due to the nature of key human rights issue cases brought before the Courts.

¹¹ No baseline indicated due to legal proceedings concluding and the Commission's input ending.

¹² Relates to Crown entities who are progressing towards 100% compliance. This is measured annually.

Objective	Measure	Baseline	2017/18
Coordination of monitoring mechanisms and publication of reports associated with CRPD, OPCAT and EMRIP/UNDRIP¹³	Thematic report(s) completed and published ¹⁴	1 per mechanism as required	Annually by 30 June
	Number of national preventative mechanism (NPM) ¹⁵ meetings arranged and held		2 meetings per year
	Number of UNDRIP; CRPD independent monitoring mechanism (IMM) ¹⁶ meetings arranged and held		2 meetings per year
NPA monitors the Government's actions to address UPR and other international treaty recommendations	Number of updates to NPA tool to reflect changes to actions		Twice a year
	Report produced on the status of human rights based on the NPA ¹⁷		Annually

¹³ The Commission, reporting to United Nation treaty monitoring bodies, works with government and civil society; providing reports, advice and technical assistance in response to periodic compliance examinations.

¹⁴ Each mechanism indicated requires the publication of one report annually.

¹⁵ The Commission's role as NPM (National Preventive Mechanism) mandates the Commission to monitor places of detention and produce annual reports on its activities, issues and recommendations made.

¹⁶ The HRC's role as monitoring mechanism (IMM) mandates it to monitor and report on the Government's performance against the obligations in the Convention on the Rights of Persons with Disabilities.

¹⁷ The NZ Government's human rights record was reviewed by the United Nations as part of the UPR or Universal Periodic Review. The NPA monitors the Government's actions on the 121 recommendations it accepted. The Commission works with government and civil society on how to successfully address the identified issues and monitor progress. An indicators framework that measure the outcomes from those actions and progress against UN treaty body recommendations has been developed, and annually, a report is produced on the status of human rights based on the actions that will progress the UPR recommendations accepted by the government.

Objective	Measure	Baseline	2017/18
International commitments, engagements and activities have a positive impact in the realisation of human rights	Percentage of international interactions that have a positive impact ¹⁸	70%	70%
Independence, credibility and effectiveness in discharging the functions of a NHRI	NZs compliance with ratified human rights treaties is reported on through timely monitoring reports to UN bodies	Achieved	Achieved

Output 5: Human rights enquiries and complaints received are advanced and concluded within agreed timeframes and standards

Objective	Measure	Baseline	2017/18
Human rights enquiries and complaints are provided with a responsive and effective dispute resolution service	Percentage of customers satisfied with the mediation process	90%	90%
	Percentage of complaints of unlawful discrimination that are closed within one year	80%	80%

¹⁸ The Commission participates in several international commitments and engagements which aim to have a positive impact in the realisation of human rights, not only locally but also in the international sphere. Impact is measured by inclusion or acceptance of the Commission's contributions into the advice, guidelines and directives by international institutions and guiding bodies that contribute to the advancement of human rights.

Output 6: Applications for legal representation under the Human Rights Act 1993 and referrals received under the Privacy Act 1993, and associated litigation are progressed within the agreed timeframes and in accordance with expected professional legal standards

Objective	Measure	Baseline	2017/18
Responsive and timely decision making	Percentage of applications decided within 4 months	80%	80%

Forecast Financial Statements 2017/18-2020/21

Forecast Statement of Comprehensive Revenue and Expense

	Estimated Actual 2016/17 \$000	Forecast 2017/18 \$000	Forecast 2018/19 \$000	Forecast 2019/20 \$000	Forecast 2020/21 \$000
Revenue					
Revenue from the Crown	9,496	9,696	9,396	9,396	9,396
Other revenue	626	181	182	182	182
Interest received	105	121	115	125	125
Total revenue	10,227	9,998	9,693	9,703	9,703
Expenses					
Personnel costs	7,718	7,252	6,980	7,023	7,176
Other expenses	1,934	1,405	1,436	1,472	1,492
Projects and programmes	889	931	650	650	350
Travel costs	425	479	489	495	501
Depreciation and amortisation	152	169	183	174	167
Total expenses	11,118	10,236	9,738	9,814	9,686
Net surplus/(deficit)	(891)	(238)	(45)	(111)	17
Other comprehensive revenue	-	-	-	-	-
Total comprehensive revenue and expense	(891)	(238)	(45)	(111)	17

Forecast Statement of Financial Position

	Estimated Actual 2016/17 \$000	Forecast 2017/18 \$000	Forecast 2018/19 \$000	Forecast 2019/20 \$000	Forecast 2020/21 \$000
Equity					
Accumulated funds	1,734	1,496	1,451	1,340	1,357
Total equity	1,734	1,496	1,451	1,340	1,357
Current assets					
Cash and cash equivalents	203	241	330	369	293
Short-term deposits	1,640	1,000	1,000	1,000	1,000
Receivables	38	26	28	31	28
Prepayments	37	56	56	61	181
Total current assets	1,918	1,323	1,414	1,461	1,502
Current liabilities					
Payables	462	346	359	361	357
GST payable	86	120	107	104	110
Employee entitlements	519	380	401	457	369
Total current liabilities	1,067	846	867	922	836
Working capital	851	477	547	539	666
Non-current assets					
Property, plant and equipment	1,021	957	847	750	646
Intangible assets	2	183	159	134	109
Total non-current assets	1,023	1,140	1,006	884	755
Non-current liabilities					
Payables	79	60	41	22	3
Employee entitlements	61	61	61	61	61
Total non-current liabilities	140	121	102	83	64
Net assets	1,734	1,496	1,451	1,340	1,357

Forecast Statement of Changes in Equity

	Estimated Actual 2016/17 \$000	Forecast 2017/18 \$000	Forecast 2018/19 \$000	Forecast 2019/20 \$000	Forecast 2020/21 \$000
Balance at 1 July	2,625	1,734	1,496	1,451	1,340
Total comprehensive revenue and expense	(891)	(238)	(45)	(111)	17
Balance at 30 June	1,734	1,496	1,451	1,340	1,357

Forecast Statement of Cash Flows

	Estimated Actual 2016/17 \$000	Forecast 2017/18 \$000	Forecast 2018/19 \$000	Forecast 2019/20 \$000	Forecast 2020/21 \$000
Cash flows from operating activities					
Receipts from the Crown	9,496	9,696	9,396	9,396	9,396
Receipts from other sources	408	193	180	179	185
Interest received	160	121	115	125	125
Payments to suppliers and employees	(10,767)	(10,321)	(9,540)	(9,608)	(9,749)
Goods and services tax (net)	(28)	34	(13)	(2)	6
Net cash flow from operating activities	(731)	(277)	138	90	(36)
Cash flows from investing activities					
Maturity of short-term deposits	4,350	3,640	3,000	3,000	3,000
Sale of property, plant and equipment	201	5	-	-	-
Placement of short-term deposits	(3,590)	(3,000)	(3,000)	(3,000)	(3,000)
Purchases of property, plant and equipment	(706)	(140)	(47)	(49)	(37)
Purchases of intangible assets	-	(190)	(2)	(2)	(2)
Net cash flow from investing activities	255	315	(49)	(51)	(39)
Net increase/(decrease) in cash	(476)	38	89	39	(76)
Cash and cash equivalents at the beginning of the year	679	203	241	330	369
Cash and cash equivalents at the end of the year	203	241	330	369	293

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 2017.

Statement of Significant Underlying Assumptions

The forecast financial statements are based on the following assumptions:

1. Our functions will remain broadly the same as the previous year.
2. Accumulated funds, or reserves, will be used to fund operating deficits and provide for a depreciation reserve to replace assets as they wear out. Excess accumulated funds will have diminished by 2019/20.
3. No extra Government funding will be received for the foreseeable future and at least until 2020.
4. Staff numbers will remain largely unchanged throughout the period and be supported by short-term contract assistance for specific programmes of work over a defined period.
5. Pay movements will fall in line with a new remuneration system agreed with unionised staff in June 2017 and expected to be agreed prior to 30 June 2017 with staff on individual agreements. Future adjustments will ensure an effective workforce can be attracted and retained.
6. We will continue to operate an office in Auckland, Wellington and Christchurch and existing office accommodations will be sufficient for our needs.

7. Inflation is assumed at an average of 2.0% per annum. Interest rate assumptions are based on economic forecasts by Treasury but are not material.
8. Prior to 2020/21, the Commission will undertake a review to ascertain what action will be taken on cost structures, funding, and service delivery to ensure a financially sustainable organisation that has sufficient resources to deliver its statutory obligations effectively.

The forecast financial statements have been prepared based on actual events, transactions and financial results up to 31 May 2017 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 of implementing the Commission's longer term strategic direction, and to assist Parliament's consideration of the appropriations for, and planned performance of, the Commission. 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.

Statement of Accounting Policies

Reporting entity

The Commission is a Crown entity as defined by the Crown Entities Act 2004. The Commission's functions and responsibilities are set out in the Human Rights Act 1993 and Crimes of Torture Act it has designated itself as a public benefit entity (PBE) for financial reporting purposes.

Basis of preparation

The forecast financial statements have been prepared on a going concern basis and the accounting policies have been applied consistently throughout the period.

Statement of compliance

The forecast financial statements have been prepared in accordance with the requirements of the Crown Entities Act 2004, which includes the requirement to comply with generally accepted accounting practice in New Zealand (NZ GAAP).

The forecast financial statements have been prepared in accordance with Tier 2 PBE accounting standards as appropriate for public sector entities and comply with Public Benefit Entity Financial Reporting Standard 42 *Prospective Financial Statements*. The Commission is eligible to apply Tier 2 PBE accounting standards because it does not have public accountability, as defined in the PBE Standards, and its total expenses are less than \$30 million.

Presentation currency and rounding

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

Summary of significant accounting policies

Revenue

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

The specific accounting policies for significant revenue items are explained below:

Revenue from the Crown

The Commission is primarily funded by revenue received from the Crown through the Ministry of Justice for the provision of outputs. This funding is dedicated to the Commission meeting the objectives specified in the Human Rights Act 1993 and Crimes of Torture Act and the scope of the relevant appropriations of the funder. The Commission considers there are no conditions attached to the funding and it is recognised as non-exchange revenue at the point of entitlement. The fair value of revenue from the Crown has been determined to be equivalent to the amounts due in the funding arrangements.

Interest received

Interest revenue is recognised using the effective interest method.

Rental revenue

Lease receipts under an operating sublease are recognised as revenue on a straight-line basis over the lease term.

Provision of services

Services provided to third parties on commercial terms, such as the provision of advice and educational workshops, are exchange transactions. Revenue from these services is recognised in proportion to the stage of completion at balance date.

Grants received

Grants are recognised as revenue when they become receivable unless there is an obligation in substance to return the funds if conditions of the grant are not met. If there is such an obligation, the grants are initially recorded as grants received in advance and recognised as revenue when conditions of the grant are satisfied.

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.

Project and programme costs

Costs, other than personnel and travel costs, directly attributable to a project or programme activity are reported in the statement of comprehensive revenue and expense as project and programme costs.

Leases

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 in the statement of comprehensive revenue and expense as a reduction in rental expense over the lease term.

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 recognized in the surplus or deficit in the statement of comprehensive revenue and expense.

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 the amount invested.

Receivables

Short-term receivables are recorded at their face value, less any provision for impairment.

A receivable is considered impaired when there is evidence that the Commission will not be able to collect the amount due. The amount of the impairment is the difference between the carrying amount of the receivable and the present value of the amounts expected to be collected.

Property, plant and equipment

Property, plant and equipment consists of equipment, furniture and fittings, and leasehold improvements.

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 recognized 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 recognized at its cost. Where an asset is acquired through a non-exchange transaction, it is recognized at its fair value 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 reported as a net amount in the surplus or deficit in the statement of comprehensive revenue and expense.

Subsequent costs

Costs incurred after initial acquisition are capitalized 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 recognized in the surplus or deficit in the statement of comprehensive revenue and expense 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:

Equipment	2.5–10 years	10–40%
Furniture and fittings	5–17 years	5.9–20%
Leasehold improvements	9–12 years	8.3–11.1%

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 capitalized based on 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 recognized as an expense when incurred.

Trademarks

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

Amortization

The carrying value of an intangible asset with a finite life is amortized on a straight-line basis over its useful life. Amortization begins when the asset is available for use and ceases at the date that the asset is derecognized. The amortization charge for each financial year is recognized in the surplus or deficit in the statement of comprehensive revenue and expense.

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

Computer software	3–10 years	10–33%
Trademarks	10 years	10%

Impairment of property, plant and equipment and intangible assets

Cash generating assets

The Commission does not hold any property, plant and equipment or intangible assets that are cash generating. Assets are considered cash-generating where their primary objective is to generate a commercial return, otherwise they are considered non-cash generating.

Non-cash generating 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 recognized for the amount by which the asset's carrying amount exceeds its recoverable service amount. The recoverable service amount is the higher of an asset's fair value less costs to sell and value in use.

Value in use is determined using an approach based on either a depreciated replacement cost approach, restoration cost approach, or a service units' approach. The most appropriate approach used to measure value in use depends on the nature of the impairment and availability of information.

If an asset's carrying amount exceeds its recoverable service amount, the asset is regarded as impaired and the carrying amount is written-down to the recoverable amount. The total impairment loss is recognized in the surplus or deficit in the statement of comprehensive revenue and expense. The reversal of an impairment loss is also recognized in the surplus or deficit in the statement of comprehensive revenue and expense.

Intangible assets that have an indefinite useful life are not subject to amortization 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.

Payables

Short-term payables are recorded at their face value. Leasehold incentives with an unexpired portion beyond 12 months are recorded at face value and 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.

A liability and an expense are recognized for bonuses where there is a contractual obligation or where there is a past practice that has created a constructive obligation and a reliable estimate of the obligation can be made.

Permanent employees are entitled to actual and reasonable sick leave to recover from genuine illness but entitlements do not accumulate and are recognized as an expense when the absence occurs.

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, bonuses, 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 are accounted for as defined contribution schemes and are recognized as an expense in the surplus or deficit in the statement of comprehensive revenue and expense as incurred.

Defined benefit schemes

The Commission does not make contributions to defined benefit schemes.

Commitments

Expenses yet to be incurred on non-cancellable contracts that have been entered 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 are the net surpluses and deficits that have accumulated over time and represent the Crown's investment in the Commission. Accumulated funds are 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 recognized as part of the related asset or expense.

The net amount of GST recoverable from, or payable to, the Inland Revenue Department (IRD) is presented 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. Accordingly, no provision has been made for income tax.

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 forecast financial statements are discussed below:

Estimating useful lives and residual values of property, plant and equipment and intangible assets

At each balance date, the useful lives and residual values of property, plant, and equipment and intangible assets are reviewed. Assessing the appropriateness of useful life and residual value estimates of property, plant and equipment and intangible assets requires several 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 amortization expense recognized in the surplus or deficit in the statement of comprehensive revenue and expense, and the carrying amount of the asset in the statement of financial position.

Critical judgements in applying accounting policies

Computer software

The Commission must exercise judgement to determine whether expenditure on developing and configuring computer software meets the criteria for recognition as an intangible asset. This includes an assessment of whether the expenditure creates an item that can be identified and separated from the Commission, is under the control of the Commission, and will provide future economic benefits or service potential. This judgement will be based on the facts and circumstances of the expenditure.

Grants received

The Commission must exercise judgement when recognizing grant revenue to determine if conditions of the grant contract have been satisfied. This judgement will be based on the facts and circumstances that are evident for each grant contract.

Comparatives

When presentation or classification of items in the financial statements is amended or accounting policies are changed voluntarily, comparative figures are restated to ensure consistency with the current period unless it is impracticable to do so.