



Human Rights Commission
Te Kāhui Tika Tangata

Human Rights Commission

Te Kāhui Tika Tangata

Statement of Performance Expectations

2020/21

Contents

| | |
|---|----|
| Introduction..... | 3 |
| Output Activities for 2020/21 | 5 |
| Outcomes Framework..... | 7 |
| Summary of Output and Output Expenses for 2020/21 | 8 |
| Forecast Service Performance 2020/21 | 9 |
| Forecast Statement of Comprehensive Revenue and Expense | 14 |
| Forecast Statement of Financial Position | 15 |
| Forecast Statement of Changes in Equity..... | 16 |
| Forecast Statement of Cash Flows | 16 |
| Notes to and forming part of the Forecast Financial Statements..... | 17 |

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Introduction

The Human Rights Commission (the Commission) is New Zealand’s national human rights institution. It is an independent Crown Entity responsible for promoting and encouraging the protection of human rights and harmonious relations between all people in Aotearoa New Zealand.

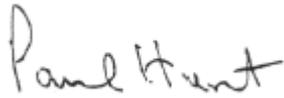
The Board of the Commission determines the strategic direction and general activities of the Commission consistent with the Human Rights Act 1993 and Crown Entities Act 2004.

The Commission is accredited with “A” status by the United Nations (UN) Office of the High Commissioner for Human Rights and the Global Alliance of National Human Rights Institutions. The status is the highest recognition of independence that a national human rights institution can achieve and provides the Commission with speaking rights at relevant UN Human Rights Council and committee sessions. This means we operate in accordance with the principles relating to the Status of National Institutions, commonly known as 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. The Director of Human Rights Proceedings independently provides legal representation under the Human Rights Act 1993 and brings proceedings under the Privacy Act 1993.

This *Statement of Performance Expectations* (SPE) 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 SPE reflects and is intended to be read with the Commission’s 2019/20–2022/23 *Statement of Intent*.



Paul Hunt
Chief Commissioner
Te Amokapua



Paula Tesoriero MNZM
Disability Rights Commissioner
Kaihautū Tika Hauātanga



Saunoamaali'i Karanina Sumeo
Equal Employment Opportunities Commissioner
Kaihautū Ōritenga Mahi



Meng Foon
Race Relations Commissioner
Kaihautū Whakawhanaungatanga-ā-lwi

Output Activities for 2020/21

The Human Rights Commission (the Commission) is funded under the Output Expense: Services from the Human Rights Commission. Our scope of appropriation is limited to advocating and promoting respect for, and an understanding and appreciation of human rights in New Zealand. This appropriation is intended to achieve the efficient and effective advocacy and promotion of human rights in New Zealand by the Human Rights Commission. Our Statement of Performance Expectations also has a number of performance standards and measures over and above those in the appropriation. These have been marked with an asterisk.

The Commission's Statement of Intent 2019/20 – 2022/23 outlines the outcomes and impacts that we want to achieve over this period.

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:

- Te Tiriti o Waitangi 1840
- New Zealand Bill of Rights Act 1990
- Crimes of Torture Act 1989

As a member of the UN, New Zealand supports the human rights provisions of the UN Charter and the Universal Declaration of Human Rights 1948. New Zealand is obliged under 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.

These include the:

- International Covenant on Civil and Political Rights (ICCPR),
- International Covenant on Economic, Social and Cultural Rights (ICESCR)
- International Convention on the Elimination of All Forms of Racial Discrimination (CERD)
- Convention on the Elimination of All Forms of Discrimination against Women (CEDAW)
- Convention against Torture and Other Cruel, Inhuman or Degrading Treatment or Punishment (CAT)
- Convention on the Rights of the Child (CRC)
- Convention on the Rights of Persons with Disabilities (CRPD)

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 in respect of individual complaints or disputes. Those functions are carried out by the Human Rights Review Tribunal¹ and the courts.

Our Strategic Direction 2020-2024 *He Whakamana Tangata A Life of Dignity for All* sets out an ambitious new agenda – both for ourselves, and for the country. We want to work with duty-bearers – government and business – to make real positive change. We are committed to walking our talk, solidifying and confirming our commitment to be a Te Tiriti-based organisation and a human rights exemplar. We may not always get it right, but we will learn, improve and strive to demonstrate that this foundational approach can make a real difference.

We continue to promote, monitor and report on the Government's implementation and compliance with international human rights mechanisms that have been ratified by New Zealand.

¹ The Tribunal is an independent judicial body that hears claims relating to breaches of the Human Rights Act 1993, Privacy Act 1993 and Health and Disability Commissioner Act 1994. The Tribunal is administered by the Ministry of Justice and is separate from the Human Rights Commission, Privacy Commissioner, and Health and Disability Commissioner.

Outcomes Framework

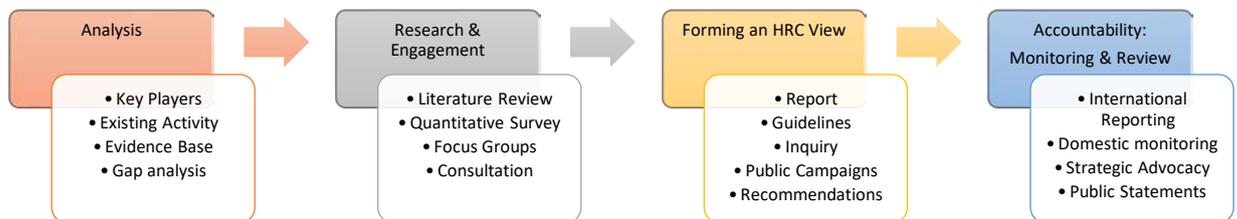
Outcomes we seek

- Everyone in Aotearoa New Zealand knows what their human rights and responsibilities are, and feels empowered to advocate on their own behalf
- Communities are welcoming, inclusive and empowered to engage with each other and with government to enhance human rights and harmonious relationships
- Government and other duty-bearers are held to account for improving performance against domestic and international human rights commitments
- Effective remedies are available to individuals and communities for breaches of their human rights

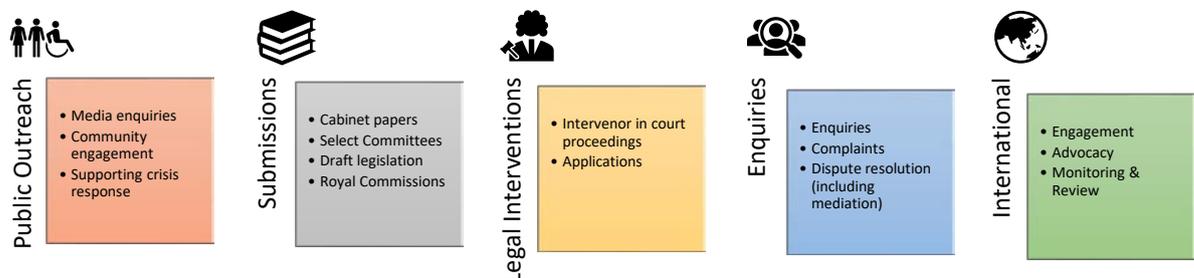
How we deliver

- Articulate clearly what human rights are
- Ensure everyone is aware of their rights and responsibilities
- Build and maintain an evidence base for the extent to which people are enjoying and being able to claim their human rights
- Identify areas where the human rights framework needs to be strengthened to ensure sustainable enjoyment of human rights
- Develop tools to empower individuals and communities to advocate for and claim their human rights
- Develop tools and mechanisms to restore dignity, wellbeing and human rights where breaches have occurred
- Influence policy-makers and enhance processes to improve human rights outcomes over time
- Hold government and business to account, publicly and privately, for their human rights performance

Thematic Work:



Responsive Work:



Summary of Output and Output Expenses for 2020/21

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

| Forecast output expenditure | 2020/21 |
|---|-------------------|
| Output Class – Services from the Human Rights Commission | |
| Output area – On-going activities² | \$9.387m |
| Output 1: Education, promotion and advocacy for human rights | |
| Output 2: Legal interventions in courts and tribunals promote human rights | |
| Output 3: Recommending, monitoring and reporting on human rights standard to Government, civil society and business | |
| Output area – On-going activities | \$1.354m |
| Output 4: Responding to, and resolving, complaints of unlawful discrimination | |
| Output area – On-going activities | \$0.835m |
| Output 5: Providing legal representation and bringing proceedings | |
| Total forecast output expenditure | \$11.576m |
| Forecast revenue | |
| Crown revenue | \$10.810m |
| Other revenue | \$0.135m |
| Interest revenue | \$0.090m |
| Total forecast revenue | \$11.035m |
| Surplus to / (deficit from) current equity | (\$0.541m) |

² General operating costs, such as office accommodation and depreciation, are included in on-going activities

Forecast Service Performance 2020/21

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 | How Measured? | 2020/21 Target |
|---|--|---------------------|---|---|
| Informing and Educating the public on human rights | The number of downloads and access to Commission digital information | 12,000 | Statistical measurement of website and social media platforms | 7% increase to baseline |
| | *The number of engagements per social media post | 20,000 ³ | Statistical measurement of website and social media platforms | 20,000 |
| Increase the understanding of the human rights dimensions of the Treaty of Waitangi (Te Mana I Waitangi) | *Feedback received from workshops arranged and held with iwi to progress the human rights dimensions of the Treaty | New Measure | Stakeholder surveys | 70% ⁴ of feedback received from participants has a positive rating |

³ This metric measures the number of engagements on all HRC social media posts per month

⁴ Feedback is measured through rating metrics

| Objective | Measure | Baseline | How Measured? | 2020/21 Target |
|--|--|----------------------|--------------------|------------------|
| Building on previous and ongoing campaigns and engagement with the public in discussions on anti-racism and discrimination, to challenge racist attitudes and discriminatory practices. | Baseline survey completed exploring different types of discrimination experienced by a range of prioritised communities (e.g. migrant and ethnic communities, disabled people, rainbow people, Māori, Pasifika, etc.) as well as attitudes related to discrimination and inclusion | One survey completed | Qualitative survey | Survey completed |

Output 2: Legal interventions in courts and tribunals promote human rights

| Objective | Measure | Baseline | How Measured? | 2020/21 Target |
|--|---|--------------------------|----------------------------------|---|
| Legal interventions to promote human rights | The Commission participates as an intervener in a minimum 2 legal cases per year | No baseline ⁵ | Number of interventions recorded | The Commission participates in at least 2 legal cases per year ⁶ |

⁵ No baseline indicated due to legal proceedings concluding and the Commission's input ending

⁶ This includes interventions in cases that carry over across calendar years and new interventions. Legal proceedings can involve significant work and activity over a period of many years and this measure reflects the quantity and nature of the activities the HRC undertakes

Output 3: Recommending, monitoring and reporting on human rights standards to Government, civil society and business

| Objective | Measure | Baseline | How Measured? | 2020/21 Target |
|--|--|----------|---|---------------------|
| Coordination of CRPD, EMRIP/UNDRIP⁷ monitoring mechanisms, and OPCAT national preventive mechanism | *Number of national preventive mechanism (NPM) meetings arranged and held related to OPCAT | | Number of meetings arranged or held | 2 meetings per year |
| | *Number of UNDRIP; CRPD independent monitoring mechanism (IMM) meetings arranged and/or attended | | Number of meetings arranged or attended | 2 meetings per year |
| Publication of report on OPCAT national preventive mechanism | *OPCAT annual report completed and published | One | Report published | Annually by 30 June |

⁷ 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.

| Objective | Measure | Baseline | How Measured? | 2020/2021 |
|--|---|---------------------------|-----------------------------------|---|
| Making contributions to the advancement of human rights through international engagement and activities⁸ | *Contributing to international ⁹ human rights engagements and activities ¹⁰ | No baseline ¹¹ | Quarterly term and annual reports | At least 4 key engagements or activities per year |
| | *NZs compliance with ratified human rights treaties is reported on through timely monitoring reports to UN bodies | No baseline ¹² | Reports completed and submitted | Submissions to UN entities due during the 2020/21 financial year, in respect of periodic reviews of New Zealand under UN human rights treaties and/or the Universal Periodic Review, are submitted and received.” |

⁸ The Commission participates in several international commitments and engagements which aim to progress human rights, not only domestically but also internationally

⁹ May include domestic activities which contribute towards the goal or outcome

¹⁰ Includes but not limited to - formal submissions to UN bodies; attending and participating in UN treaty body examinations, meetings and other UN processes (e.g. CSW, COSP); contributing to the activities of international NHRI bodies such as GANHRI, APF; arranging and facilitating civil society participation activities and reporting; contributing to the development of international co-operative mechanisms; hosting/facilitating visits to New Zealand by UN/international human rights entities; assistance with the development of domestic human rights policies or strategic plans, and participating in/presenting at key engagements relating to domestic or international human rights mechanisms and events

¹¹ No baseline indicated due to the varying number of international engagements in any given year. The focus is on the quality of the feedback provided in statutory reporting

¹² Dependent on United Nations annual timeframes for reports which can be subject to change

Output 4: Human rights enquiries and complaints received are advanced and concluded within agreed timeframes and standards

| Objective | Measure | Baseline | How Measured? | 2020/21 Target |
|--|--|----------|-------------------------|----------------|
| Human rights are protected by providing an accessible, effective avenue for complaints about discrimination to be resolved | Customer satisfaction with the mediation process ¹³ | 75% | Online Survey | 75% |
| | Responsive and timely resolution of enquiries and complaints as measured by the percentage of complaints of unlawful discrimination closed within one year ¹⁴ | 80% | Statistical Measurement | 80% |

Output 5: 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 | How Measured? | 2020/21 Target |
|--|---|----------|-------------------------|----------------|
| Responsive and timely decision making | Percentage of applications decided within 4 months of receipt of the section 82 material from the Human Rights Commission, where applicable | 80% | Statistical Measurement | 80% |

¹³ Mediation customer satisfaction is measured by responses to an on-line survey which has a 5-point rating scale

¹⁴ The timeliness of resolution of complaints of unlawful discrimination closed within one year uses a rolling 12-month figure

Forecast Statement of Comprehensive Revenue and Expense

| | Actual 2018/19 \$000 | Estimated Actual 2019/20 \$000 | Forecast 2020/21 \$000 |
|--|----------------------------|---|------------------------------|
| Revenue | | | |
| Revenue from the Crown | 9,396 | 14,466 | 10,810 |
| Other revenue | 473 | 185 | 135 |
| Interest received | 82 | 96 | 90 |
| Total revenue | 9,951 | 14,747 | 11,035 |
| Expenses | | | |
| Personnel costs | 7,143 | 7,689 | 8,410 |
| Other expenses | 779 | 889 | 922 |
| Property costs | 607 | 623 | 755 |
| Projects and programmes | 1,042 | 3,343 | 909 |
| Travel costs | 403 | 456 | 420 |
| Depreciation and amortisation | 157 | 160 | 160 |
| Expenses | 10,131 | 13,160 | 11,576 |
| Operating surplus/(deficit) | (180) | 1,587 | (541) |
| Non-recurring costs | - | - | - |
| Net surplus/(deficit) after non-recurring costs | (180) | 1,587 | (541) |
| Other comprehensive revenue | - | - | - |
| Total comprehensive revenue and expense | (180) | 1,587 | (541) |

Forecast Statement of Financial Position

| | Actual 2018/19 \$000 | Estimated Actual 2019/20 \$000 | Forecast 2020/21 \$000 |
|--------------------------------------|----------------------------|---|------------------------------|
| Equity | | | |
| Accumulated funds | 1,497 | 3,084 | 2,543 |
| Total equity | 1,497 | 3,084 | 2,543 |
| Current assets | | | |
| Cash and cash equivalents | 550 | 462 | 450 |
| Term deposits | 1,000 | 2,750 | 2,000 |
| Receivables | 4 | 5 | 5 |
| Prepayments | 62 | 80 | 80 |
| Total current assets | 1,616 | 3,297 | 2,535 |
| Current liabilities | | | |
| Payables | 412 | 369 | 369 |
| GST payable | 112 | 135 | 135 |
| Employee entitlements | 280 | 366 | 140 |
| Total current liabilities | 804 | 870 | 644 |
| Working capital | 812 | 2,427 | 1,891 |
| Non-current assets | | | |
| Property, plant and equipment | 823 | 780 | 760 |
| Intangible assets | - | - | - |
| Total non-current assets | 823 | 780 | 760 |
| Non-current liabilities | | | |
| Payables | 40 | 20 | - |
| Employee entitlements | 98 | 103 | 108 |
| Total non-current liabilities | 138 | 123 | 108 |
| Net assets | 1,497 | 3,084 | 2,543 |

Forecast Statement of Changes in Equity

| | Actual 2018/19 \$000 | Estimated Actual 2019/20 \$000 | Forecast 2020/21 \$000 |
|---|----------------------------|---|------------------------------|
| Balance at 1 July | 1,677 | 1,497 | 3,084 |
| Total comprehensive revenue and expense | (180) | 1,587 | (541) |
| Balance at 30 June | 1,497 | 3,084 | 2,543 |

Forecast Statement of Cash Flows

| | Actual 2018/19 \$000 | Estimated Actual 2019/20 \$000 | Forecast 2020/21 \$000 |
|---|----------------------------|---|------------------------------|
| Cash flows from operating activities | | | |
| Receipts from the Crown | 9,396 | 14,466 | 10,810 |
| Receipts from other sources | 312 | 154 | 115 |
| Interest received | 116 | 99 | 90 |
| Payments to personnel | (5,766) | (8,813) | (7,539) |
| Payments to suppliers | (4,250) | (4,150) | (4,098) |
| Goods and services tax (net) | (23) | 23 | - |
| Net cash flow from operating activities | (215) | 1,779 | (622) |
| Cash flows from investing activities | | | |
| Maturity of term deposits | 2,500 | 1,000 | 2,750 |
| Sale of property, plant and equipment | - | 20 | 20 |
| Placement of term deposits | (1,800) | (2,750) | (1,500) |
| Purchase of property, plant and equipment | (60) | (137) | (160) |
| Purchase of intangible assets | - | - | - |
| Net cash flow from investing activities | 640 | (1,867) | 610 |
| Net increase/(decrease) in cash | 425 | (88) | (12) |
| Cash and cash equivalents at the beginning of the year | 125 | 550 | 462 |
| Cash and cash equivalents at the end of the year | 550 | 462 | 450 |

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 25 June 2020.¹⁵

Statement of Significant Underlying Assumptions

The forecast financial statements are based on the following assumptions:

Our functions will remain broadly the same as the previous year.

1. Extra Government funding will be received in line with Budget 2019 and allocated according to priorities identified through that process.
2. Equity will be used to fund operating deficits and provide for an asset replacement fund to replace assets as they wear out. Surplus cash held in equity will diminish accordingly.
3. 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.
4. We will continue to operate an office in Auckland, Wellington and Christchurch. Consideration will be given to whether the space available in our Wellington office is sufficient for our needs.
5. 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.
6. The forecast financial statements have been prepared based on actual events, transactions and financial results up to 29 February 2020 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 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.

¹⁵ Date of Board Approval

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 the Crimes of Torture Act 1989. 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, the Crimes of Torture Act 1989 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 are 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 liability and recognised as revenue when conditions of the grant are satisfied.

Project and programme costs

Costs, other than staffing costs, that are 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 recognised 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.

Term deposits

Term deposits include funds on deposit at banks with an original maturity of more than three months and are initially measured at the amount invested. Term deposits which will be recovered more than three but no more than twelve months after the reporting date are classified as current. Term deposits which will be recovered more than twelve months after the reporting date are classified as non-current and the amount expected to be recovered after more than twelve months is disclosed.

Receivables

Short-term receivables are recorded at the amount due, less an allowance for credit losses. The Commission applies the simplified expected credit loss model of recognising lifetime expected credit losses for receivables.

In measuring expected credit losses, short-term receivables have been assessed on a collective basis as they possess shared credit risk characteristics. They have been grouped based on the days past due.

Short-term receivables are written off when there is no reasonable expectation of recovery.

Indicators that there is no reasonable expectation of recovery include the debtor being in liquidation.

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 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 through a non-exchange transaction, it is recognised 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 recognised 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 | 2–12 years | 8.3–50% |
| 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 recognised 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 derecognised. The amortization charge for each financial year is recognised 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 | 3–5 years | 20–33% |
| 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 recognised 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 recognised in the surplus or deficit in the statement of comprehensive revenue and expense. The reversal of an impairment loss is also recognised 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 recognised 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 recognised 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 recognised 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 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 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 recognised 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.