



Human Rights Commission

Te Kāhui Tika Tangata

Statement of Performance Expectations

2019/20

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Introduction

The Human Rights 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.

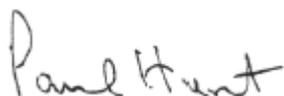
The Commission is accredited with "A" status by the United Nations (UN) Office of the High Commissioner for Human Rights and the Global Alliance of National Human Rights Institutions. The status is the highest recognition of independence that a national human rights institution can achieve and provides 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 provided to meet the statutory timeframe on reporting requirements in accordance with the Crown Entities Act 2004.

This 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

Output activities for 2019/20

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)

New Zealand has also indicated that it will implement the 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 in respect of individual complaints or disputes. Those functions are carried out by the Human Rights Review Tribunal¹ and the courts.

The strategy and direction of the Commission is informed by evidence-based human rights issues, its legislative framework, and its mandate and enablers. The strategy also takes into account the national and international human rights framework to which Aotearoa New Zealand has committed.

The Commission's ongoing work programme focuses on our ability to respond effectively to existing and emerging human rights issues, deliver on our core commitment to advocate for human rights and improve the realisation of human rights for all New Zealanders.

The New Zealand Government was formally reviewed at a Universal Periodic Review (UPR) Working Group session in January 2019. As a result of this process, 194 recommendations were

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.

issued by a wide variety of UN Member States. Many of the recommendations regarded long-standing human rights problems in New Zealand such as family violence, economic and social inequality (in particular child poverty) and structural discrimination.

A number of recommendations were made which reflect the advocacy efforts of the Commission and other submitters in these particular areas. These include recommendations on disability rights, SOGISC² rights, business and human rights, a national plan of action for UNDRIP and climate change.

The Commission will continue to advocate for the status of the Treaty of Waitangi; to eradicate family violence, discrimination and inequality; to close the gender pay gap; combat child poverty; and advance the rights to housing, health and education.

The rights of disabled people remain a focus area for the Commission. Existing legal provisions do not conform to international standards regarding reasonable accommodation and inclusive education, and disabled people remain socially and economically disadvantaged across a number of areas.

A national strategy is lacking to bring legislation and public policy in line with the provisions of UNDRIP. The Commission's work in indigenous rights and the Treaty space will continue to advocate for better outcomes for Māori.

The Government has a strong focus on improving the wellbeing of all New Zealanders. The Commission aims to give particular attention to three of the priority areas of the Government's wellbeing initiative, namely: lifting Māori and Pacific incomes, skills and opportunities; reducing child poverty and improving child wellbeing, including addressing family violence; and supporting mental wellbeing for all New Zealanders.

The Commission's focus on addressing discrimination, inequalities and equal opportunities for all people contributes positively to the well-being of all New Zealanders. Our work programmes are directed at improving outcomes and reducing inequalities across a range of key indicators for Māori, Pacific people, children, women, disabled people, migrants and refugees, older people, the SOGISC community, victims of family violence and those living in marginalised

² Sexual orientation, gender identity, and sex characteristics

communities.

Reducing family violence is a priority for Government. The Commission plays an active role in contributing to this reduction. It does this by advocating for legislative change and promoting workplace family violence policies and anti-bullying activities that support all New Zealanders to live safe, violence free lives.

Promoting and advocating for opportunities for employment, full inclusion and meaningful community participation by all people in New Zealand is a key component of enhancing mental and physical wellbeing and is well-covered by the Commission's work programmes.

Improving basic living standards, in conjunction with reducing discrimination and social isolation, are important factors in addressing mental illness and distress and they contribute positively to overall wellbeing of individuals and help promote healthy communities.

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.

The March 2018 review by the UN Committee on the Covenant on Economic, Social and Cultural Rights (ICESCR) identified a significant number of issues and areas that need to be addressed by the State, and which already inform the Commission's ongoing work plans and focus areas. These include the State's legislative compliance with international human rights obligations, addressing discrimination, gender equality and women's rights, as well as addressing violence across all sectors.

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.

Human Rights Commission's Strategic Framework

Our Vision: A fair and dignified life for everyone in Aotearoa New Zealand that is free from inequalities, violence and discrimination

Outcomes we seek

- A safe, harmonious, equitable society
- The human rights of everyone in Aotearoa New Zealand are respected, protected and fulfilled

The impacts we intend to have

- Our communities are free from inequality and discrimination
- Government, decision makers and the New Zealand public understand, uphold and respect human rights

Measuring our impacts

- The New Zealand public becomes increasingly informed and educated on human rights issues, including those facing marginalised groups
- We promote, monitor and report on the Government's compliance with international human rights obligations
- Human rights are protected by providing an accessible, effective avenue for complaints about discrimination to be heard and resolved

How we deliver

- 1 Human rights education, promotion, and advocacy programmes that are delivered effectively
- 2 Promotion of human rights through legal interventions in courts and tribunals
- 3 Recommending, monitoring and reporting on human rights standards to Government, civil society and business
- 4 Human rights enquiries and complaints received are advanced and concluded within agreed timeframes and standards
- 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 professional standards.

Summary of Output and Output Expenses for 2019/20

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

Forecast output expenditure	2019/20
Output Class – Services from the Human Rights Commission	
Output area – On-going activities³	\$12.883m
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 – Complaints of unlawful discrimination	
Output 4: Responding to, and resolving, complaints of unlawful discrimination	\$1.721m
Output area – Legal representation and proceedings	
Output 5: Providing legal representation and bringing proceedings	\$0.685m
Total forecast output expenditure	\$15.289m
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Forecast revenue	
Crown revenue	\$14.466m
Other revenue	\$0.196m
Interest revenue	\$0.90m
Total forecast revenue	\$14.752m
Surplus to (deficit from) current equity	(\$0.538m)

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

Forecast Service Performance 2019/20

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?	2019/20 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 subscribers of online human rights learning modules	Baseline to be established	Statistical measurement	-
	*The number of engagements per social media post	20,000 ⁴	Statistical measurement of website and social media platforms	20,000
	*Feedback received from stakeholders on key ⁵ external events held	New Measure	Stakeholder surveys	70% ⁶ of feedback received from participants has a positive rating
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% ⁷ of feedback received from participants has a positive rating

⁴ This metric measures the number of engagements on all HRC social media posts per month

⁵ Relates to externally directed activities that are led by HRC, i.e. workshops, events, inquiries undertaken, or campaigns initiated

⁶ Feedback is measured through rating metrics

⁷ Feedback is measured through rating metrics

Objective	Measure	Baseline	How Measured?	2019/20 Target
Building on previous campaigns and engagement with the public in discussions on anti-racism and discrimination, to challenge racist attitudes and discriminatory practices.	The number of workshops/forums held with relevant community groups	70% of feedback received from the community confirm that they found the engagement a valuable experience	Evaluation surveys	At least five relevant community engagements
	Baseline survey completed to identify attitudes to discrimination, racism 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?	2019/20 Target
Legal interventions to promote human rights	Number of legal interventions ⁸ the Commission engages in related to significant human rights matters	No baseline ⁹	Number of interventions recorded	At least 2 standing legal interventions per year ¹⁰

⁸ 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

⁹ No baseline indicated due to legal proceedings concluding and the Commission's input ending

¹⁰ 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?	2019/20 Target
Monitoring and analysing progress in improving equal employment opportunities in New Zealand and reporting on the outcomes	Crown Entities achieve 90% compliance with the good employer measures ¹¹	90%	Analysis of Crown Entity Annual reports	92%
Coordination of CRPD, EMRIP/UNDRIP ¹² 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
NPA monitors the Government's actions to address UPR and other international treaty recommendations ¹³	Number of updates to the NPA to reflect changes to actions ¹⁴		Number of updates made	Twice a year ¹⁵
	*Effectiveness of NPA: Review of current NPA model and tool ¹⁶		New model and tool developed	Development of new NPA model/monitoring tool

¹¹ Relates to Crown entities who are progressing towards 100% 'Good Employer' compliance. This is measured annually.

¹² 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.

¹³ The NPA monitors the Government's actions on the recommendations it has accepted from UPR reviews. The Commission works with Government and civil society to successfully address the identified issues and monitors progress

¹⁴ New UPR cycle has commenced and as the NPA updates are reliant upon Government response, it may only be possible to provide one update this year

¹⁵ HRC aims to update NPA in March and September every year

¹⁶ In 2019/20 the Commission will review and amend the current NPA model and online tool to enhance its use and functionality

Objective	Measure	Baseline	How Measured?	2019/20 Target
Making contributions to the advancement of human rights through international engagement and activities ¹⁷	*Contributing to international ¹⁸ human rights engagements and activities ¹⁹	No baseline ²⁰	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	Achieved ²¹	Reports completed and submitted	CRPD IMM monitoring report completed ²²

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

Objective	Measure	Baseline	How Measured?	2019/20 Target
Human rights are protected by providing an accessible, effective avenue for complaints about discrimination to be resolved	Customer satisfaction with the mediation process ²³	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 ²⁴	80%	Statistical Measurement	80%

¹⁷ The Commission participates in several international commitments and engagements which aim to progress human rights, not only domestically but also internationally

¹⁸ May include domestic activities which contribute towards the goal or outcome

¹⁹ 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

²⁰ 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

²¹ Dependent on United Nations annual timeframes for reports which can be subject to change

²² Report completed by CRPD IMM of which HRC is a member

²³ Mediation customer satisfaction is measured by responses to an on-line survey which has a 5-point rating scale

²⁴ The timeliness of resolution of complaints of unlawful discrimination closed within one year uses a rolling 12-month figure

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?	2019/20 Target
Responsive and timely decision making	Percentage of applications decided within 4 months	80%	Statistical Measurement	80%

Forecast Statement of Comprehensive Revenue and Expense

	Actual	Estimated Actual	Budget
	2017/18	2018/19	2019/20
	\$000s	\$000s	\$000s
Revenue			
Revenue from the Crown	9,696	9,396	14,466
Other revenue	281	475	196
Interest received	108	82	90
Total revenue	10,085	9,953	14,752
Expenses			
Personnel costs	7,325	7,036	8,204
Travel costs	552	400	423
Property costs	592	619	631
Other expenses	903	767	1,124
Projects and programmes	610	852	4,645
Depreciation and amortisation	154	158	164
Expenses	10,136	9,832	15,192
Operating surplus/(deficit)	(51)	(121)	(440)
Non-recurring costs		199	97
Net surplus/(deficit)	(51)	(78)	(538)
Other comprehensive revenue	-	-	-
Total comprehensive revenue and expense	(51)	(78)	(538)

Forecast Statement of Financial Position

	Actual 2017/18 \$000s	Estimated Actual 2018/19 \$000s	Budget 2019/20 \$000s
Equity			
Accumulated funds	1,677	1,599	1,061
Total equity	1,677	1,599	1,061
Current assets			
Cash and cash equivalents	125	578	386
Term deposits	1,700	1,000	750
Receivables	70	38	43
Prepayments	118	118	118
Total current assets	2,013	1,734	1,297
Current liabilities			
Payables	617	282	283
GST payable	135	135	135
Employee entitlements	359	412	413
Total current liabilities	1,111	829	831
Working capital	902	905	466
Non-current assets			
Property, plant and equipment	919	820	702
Intangible assets	1	-	-
Total non-current assets	920	820	702

Non-current liabilities			
Payables	60	41	22
Employee entitlements	85	85	85
Total non-current liabilities	145	126	107
Net assets	1,677	1,599	1,061

Forecast Statement of Changes in Equity

	Actual	Estimated	Budget
	2017/18	Actual	2019/20
	\$000s	2018/19	\$000s
		\$000s	
Balance at 1 July	1,728	1,677	1,599
Total comprehensive revenue and expense	(51)	(78)	(538)
Balance at 30 June	1,677	1,599	1,061

Forecast Statement of Cash Flows

	Actual	Estimated Actual	Budget
	2017/18	2018/19	2019/20
	\$000s	\$000s	\$000s
Cash flows from operating activities			
Receipts from the Crown	9,696	9,231	14,466
Receipts from other sources	431	456	177
Interest received	88	114	85
Payments to personnel	(6,230)	(6,983)	(8,203)
Payments to suppliers	(4,098)	(3,015)	(6,920)
Goods and services tax (net)	(24)	-	-
Net cash flow from operating activities	(89)	(198)	(395)
Cash flows from investing activities			
Maturity of term deposits	3,190	1,700	1,000
Sale of property, plant and equipment	10	-	-
Placement of term deposits	(3,250)	(1,000)	(750)
Purchase of property, plant and equipment	(96)	(49)	(47)
Purchase of intangible assets	-	-	-
Net cash flow from investing activities	(146)	651	203
Net increase/(decrease) in cash	(235)	453	(192)
Cash and cash equivalents at the beginning of the year	360	125	578
Cash and cash equivalents at the end of the year	125	578	386

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 28 June 2019.

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. Extra Government funding will be received in line with Budget 2019 and allocated according to priorities identified through the Budget 2019 process.
3. Equity will be used to fund operating deficits in 2018/19 and 2019/20 and provide for an asset replacement fund to replace assets as they wear out. Surplus cash held in equity will have largely diminished by 30 June 2020.
4. Staff numbers will increase during the period in response to extra Government funding received.
5. We will continue to operate an office in Auckland, Wellington and Christchurch and existing office accommodation will be sufficient for our needs, allowing for minor refurbishment activities to accommodate an increase in staff.
6. 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.
7. By 31 October 2019 the Commission will have implemented, to the best of its ability, the recommendations of the Ministerial Review undertaken by retired Judge Shaw in 2018. Implementation costs will be met within the allowance made for them.

The forecast financial statements have been prepared based on actual events, transactions and financial results up to 31 May 2019 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.

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.

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 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	2–12 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 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	3-5 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 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 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 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.