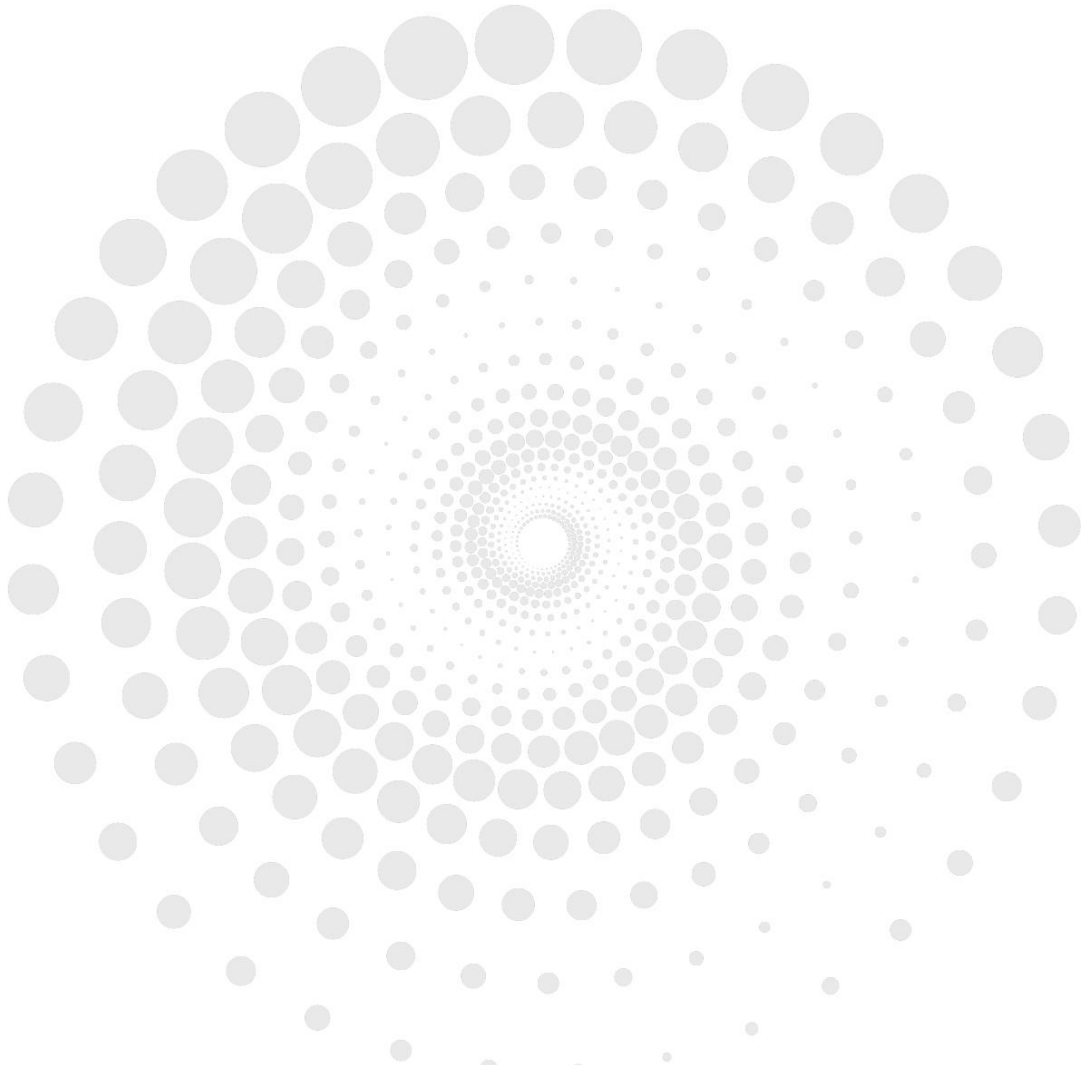




**Commission for
Financial Capability**
Building wealthy lives

Statement of Performance Expectations

for the financial year ending 30 June 2016



Presented to the House of Representatives by the Retirement Commissioner pursuant to section 149 of the Crown Entities Act 2004.

The Retirement Commissioner is an autonomous Crown entity under the Crown Entities Act 2004, with its role established under the New Zealand Superannuation and Retirement Income Act 2001.

The Commission for Financial Capability is the office of the Retirement Commissioner.



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Overview

This annual Statement of Performance Expectations details the Commission's:

- Statement of performance expectations*
 - Annual forecast financial statements*
-

2014/15 was a big year for the Commission. We signalled a greater focus on sustainable behaviour change amongst low income and vulnerable New Zealanders, and amongst Maori and Pacific communities. We are here for the retirees of tomorrow as well as retirees of today, and much of our work is about improving the way people manage money across a lifetime.

The new name, reflecting our shift from the academic sounding financial 'literacy' to a more pragmatic and accessible 'capability' has been well received. Our new website aims to go far beyond an archiving and information platform to become a channel for behaviour change, with multimedia content, news, and interviews. We know that sometimes people come to us, but that we also need to go to them, and the Commission now has in-house resource to build content which will appear across other high traffic online channels. That content aims to translate the dry and the unpalatable into stories and messages that are simple, entertaining and compelling.

The first wave of pilot programmes in workplaces and communities have been evaluated, we understand more about what's working and what's not, and we've fine-tuned the content, format and delivery. The work underway now is the national roll out of those programmes, region by region, using our network of trained, affiliated and audited facilitators, who will have access to a dedicated intranet. The management of training and audit processes for the network now has a dedicated resource within our team.

We have evaluated and learnt from our pilot in schools north of Auckland and we are rolling out the cluster model in South Auckland, as well as building a base of proven resources available online for use by all teachers.

As promised, technology is playing a bigger role in delivering scale and timely interactions with New Zealanders.

Work is underway to evolve the Sorted website model into something more tailored and personalised, reflecting the changing expectations of our users and potential users. The bare minimum for Sorted is providing information, but the midterm goal is driving behaviour change through gamification, avatars and targeted, bespoke messaging at critical moments, available across all devices and platforms.

We now have a dedicated team looking at the needs of New Zealanders 50 plus, with a work programme that includes decumulation, the ageing workforce, investor education and retirement villages.

And finally our research outputs will start to look a little different. We will make our starting point the things we know, such as the different levels of financial capability across ethnicity and gender, and focus on gaining a better understanding of why those differences exist and how we can close the gap.

Statement of Responsibility

The Retirement Commissioner is an autonomous Crown entity under the Crown Entities Act 2004, with its role established under the New Zealand Superannuation and Retirement Income Act 2001. The Commission for Financial Capability is the office of the Retirement Commissioner.

The Commission for Financial Capability is the office of the Retirement Commissioner, an autonomous Crown entity.

To more accurately reflect the work it does, and to better engage with key stakeholders, the Commission changed its name from the Commission for Financial Literacy and Retirement Income to the Commission for Financial Capability in December 2014.

As Retirement Commissioner, I am responsible for the preparation of this Statement of Performance Expectations and forecast financial statements, including the assumptions on which the financial statements are based. I acknowledge responsibility for establishing and maintaining a system of internal control designed to provide reasonable assurance as to the integrity and reliability of financial reporting.

The forecast financial statements of the Commission have been prepared in accordance with the requirements of the Crown Entities Act 2004, which includes the requirement to comply with New Zealand generally accepted accounting practice (NZ GAAP). The forecast financial statements have been prepared in accordance with Tier 2 PBE Standards Reduced Disclosure Regime. The Commission qualifies for Tier 2 reporting as it is not publicly accountable and has expenses greater than \$2m but less than \$30m. The forecast financial statements are the first financial statements presented in accordance with the new PBE accounting standards.

The forecast financial statements have been developed for the purpose of presenting the Commission's intentions in Parliament, and should not be relied upon by any other party for any alternative purpose without the express written permission of the Commission. Actual results are likely to be different from the forecast financial statements, and any variation may be material.

I am of the opinion that the forecast financial statements fairly reflect the expected financial position and operations of the Commission for the year ending 30 June 2016.

I have authorised the issue of the Statement of Performance Expectations, including the forecast financial statements, on this day 1 May 2015.

Consultation and Reporting to the Responsible Minister

The Retirement Commissioner received a Letter of Expectations 2015/16 from the Minister of Commerce, setting out details of the way in which the Commission will continue to consult and report on the Government's ownership interests in the Commission. The Minister will be provided with an annual report as required by the Crown Entities Act 2004, and quarterly reports outlining the Commission's performance against this Statement of Performance Expectations. We will continue to work with the Minister on a 'no surprises' basis and raise issues at the earliest opportunity rather than waiting for formal reporting to be done. We will continue to brief the Minister on significant publications and releases.

Reportable Classes of Outputs

The Commission's reportable outputs fall into three classes:

- Financial Capability
- Retirement Income
- Retirement Villages

These outputs are directly funded by the Crown under:

- Vote Business, Science and Innovation (BSI) – Non-Departmental Appropriations – Commerce and Consumer Affairs: Retirement Commissioner

Non-reportable Classes of Outputs

There are no non-reportable classes of outputs in the Statement of Performance Expectations, and no output classes are granted exemption by the Minister of Finance.



Diane Maxwell

Retirement Commissioner



Output Classes and Outputs

Financial Capability

In the financial capability output class our focus is on:

- **Driving behaviour change**
 The Commission focuses on driving sustainable and enduring behaviour change, helping the financially vulnerable become financially capable.
- **Raising awareness of the value of financial capability**
 Financial capability is an essential life skill. Improving New Zealanders' ability to manage their money across a lifetime gives individuals greater financial certainty and freedom. It helps to reduce hardship among families and creates resilient communities and a more prosperous and productive economy.
- **Extending reach**
 The Commission operates as a strategic centre, test hub and thought leader. We build and evaluate programmes tailored for different sectors, and engage with stakeholders across New Zealand to execute nationally. We also reach a broader base of New Zealanders through multiple platforms such as cfc.org.nz, sorted.org.nz, Money Week and media partnerships.
- **Improving financial capability learning experiences**
 Our children and our grandchildren will face new challenges in their retirement as the population ages and the world around them changes. The Commission's work seeks to equip people from an early age with the skills and confidence to navigate through a lifetime of financial choices, ask the right questions and be on the winning side of their decisions, so that they reach retirement in good financial shape.

Measures

This table shows how we will measure our financial capability outputs.

Focus areas				Commission deliverable	Measure/indicator
Driving behaviour change	Raising awareness of the value of financial capability	Extending reach	Improving financial capability learning experiences		
✓	✓	✓	✓	Lead the new National Strategy for Financial Capability and associated action plan.	<p>A digital hub for the National Strategy is launched to facilitate stakeholder engagement and to capture, aggregate and share programmes, outcomes and learnings.</p> <p>A programme of regular stakeholder activation and support is implemented to support National Strategy outcomes.</p>

Focus areas				Commission deliverable	Measure/indicator
Driving behaviour change	Raising awareness of the value of financial capability	Extending reach	Improving financial capability learning experiences		
✓	✓	✓	✓	Lead cross government collaboration in the area of financial capability and so drive greater efficiencies and collaboration which will: reduce hardship, build economic participation and strengthen families.	Actively support the development and launch of a government statement on financial capability. Develop and lead a cross government group on financial capability to coordinate and drive initiatives.
✓	✓	✓	✓	Develop a national network of trained and affiliated facilitators who can competently deliver the Commission's programmes in the community and workplace, delivering scalability for successful pilots.	A network of at least 45 affiliated and trained facilitators is established. Certification of facilitators and established audit processes for quality assurance.
✓	✓	✓	✓	Coordinate an annual national Money Week with key stakeholders.	Quality engagement with Money Week continues to grow, with increased support from community, finance and government sectors and growth in campaign metrics (e.g. numbers of events, organisations involved, media coverage etc.).
✓	✓	✓	✓	Provide investor education.	Development of a co-branded series of investor seminars and video clips in association with the NZX. CFFC and FMA continue to collaborate on the scoping and build of an investor portal. CFFC and FMA complete their research collaboration and use the findings to develop further materials for investors. Complete the KiwiSaver HomeStart roadshow in collaboration with MBIE.

Focus areas				Commission deliverable	Measure/indicator
Driving behaviour change	Raising awareness of the value of financial capability	Extending reach	Improving financial capability learning experiences		
✓	✓	✓	✓	Evolve the Sorted platform to build greater one on one and tailored engagement and so drive behaviour change.	<p>Development of an evolved model for Sorted that draws on best practise relationship marketing techniques.</p> <p>Develop Sorted to increase its reach and deliver improved responses to mobile devices, and to support the sharing of tools across a number of platforms and channels.</p> <p>Implementation of CRM (customer relationship management) tools to build data driven relationships and behaviour change amongst users.</p>
✓	✓	✓	✓	Develop and deliver a programme of professional learning for teachers so that schools can provide financial capability education for more learners.	<p>Successful Upper Harbour pilot continues into its second year, and evolves based on learnings from evaluation.</p> <p>Identifying and establishing a South Auckland cluster based on Upper Harbour pilot but tailored to educational setting of 8 new participant schools.</p> <p>Build scale by curating the teaching and learning resources drawn from each pilot to be shared nationally.</p>
✓	✓	✓	✓	Support and facilitate the Partner Working Group of He Kai Kei Aku Ringa Goal 3 to grow financial capability and savings.	Manage the completion of 3 projects designed to embed financial capability through whanau, marae and land trusts/incorporations.

Focus areas				Commission deliverable	Measure/indicator
Driving behaviour change	Raising awareness of the value of financial capability	Extending reach	Improving financial capability learning experiences		
✓	✓	✓	✓	Formalise the community development framework to support outcomes for priority groups including low income New Zealanders, and maori and pacific communities.	Execute the community development strategy, providing a holistic framework for existing and future financial capability projects in the community.
✓	✓	✓	✓	Pilot new programmes in the workplace, school and community and scale up/roll out existing programmes that have been evaluated.	Continue to roll out existing partnerships nationally, including at least five new regions. Establish and embed at least five new workplace and community partnerships. Take to execution nationally the government organisation (NZDF) financial capability programme. Deploy the new national network of facilitators, and continue (where appropriate) evaluations to inform future programme development.
✓	✓	✓	✓	Lead and drive 'The Exchange', a finance sector consortium.	Continued support from 'The Exchange' for the national roll out of workplace and community programmes. Support for the 2015 CFFC summit and the 2016 OECD summit.
✓	✓	✓	✓	Active participation in the development of OECD policy and measurement tools.	Financial capability core competency framework for youth available for sharing internationally by August 2015, adult framework to follow.

Retirement Income

In the retirement income output class our focus is on:

- **Raising awareness of retirement income policy issues**
 The Commission continues to drive awareness and discussion of the issues, and provides robust policy advice to meet complex demographic challenges.
- **Monitoring and reporting on the effects and effectiveness of retirement income policies**
 The Commission’s focus is on retirees of today – and of the future – operating as a research hub that offers thought leadership but also understands/reflects the views and perceptions of the broader population.
- **Encouraging New Zealanders to actively plan for their retirement**
 Planning for retirement requires people to think long term and defer (some) spend today in favour of tomorrow. There are many social influences and trends that make that a challenging task. Yet ultimately, good retirement planning and smart decisions throughout life will mean New Zealanders are more likely to reach retirement in good financial shape.

Measures

This table shows how we will measure our retirement income outputs.

Focus areas			Commission deliverable	Measure/indicator
Raising awareness of retirement income policy issues	Monitoring and reporting on the effectiveness of retirement income policies	Encouraging New Zealanders to actively plan for their retirement		
✓	✓	✓	Review the effects and effectiveness of retirement income policies as required by section 83 of the Superannuation and Retirement Income Act 2001 (amended 2005).	Publicly available content outlining key aspects of retirement income policy and financial capability. An interactive, web based survey of public awareness of retirement income policies. At least three public forums on key retirement related issues. Ongoing partnerships with key stakeholders to deliver further reach (media, RPRC etc.).

Focus areas			Commission deliverable	Measure/indicator
Raising awareness of retirement income policy issues	Monitoring and reporting on the effectiveness of retirement income policies	Encouraging New Zealanders to actively plan for their retirement		
✓	✓	✓	Design and implement a programme of communication with stakeholders, including the public, about retirement income issues.	<p>Seemingly complex issues are translated into stories and more easily understood language and concepts.</p> <p>Awareness of the ageing population/changing demographics grows amongst a broader group including younger New Zealanders. That awareness leads to more informed discussion and understanding.</p> <p>Media coverage includes mainstream broadcast media plus successful use of social media.</p>
✓	✓	✓	Focus on New Zealanders 50 Plus.	<p>Development of further content for New Zealanders on the 3 stages of Retirement.</p> <p>Commission and media activity that continues to bring these stages to life and generates discussion and celebration of older New Zealanders.</p> <p>Complete research giving a more in depth understanding of people's views on retirement funding challenges. Continue to develop and deliver a range of resources based on the research insights.</p> <p>Complete the review of annuities and decumulation started in 2015, report to Government on recommendations. Continue to drive awareness of the decumulation issue.</p>

Retirement Villages

Our work in this class fulfils the Retirement Commissioner's functions as specified in the retirement villages legislation.

- **Administering the Retirement Villages Act disputes process**

The first function is to administer the disputes process, which includes checking and holding documentation, providing an approved group of panellists and providing information about the process to both residents and operators.

- **Monitoring the provisions of the Retirement Villages Act**

The second function is to monitor the effects of the Retirement Villages Act, Codes and Regulations. Three monitoring reports on specific parts of the sector have been completed since 2009.

- **Informing intending and existing residents of their rights and responsibilities**

We also provide information and education to the sector.

Measures

This table shows how we will measure our retirement village outputs.

Focus areas			Commission deliverable	Measure/indicator
Administer the Retirements Villages Act disputes process	Monitoring the provisions of the Retirement Villages Act	Informing intending and existing residents of their rights and responsibilities		
✓	✓		Provide advice and comprehensive recommendations to the Minister for Building and Construction as required by the Retirement Villages Act relating to monitoring and code of practice functions.	A monitoring report on the disputes process is delivered and accepted by the Retirement Commissioner. The Minister is satisfied with the quality of Retirement Commissioner's advice or recommendations provided on any draft codes of practice.
		✓	Survey intending and existing residents of retirement villages to determine their information needs.	The survey provides sufficient information to enable the development of a targeted and effective advice, education and information plan.
✓	✓		Administer disputes and provide information effectively.	Those participating in the disputes process are correctly informed about, and follow, the legislated process.

Focus areas			Commission deliverable	Measure/indicator
Administer the Retirements Villages Act disputes process	Monitoring the provisions of the Retirement Villages Act	Informing intending and existing residents of their rights and responsibilities		
		✓	Run (trial) face to face seminars to assist prospective New Zealanders seeking information on Retirement Villages.	70% of attendees via feedback/evaluation forms state that the seminars were good or very good.
		✓	The transition of information and education activities from MBIE to the Commission of Financial Capability and establishment of a new 0800 information line.	Utilise feedback channels from members of the public seeking these services – with 70% rating the support and assistance as good or very good.
		✓	The development of a Retirement Village Strategy from engagement with stakeholders to appropriate resources and support.	A forward looking 3 year strategy for approval by the Commissioner is completed by August 2015.

Forecast Financial Statements

All figures exclude GST.

Summary of Output Revenue and Costs

Output category	2015–16 Revenue \$0.000M	2015–16 Cost \$0.000M
Financial Capability	5.017	5.079
Retirement Income	0.635	0.635
Retirement Villages	0.215	0.295
Total	5.867	6.009

Indicative application of revenue and costs only. The Retirement Commissioner has a single appropriation.

Note: The net comprehensive deficit forecast for 2015–16 of \$142,273 is primarily due to the non-cash impact of amortisation of intangible assets and depreciation of property, plant and equipment. Consistent with prior years the Commission has funded this deficit and ongoing capital investment with internal funding and is forecasting a further reduction in its closing cash balance to \$339,060 at 30 June 2016.

Forecast Statement of Comprehensive Revenue and Expenses

FOR THE YEAR ENDED 30 JUNE

	2015-16
	\$
<i>Revenue</i>	
Revenue from Crown	5,820,500
Other revenue	16,000
Interest revenue	30,000
Total revenue	5,866,500
<i>Expenditure</i>	
Remuneration to auditors	20,000
Personnel costs	3,012,145
Depreciation	61,965
Amortisation	263,257
Property expenses	219,751
Leasing	18,000
Other operating costs	450,960
Advice and research	187,600
Retirement villages	190,800
Marketing and communications	903,000
Review of retirement income policies	120,000
Education	561,295
Total expenditure	6,008,773
<i>Net comprehensive income/(deficit)</i>	<i>(142,273)</i>

Forecast Statement of Changes in Equity

FOR THE YEAR ENDED 30 JUNE

	2015-16
	\$
<i>Public equity at beginning of year</i>	
Taxpayer funds	200,000
Retained earnings	735,298
Net comprehensive income	(142,273)
<i>Public equity at end of year</i>	
Taxpayer funds	200,000
Retained earnings	593,025
	793,025

Forecast Statement of Financial Position

AS AT 30 JUNE

	2015-16
	\$
Total current assets	412,945
Total non-current assets	699,802
Total assets	1,112,747
Total current liabilities	319,722
Total non-current liabilities	-
Total public equity	793,025
<i>Total public equity and liabilities</i>	1,112,747

Forecast Statement of Cash Flows

FOR THE YEAR ENDED 30 JUNE

	2015-16
	\$
<hr/>	
<i>Cash flows from operating activities</i>	
Cash will be provided from:	
Receipts from Crown revenue	5,605,500
Receipts from retirement villages industry levy	215,000
Receipts from other income	16,000
Interest received	30,000
Net GST paid	23,565
	<hr/> 5,890,065
Cash will be applied to:	
Payments to suppliers and employees	(6,630,730)
<i>Net cash flows from operating activities</i>	<hr/> (740,665)
<i>Cash flows from investing activities</i>	
Cash will be applied to:	
Purchase of property, plant and equipment	(60,000)
Purchase of intangible assets	(240,000)
<i>Net cash flows from investing activities</i>	<hr/> (300,000)
Net increase/(decrease) in cash held	(1,040,665)
Plus cash at the start of the year	1,379,725
<i>Cash held at the end of the year</i>	<hr/> 339,060

Statement of Underlying Accounting Assumptions

Significant Assumption

The opening position of the forecast statements is based on unaudited results for 2014–15. The actual results for April to June 2015 are unavailable; therefore, the balance as at 30 June 2015 has been estimated using April to June 2015 forecast figures.

Other Assumptions

The accrual basis of accounting has been used in the preparation of these forecast financial statements.

The budget reflects a staffing level of 24.2 FTEs to meet the work programme.

There is a risk that these events and the associated income and expenditure do not occur.

Nature of Forecast Financial Statements

The forecast financial statements have been prepared as a best efforts indication of the Commission's future financial performance. Actual financial results achieved for the period covered are likely to vary from the information presented, potentially in a material manner.

Statement of Significant Accounting Policies

Reporting Entity

The Retirement Commissioner was appointed under the Retirement Income Act 1993 and confirmed under the amended New Zealand Superannuation and Retirement Income Act 2001.

The Commission for Financial Capability is a Crown Entity defined by the Crown Entities Act 2004, and is domiciled in New Zealand. As such, the Commission's ultimate parent is the New Zealand Crown.

The principal activity of the Commission is to help New Zealanders prepare financially for their retirement through the improvement of financial capability. The primary objective is to provide public services to the New Zealand public, as opposed to that of making a financial return.

Accordingly the Commission has designated itself as a public benefit entity (PBE) for the purpose of New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS).

Basis of Preparation

Statement of compliance

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

The financial statements have been prepared in accordance with Tier 2 PBE Standards Reduced Disclosure Regime. The Commission qualifies for Tier 2 reporting as it is not publicly accountable and has expenses greater than \$2m but less than \$30m.

These financial statements are the Commission's first financial statements presented in accordance with the new PBE accounting standards.

Measurement base

The financial statements have been prepared on a historical cost basis.

Functional and presentation currency

The functional currency of the Commission is New Zealand dollars. The forecast financial statements are presented in New Zealand dollars and all values are rounded to the nearest dollar.

Significant accounting policies

The following accounting policies, which materially affect the measurement of the forecast financial performance and financial position, have been applied.

Revenue

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

Revenue from the Crown

The Commission is primarily funded through revenue received from the Crown, which is restricted in its use for the purpose of the Commission meeting its objectives as specified in the statement of intent.

Revenue from the Crown is recognised as revenue when earned and is reported in the financial period to which it relates.

Other revenue

Revenue may also be obtained from the private sector.

Interest

Interest revenue is recognised using the effective interest method.

Operating leases

Leases that do not transfer substantially all the risks and rewards incidental to ownership of an asset to the Commission are classified as operating leases. Lease payments under an operating lease are recognised as an expense on a straight-line basis over the term of the lease in the forecast statement of comprehensive revenue and expenses.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, cash in banks and other short-term, highly liquid investments with original maturities of three months or less.

Debtors and other receivables

Debtors and other receivables, comprising trade debtors and accrued interest, are recognised initially at fair value and subsequently measured at amortised cost, less provision for impairment.

Property, plant and equipment

Property, plant and equipment asset classes consist of office equipment, furniture and fittings, computer equipment and leasehold improvements.

Property, plant and equipment are shown at cost or valuation, less any accumulated depreciation and impairment losses.

Additions

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

If an asset is acquired at no cost, or for a nominal cost, it is recognised at fair value when control over the asset is obtained.

Disposals

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount of the asset.

Gains and losses on disposals are included in the forecast statement of comprehensive revenue and expenses.

Subsequent costs

Costs incurred subsequent to initial acquisition are capitalised only when it is probable that future economic benefits or service potential associated with the item will flow to the Commission and the cost of the item can be measured reliably.

The costs of day-to-day servicing of property, plant and equipment are recognised as an expense in the forecast statement of comprehensive revenue and expenses as they are incurred.

Depreciation

Depreciation is calculated on a straight-line basis on property, plant and equipment once in the location and condition necessary for its intended use so as to write off the cost or valuation of the property, plant and equipment over their expected useful life to their estimated residual value.

The following estimated useful lives and rates are used in the calculation of depreciation:

Office equipment	3–12 years	8.4%–30.0%
Furniture and fittings	3–12 years	8.4%–30.0%
Computer equipment	2–5 years	21.6%–50.0%
Leasehold improvements	5–15 years	7.0%–20.0%

Intangible assets

Software acquisition

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

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

Software is a finite life intangible and is recorded at cost less accumulated amortisation and impairment.

Website development

Costs that are directly associated with interactive aspects of the Sorted website are capitalised on an annual basis.

Costs associated with the development of the new Sorted website are capitalised.

Costs associated with maintaining and advertising the Commission's and Sorted websites are recognised as an expense in the forecast statement of comprehensive revenue and expenses as incurred.

Amortisation

Amortisation is charged on a straight-line basis over the estimated useful life of the intangible asset.

The following estimated useful lives and rates are used in the calculation of amortisation:

Software	2–3 years	30.0%–48.0%
Website	2.5 years	40.0%

Impairment

Property, plant and equipment and intangible assets that have a finite useful life are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

Value in use is depreciated replacement cost for an asset where the future economic benefits or service potential of the asset are not primarily dependent on the asset's ability to generate net cash inflows and where the Commission would, if deprived of the asset, replace its remaining future economic benefits or service potential.

If an asset's carrying amount exceeds its recoverable amount, the asset is impaired and the carrying amount is written down to the recoverable amount. The impairment loss is recognised as an expense in the forecast statement of comprehensive revenue and expenses.

Income tax

The Commission is a public authority and consequently is exempt from the payment of income tax. Accordingly, no charge for income tax has been provided for.

Creditors and other payables

Creditors and other payables, comprising trade creditors and other accounts payable, are recognised when the Commission becomes obliged to make future payments resulting from the purchase of goods and services.

Employee entitlements

Provisions made in respect of employee benefits expected to be settled within 12 months of reporting date are measured at the best estimate of the consideration required to settle the obligation using the current remuneration rate expected.

These include salaries and wages accrued up to balance date and annual leave earned but not yet taken at balance date.

The Commission recognises a liability and an expense for bonuses if it is contractually obliged to pay them, or if there is a past practice that has created a constructive obligation.

Sick leave has been assessed in accordance with NZ IFRS and no liability was determined. The Commission will continue to assess this annually.

Superannuation schemes

Obligations for contributions to KiwiSaver and the State Sector Retirement Savings Scheme are accounted for as defined contribution superannuation scheme contributions and are recognised as an expense in the statement of comprehensive revenue and expenses as incurred.

Goods and services tax (GST)

All items in the forecast financial statements are presented exclusive of GST, except for receivables and payables, which are presented on a GST-inclusive basis. If GST is not recoverable as input tax then it is recognised as part of the related asset or expense.

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

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

Commitments and contingencies are disclosed exclusive of GST.

Statement of cash flows

The forecast statement of cash flows is prepared exclusive of GST, which is consistent with the method used in the forecast statement of comprehensive revenue and expenses.

Definitions of the terms used in the forecast statement of cash flows are:

- *Cash* includes coins and notes, demand deposits and other highly liquid investments readily convertible into cash, and includes at-call borrowings such as bank overdrafts, used by the Commission as part of its day-to-day cash management.
- *Investing activities* are those activities relating to the acquisition and disposal of current and non-current investments and any other non-current assets.
- *Financing activities* are those activities relating to changes in equity of the Commission.
- *Operating activities* include all transactions and other events that are not investing or financing activities.

Critical judgements in applying the Commission's accounting policies

In the application of NZ IFRS, management is required to make judgements, estimates and assumptions about the carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of NZ IFRS that have significant effects on the financial statements and estimates with a significant risk of material adjustments in the next year are disclosed, if applicable, in the relevant notes to the financial statements.

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