

STATEMENT OF PERFORMANCE EXPECTATIONS

For the year ending 30 June 2021

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FROM THE RETIREMENT COMMISSIONER

NĀ TE MANA AHUNGARUA

This Statement of Performance Expectations reflects the Commission for Financial Capability's proposed performance targets and forecast financial information for the year ahead. It is produced in accordance with s149E of the Crown Entities Act 2004.

The forecast financial statements and underlying assumptions in this document have been authorised by the Retirement Commissioner in her role under the Crown Entities Act 2004. It is not intended to update the forecast financial statements subsequent to presentation.

A handwritten signature in black ink, appearing to be 'Jane Wrightson', written over a light blue horizontal line.

Jane Wrightson
Retirement Commissioner
Mana Ahungarua

5 June 2020

OVERVIEW

TIRO WHĀNUI

Our vision: New Zealanders retire with confidence

Tā mātou whakakitenga: Ka whakamanawatia a Aotearoa i te ahungarua

New Zealand needs the right policies in place across all of government to support each of us as we age. The CFFC has a single-minded focus on improving the retirement system so that New Zealanders can retire with confidence.



Our role is to work with the many different parts of government that contribute to retirement outcomes, to advocate for improvements and scrutinise the impact of changes. Our statutory responsibilities include¹:

- Developing and promoting methods to improve New Zealand's retirement policy settings;
- Monitoring the effects of retirement policies on retirees;
- Conducting a three-yearly review of retirement policies;
- Promoting education, and publishing information about financial matters;
- Collecting and publishing information to fulfil our functions;
- Monitoring the effectiveness of financial dispute resolution schemes; and
- Monitoring the effects of the retirement villages legislation.

We group our work into three activity areas: retirement policy, retirement villages and financial capability.

This year, we will place renewed emphasis on our overarching role to work across government and scrutinise the retirement system. It's timely to rebalance our activities. We will prioritise our role as an apolitical champion for the systems and policies that will deliver the best retirement outcomes for New Zealanders and as a key collaborator in improving financial capability outcomes.

¹ Our role is set out in the New Zealand Superannuation and Retirement Income Act 2001, and the Retirement Villages Act 2003.


THE YEAR AHEAD AT A GLANCE

HE KARAPA KI TE TAU KEI TE TŪ MAI

Our new Statement of Intent 2021-2024 sets out our high-level strategy for the next four years. In 2020/21 we will:



Develop a purpose statement for the New Zealand retirement system to drive informed policy development.



Reinvigorate the National Strategy for Financial Capability, and relaunch with engaged delivery partners, and clear outcomes and measures, so that financial capability initiatives are well-coordinated.




Actively monitor the regulatory framework for Retirement Villages to ensure it is serving New Zealanders well in an expanding environment.




Drive co-ordination across government to improve coherency and evaluate the collective impact of the many policies and investments that impact on retirement outcomes.



Review and refine our own contribution to financial capability resources.



Market and advocate for the uptake of Sorted in Schools.



Increase focus on our organisational health and capability.

NEW ZEALAND TODAY

A AOTEAROA I ĒNEI RĀ

New Zealand is changing. As a population, we are ageing, living longer, and we are more ethnically diverse than ever before. By 2063, we expect more than one in four New Zealanders will be aged 65 or over. As individuals, we're making more varied choices about where and how we live as we age. Nearly one in four of us are working past age 65, sometimes by necessity but often by choice.

We're also choosing to live in retirement villages at a growing rate; over 43,000 retired New Zealanders live in more than 430 villages around the country. The growing number of older New Zealanders is fuelling demand for further expansion of the sector, with 13% of those aged 75+ choosing to live in a retirement village in 2019 (up from 9.5% in 2012).²

Traditionally, New Zealanders expected to work hard, pay off a mortgage by retirement age, and live their retired years unencumbered by high housing costs. However, among those reaching National Superannuation age in the next ten years, the rate of home ownership is likely to be around 30% lower than current retirees. High housing costs are thought to contribute to increasing hardship in retirement; MSD figures show food grants for those aged 65+ have increased 215% in the past three years. If New Zealanders are to have equitable retirement outcomes,

both within and between generations, then our policies need to be carefully crafted and rigorously monitored for what works best.

At the time of writing, the COVID19 global pandemic was affecting people and economies worldwide. We expect a loss of confidence in savings and investment mechanisms, and increasing stress on personal incomes and savings for some years ahead. This means it will be even more challenging for most people to think ahead and prepare for retirement; and the position of retirees will become less secure.

CFFC leads a whole-of-government approach to scrutinise the collective impact of retirement policies on retirement outcomes, then proposes and promotes changes where necessary so that policies best support New Zealanders as they age. We consider what retirement means in the 21st century, how we can track and report trends, and how retirement policies can support the best outcomes for New Zealanders. We bring this holistic view to our collaboration with the many different agencies involved in retirement-related outcomes.

Our Statement of Intent 2021-24 outlines how our work supports and aligns with broader Government objectives.

² www.jll.nz/en/trends-and-insights/research/retirement-villages-market-review-2019

OUR ROLE TE WĀHI KI A MĀTOU

We know that the most effective retirement system relies on long term stability of policy settings across different governments. Yet retirement is changing. There's no longer even a single definition for what it means to be retired in New Zealand today, and that makes our role more relevant than ever. Our mission is to help improve retirement outcomes for New Zealanders, with these objectives:



Trustworthy information



Informed advocacy



Effective collaboration

See the summary of our strategic framework in the next section.

Our Review of Retirement Income Policies 2019 had an overarching recommendation that New Zealand Superannuation settings, including the age of eligibility, need not change for now. However the far-reaching impacts of COVID19 may mean the Government is facing increased debate and need to make some tough decisions about New Zealand's retirement policy settings. Right now, there is insufficient evidence to know what impact a proposed change could have across the whole retirement system.

So this year we will be increasing our policy capability to help improve the evidence base for informed decision making.

We will take the lead across the retirement system to build partnerships, collate evidence and advocate for policy that supports balanced retirement outcomes. We know that in the months ahead, the Government will need robust advice on options as it navigates the best path to economic recovery for our country. This may see New Zealanders debating long-held assumptions around polarising issues such as means testing, compulsory saving, and age of eligibility for superannuation. If so, then clear, impartial advice will be needed in the search for long-term, bipartisan solutions and to avoid unintended consequences.

Financial capability and workforce flexibility remain a key plank in retirement planning. New Zealand Superannuation is a key component of the retirement system, but there are many other factors. Housing has a big influence, such as whether a retiree is in their own home, a retirement village unit or a rental property. How successful an individual has been at accumulating savings - including through KiwiSaver - during their working life is another key factor. What options New Zealanders have to manage the drawdown of their savings in retirement is yet another factor. A retiree may also want or need to continue working, so the preparedness of employers to hire people aged 65+ has an effect.

What we do know, especially after COVID19, is that New Zealanders' financial resilience is low, and there needs to be significant improvement in the effectiveness and reach of financial capability initiatives. Our work to reinvigorate the National Strategy for Financial Capability will be crucial to strengthen connections between government, the private sector, non-government organisations and community groups to improve financial capability. More than ever we need work collaboratively, minimise duplication and maximise the impact of our finite resources.

Under the Retirement Villages Act 2003, we monitor the effects of retirement villages legislation. New Zealand's ageing population, coupled with the increasing uptake of retirement villages by older adults and possible new business risks post-COVID19, means it is timely to bolster our monitoring work. We need to ensure that the retirement village sector is fair for both operators, residents, and their families.

In these changing times, our work supporting New Zealanders to get financially ready for retirement remains crucial. People want and need trusted information, which is why New Zealanders value Sorted.org.nz – our information portal that delivers straightforward, impartial advice on how to get ahead financially. However, Sorted is now just one source amongst many offerings from banks, KiwiSaver providers, registered financial advisors, global pundits, web entrepreneurs and others. We intend to look at our role and offerings in this crowded space.

To support our new approach we are also taking a fresh look at our organisational development.



OUR STRATEGIC AND PERFORMANCE FRAMEWORK

TĀ MĀTOU ANGA RAUTAKI ANGA WHAKATUTUKI MAHI

Our Statement of Intent 2021 – 2024 outlines our high-level strategic intentions and sector-wide connections. We summarise our strategy in a simple strategic framework that links what drives us as an organisation to what we are aiming for.






OUR VISION TĀ MĀTOU WHAKAKITENGA

New Zealanders retire with confidence

OUR MISSION TĀ MĀTOU KAUPAPA MĀTĀMUA

To help improve retirement outcomes for New Zealanders, with trusted information, informed advocacy and effective collaboration





OUR OBJECTIVES TĀ MĀTOU ARONGA

-  Trustworthy information
-  Informed advocacy
-  Effective collaboration

THREE GOALS WHĀINGA E TORU




Retirement Policies

What we will do: Advocate for a system that serves the diversity of New Zealanders

- How we will do it:**
-  Conduct a three-yearly review for government
 -  Uncover emerging issues and call for action
 -  Promote debate on retirement challenges
 -  Drive shared evidence to measure the impact of policy changes




Retirement Villages

What we will do: Oversee a fair regulatory framework

- How we will do it:**
-  Flag issues and report on sector trends
 -  Support dispute resolution
 -  Tackle issues through sector collaboration

Financial Capability

What we will do: Promote the importance of long-term thinking

- How we will do it:**
-  Lead the National Strategy for Financial Capability
 -  Supply trusted, independent information through Sorted
 -  Equip stakeholders with insights that add value

How we will deliver the objectives of the strategy

Te āhua o tā mātou whakatinana i ngā whāinga o te rautaki

To contribute to our vision, or desired outcome, our main activities - retirement policy, retirement villages and financial capability - are driven by three key objectives:



Trustworthy information

Pārongo e whakaponohia ana

We provide advice, information and evidence that the government and the public can rely on.



Informed advocacy

Taunaki i runga i te mātau

We promote informed debate about policies that affect retirees, and what it takes to get New Zealanders financially ready for retirement.

We support residents living in retirement villages and their whānau with regular analysis of complaints data and ensure a robust and fair disputes process is available to them.



Effective collaboration

Mahi tahi whai tikanga

Our independent role overseeing the retirement system means we need to collaborate with others, for example by leading national strategies or sharing useful data. Whether we are working with the retirement village industry or residents, other government agencies, community groups or the private sector, we focus on positive relationships and building consensus - to retain elements that are working and change those that are not. Improved collaboration should lead to more cohesive outcomes for New Zealanders.



WHAT WE WILL DO

TE MAHI KA MAHIA E MĀTOU

The CFFC has one output class: Retirement Services. This output enables the CFFC to perform its responsibilities set out in the New Zealand Superannuation and Retirement Income Act 2001 and the Retirement Villages Act 2003.

Here we set out what we will do to achieve our objectives, and how we will measure progress.

	Retirement Policies				
Long term goal	This year's objective	How we will measure progress	2020/21 target	2019/20 target	2018/19 target
	Trusted information				
Provide robust evidence to help future-proof retirement policy and support current and future retirees.	New Zealand's retirement policy settings are informed by a responsive, ongoing research programme.	Commissioned and in-house qualitative and quantitative research reports are published.	2	New measure	New measure
		Develop and publish a research dashboard to monitor annual progress and enable public quarterly reporting on various trends.	Achieve	New measure	New measure
	Informed advocacy				
	New Zealand's retirement income policies are consistent and coherent.	Develop a purpose statement for NZ's retirement income policies and secure government-wide agreement.	Achieve	New measure	New measure
	Public understanding of retirement policy is enhanced by an annual deep dive on at least one important issue.	Research and publish a discussion paper on international models for retirement savings to identify strengths and weaknesses that New Zealand can learn from.	Achieve	New measure	New measure
	Effective collaboration				
	Retirement policy issues are the focus of pan-sector government collaboration.	Chair a senior officials' group across key government agencies to help align retirement and pre-retirement policy settings.	Achieve	New measure	New measure
		Convene an expert advisory group to help test options for systemic improvement to retirement settings.	Achieve	New measure	New measure

	Retirement Villages				
Long term goal	This year's objective	How we will measure progress	2020/21 target	2019/20 target	2018/19 target
	Trusted information				
Enable a readily understandable, robust regulatory regime	Retirement Village monitoring and sector insights are readily available for stakeholders.	Produce and publish an annual report that monitors and discusses trends in the retirement villages sector to extend the availability of independent public data.	Achieve	New measure	New measure
	Impartial information about retirement villages, for current and future retirees, is well-targeted and widely available.	Deliver public information sessions across digital and face-to-face channels accompanied by relevant written material that is widely available online.	20	New measure ³	New measure ³
		New Zealanders who access our sessions and material find them helpful.	70%		
	Informed advocacy				
	Village residents and their families can access an independent, robust disputes process.	Assist residents and their families with informal advice on options for dispute resolution.	Achieve	New measure	New measure
		Approve the appointment of appropriate members to the formal Disputes Panel and publish Panel decisions.	Achieve	New measure ⁴	New measure ⁴
	Informed advocacy				
	Retirement Village stakeholders are encouraged to collaborate to solve issues for the overall benefit of the sector and its residents.	Work closely with the Retirement Villages Association and key stakeholders to assist with and help resolve industry issues.	Achieve	New measure	New measure

³ Not directly comparable to the previous year. Previous measure was limited to face-to-face education: Presentations for intending and existing retirement village residents and their families and for key stakeholders with a focus in 2017/18 on the regions.

⁴ These were two separate measures in prior years: Retirement Commissioner maintains and publishes a list of approved disputes panel members and a list of approved mediator agencies; and 100% of disputes panel decisions are published on cffc.govt.nz

	Financial Capability				
Long term goal	This year's objective	How we will measure progress	2020/21 target	2019/20 target	2018/19 target
	Trusted information				
Provide trusted and independent information about retirement-related matters to help New Zealanders retire with confidence.	The Sorted ⁵ suite of products are high quality resources that are widely distributed and used.	Refine the Sorted product suite to clearly identify who we target and how we measure impact.	Achieve	New measure	New measure
		Sorted users agree that the website is valuable.	Establish baseline	New measure	New measure
		Establish a dashboard to track metrics for year on year insights into Sorted use.	Achieve	New measure	New measure
		Percentage of schools using Sorted in Schools.	40%	35%	30%
		Independent evaluation shows that Sorted in Schools is valued by a majority of teachers and students.	Achieve	New measure	New measure
	Informed advocacy				
	The CFFC is actively engaged in significant discussions on opportunities and issues affecting financial capability.	Relevant government and non-government work programmes are informed by CFFC knowledge and research.	Achieve	New measure	New measure
	Effective collaboration				
	The National Strategy for Financial Capability is relevant and supported by the sector.	Reinvigorate the National Strategy for Financial Capability with engaged partners and clear progress measures.	Achieve	New measure	New measure

⁵ 'Sorted' includes the total Sorted product suite unless otherwise stated. See sorted.org.nz

ORGANISATIONAL HEALTH AND CAPABILITY

TE HAUORA ME NGĀ ĀHEINGA O TE WHAKAHAERE

We strive to maintain a positive, supportive and productive workplace culture. To achieve this, we have formal good employer and personnel policies in place, and we are committed to equal opportunities. Harassment and discrimination has no place at CFFC. Because of our small team size, we rely on our staff to be adaptable and highly capable. Our measures are summarised in the table below:

Organisational health and capability performance measures				
Long term goal	This year's objective	2020/21 target	2019/20 target	2018/19 target
A safe and healthy workplace for all staff.	Workplace hazards are identified, reported and addressed.	100% of hazards reported have a documented mitigation strategy	New measure	New measure
	At least one internal wellbeing initiative is undertaken.	Achieve	New measure	New measure
A high performing, engaged team aligned with our vision and mission	Engagement survey results show year on year improvement in the Employee Net Promoter Score indicator.	Establish baseline	New measure (internal baseline data is -40)	New measure
	Engagement survey results show year on year improvement in the indicator: Employees feel well informed about the direction, strategy and activities for the CFFC	Establish baseline	New measure (internal baseline data is 28% agree)	New measure
A collaborative culture where everyone's contribution is valued, and each team member is empowered to do a great job	A formal team member recognition programme is in place.	Achieve	New measure	New measure
Strengthened individual, leadership and organisational capability through career progression and professional development opportunities	An annual learning and development plan is in place for the organisation.	Achieve	New measure	New measure
Recruitment, training and remuneration policies and practices support us to attract and retain skilled, flexible and adaptable team players	Employee turnover is less than 20% each year.	19%	New measure (28.6%)	New measure (64%)
	Salary benchmarking is conducted biannually to ensure employees are remunerated fairly.	Achieve	New measure	New measure



**FORECAST
FINANCIAL STATEMENTS
TAUĀKĪ MATAPAE AHUMONI**

as at 30 June 2021

FORECAST STATEMENT OF COMPREHENSIVE INCOME

TAUĀKĪ MATAPAE WHIWHINGA WHĀNUI

as at 30 June 2021

	2020/21 Budget	2019/20 Budget	2019/20 Estimate
Revenue			
Crown revenue	8,662,000	8,747,000	8,662,000
Other revenue	220,000	110,000	231,325
Total revenue	8,882,000	8,857,000	8,893,325
Expenditure			
Personnel	4,928,000	5,039,900	4,586,405
Depreciation & amortisation	465,000	430,000	346,205
Other operating expenses	4,242,000	4,552,690	4,348,901
Total expenditure	9,635,000	10,022,590	9,281,511
Total comprehensive revenue and expense	(753,000)	(1,165,590)	(388,186)

FORECAST STATEMENT OF FINANCIAL POSITION

TAUĀKĪ MATAPAE TŪNGA AHUMONI

as at 30 June 2021

	2020/21 Budget	2019/20 Budget	2019/20 Estimate
Current assets			
Cash and cash equivalents	517,952	416,851	667,129
Investments	1,000,000	800,000	1,500,000
Debtors and other receivables	171,502	120,000	177,501
Prepayments	25,000	25,000	25,000
Total current assets	1,714,454	1,361,851	2,369,630
Non-current assets			
Property, plant & equipment	290,000	418,568	400,000
Intangible assets	398,000	505,746	428,000
Total non-current assets	688,000	924,314	828,000
Total assets	2,402,454	2,286,165	3,197,630
Current liabilities			
Creditors and other payables	468,000	400,000	491,999
Employee entitlements	150,000	167,960	165,000
Other liabilities	0	3,178	3,177
Total current liabilities	618,000	571,138	660,176
Net assets	1,784,454	1,715,027	2,537,454
Equity			
Taxpayer funds	200,000	200,000	200,000
Accumulated surplus	1,584,454	1,515,027	2,337,454
Total equity	1,784,454	1,715,027	2,537,454

FORECAST STATEMENT OF CHANGES IN EQUITY

TAUĀKĪ MATAPAE HURINGA TŪTANGA

For the year ending 30 June 2021

	2020/21 Budget	2019/20 Budget	2019/20 Estimate
Balance at 1 July	2,537,454	2,880,617	2,925,640
Total comprehensive revenue and expense for the year	(753,000)	(1,165,590)	(388,186)
Balance at 30 June	1,784,454	1,715,027	2,537,454

FORECAST STATEMENT OF CASH FLOWS

TAUĀKĪ MATAPAE KAPEWHITI

For the year ending 30 June 2021

	2020/21 Budget	2019/20 Budget	2019/20 Estimate
Cash flows from operating activities			
Cash was provided from:			
Receipts from the Crown	8,662,000	8,744,060	8,662,000
Receipts from other revenue	180,000	85,000	178,471
Interest received	43,000	25,000	45,396
	8,885,000	8,854,060	8,885,867
Cash was applied to:			
Payments to suppliers and employees	9,209,047	9,502,326	8,911,089
Net GST	130	5,463	10,148
	9,209,177	9,507,789	8,921,237
Net cash from operating activities	(324,177)	(653,729)	(35,370)
Cash flows from investing activities			
Cash was provided from:			
Net receipts from investments	500,000	700,000	0
	500,000	700,000	0
Cash was applied to:			
Purchase of property, plant and equipment	125,000	80,000	75,284
Purchase of intangible assets	200,000	315,000	183,352
	325,000	395,000	258,636

Continued on the next page

Continued:

Net cash flows from investing activities	175,000	305,000	(258,636)
Net increase (decrease) in cash and cash equivalents	(149,177)	(348,729)	(294,006)
Cash and cash equivalents at 1 July	667,129	765,580	961,135
Cash and cash equivalents at 30 June	517,952	416,851	667,129
Represented By:			
Cash and Cash Equivalents	517,952	416,851	667,129
Cash held at the end of the year	517,952	416,851	667,129

STATEMENT OF UNDERLYING ASSUMPTIONS

TAUĀKĪ WHAKAARO TŪĀPAPA

Significant Assumption

The opening position of the forecast statements is based on unaudited results for 2019/20. The actual results for April to June 2020 are unavailable at the time of preparation; therefore, the balance as at 30 June 2020 has been estimated using April to June 2020 forecast figures.

Revenue from Crown Appropriations

Revenue from Crown Appropriations is consistent with the 2020/21 Estimates Appropriations.

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 35.98 FTEs to meet the work programme with additional contractors being used for short term projects as required. There is a risk that forecast 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.

The forecast financial statements have been prepared in accordance with Tier 2 Public Benefit Entity (PBE) accounting standards, and comply with PBE FRS 42 Prospective Financial Statements.

In the application of PBE FRS 42, 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.

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 PBE FRS 42 that have significant effects on the forecast 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.

Actual financial results achieved for the period covered are likely to vary from the information presented, potentially in a material manner.

Reporting Entity

The Commission for Financial Capability (CFFC) is the office of the Retirement Commissioner, an autonomous Crown Entity defined by the Crown Entities Act 2004. CFFC is domiciled in New Zealand, and its ultimate parent is the New Zealand Crown.

The Retirement Commissioner is appointed under the New Zealand Superannuation and Retirement Income Act 2001 and the Crown Entities Act 2004. The current Commissioner was appointed on 10 February 2020 for a term of three years.

CFFC's role is set out in the New Zealand Superannuation and Retirement Income Act 2001, and the Retirement Villages Act 2003. Our statutory responsibilities include:

- Developing and promoting methods to improve New Zealand's retirement policy settings;
- Monitoring the effects of retirement policies on retirees;
- Conducting a three-yearly review of retirement policies;
- Promoting education, and publishing information about financial matters;
- Collecting and publishing information to fulfil our functions;
- Monitoring the effectiveness of financial dispute resolution schemes; and
- Monitoring the effects of the retirement villages legislation.

Basis of Preparation

Statement of Compliance and Measurement Base

The forecast financial statements for 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 on a historical-cost basis for a going concern in accordance with

the Tier 2 Public Benefit Entities (PBE) Accounting Standards Reduced Disclosure Regime (PAS RDR). CFFC qualifies for PAS RDR reporting as it is not publicly accountable and has expenses greater than \$2m but less than \$30m.

Presentation Currency

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

Use of Estimates and Judgements

In preparing these forecast financial statements to conform with PBE FRS 42, 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. CFFC has made estimates and assumptions concerning the future, based on historical experience and various other factors that are believed to be reasonable under the circumstances. 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 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 forecast financial statements.

Significant Accounting Policies

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

Revenue

Crown Revenue

Revenue from the Crown is recognised as revenue when earned and is reported in the financial period to which it relates. Revenue is measured at the fair value of consideration received or receivable.

CFFC has been provided with funding from the Crown for specific purposes as set out in its founding legislation and the scope of a single Government appropriation. Apart from these general restrictions, there are no unfulfilled conditions or contingencies attached to Government funding.

CFFC also receives other revenue from Crown entities to contribute towards the development, project management, execution and evaluation of various programmes and initiatives.

Other Revenue

CFFC receives other revenue from non-Crown entities to contribute towards the development, project management, execution and evaluation of various programmes and initiatives.

Interest Revenue

Interest revenue is recognised using the effective interest method.

Cash and Cash Equivalents

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

Statement of Cash Flows

The forecast Statement of Cash Flows is prepared exclusive of GST, which is consistent with the method used in the Statement of Comprehensive Revenue and Expenses.

Definitions of the terms used in the Statement of Cash Flows

- 'Cash and cash equivalents' 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 CFFC as part of its day-to-day cash management.
- 'Operating activities' include all transactions and other events that are not investing or financing activities.
- '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 entity.

Debtors and Other Receivables

Debtors and other receivables, comprising trade debtors, accrued interest and GST receivable are recognised initially at fair value and subsequently measured at amortised cost, less provision for impairment. Impairment of a receivable is established when there is objective evidence that we will not be able to collect amounts due according to the original terms of the receivable.

Property, Plant and Equipment and Intangible Assets

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 and Disposals

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 CFFC 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.

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 CFFC 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	2.8 – 10.4 years	9.6%–36.0%
Furniture and fittings	3.3 – 11.8 years	8.5%–30.0%
Computer equipment	1.5 – 5.7 years	17.5%–67.0%
Leasehold improvement	4.8 – 16.7 years	6.0%–21.0%

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 websites are capitalised on an annual basis.

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	2.5 years	40.0%
Websites	2.5 – 3.3 years	30-40.0%

Impairment

Property, plant and equipment and intangible assets that have finite useful lives 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.

Given that the future economic benefits of CFFC's assets are not directly related to the ability to generate net cash flows, the value in use of these assets is measured on the basis of depreciated replacement cost.

An impairment loss is recognised in the forecast Statement of Comprehensive Revenue and Expenses whenever the carrying amount of an asset exceeds its recoverable amount. Any reversal of impairment losses is also recognised in the forecast Statement of Comprehensive Revenue and Expenses.

Provisions

A provision is recognised for future expenditure of uncertain amount or timing when there is a present obligation (either legal or constructive) as a result of a past event, it is probable that an outflow of future economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are measured as the present value of the expenditure expected to be required to settle the obligation using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the obligation. Any increase in the provision due to the passage of time is recognised as an interest expense and is included in 'finance costs'.

Goods and Services Tax

All items in the forecast financial statements are exclusive of goods and services tax (GST), except for receivables and payables which are presented on a GST-inclusive basis. Where 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, the Inland Revenue Department (IRD) is included as part of current assets or current liabilities in the forecast 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

CFFC is a public authority, and consequently is exempt from the payment of income tax under the Income Tax Act 2007. Accordingly, no provision has been made for income tax.

Creditors and Other Payables

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

Employee benefits

Short-term employee entitlements, including holidays, are recognised as an expense over the period in which they accrue.

Entitlements that are due to be settled within 12 months after the end of the period in which the employee renders the related service are accrued based on the higher of current, or the rolling twelve months' average, rate of pay.

Superannuation Schemes

Obligations for contributions to KiwiSaver are accounted for as defined contribution superannuation schemes and are recognised as an expense in the forecast Statement of Comprehensive Revenue and Expenses as incurred.

Operating leases

Leases that do not transfer substantially all the risks and rewards incidental to ownership of an asset to CFFC 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.

Cost Allocation Policy

CFFC has refined its methodology for output classes to a single output class, being Retirement Services. For the year ended 30 June 2021 all direct and indirect costs will be attributed to this single output.

