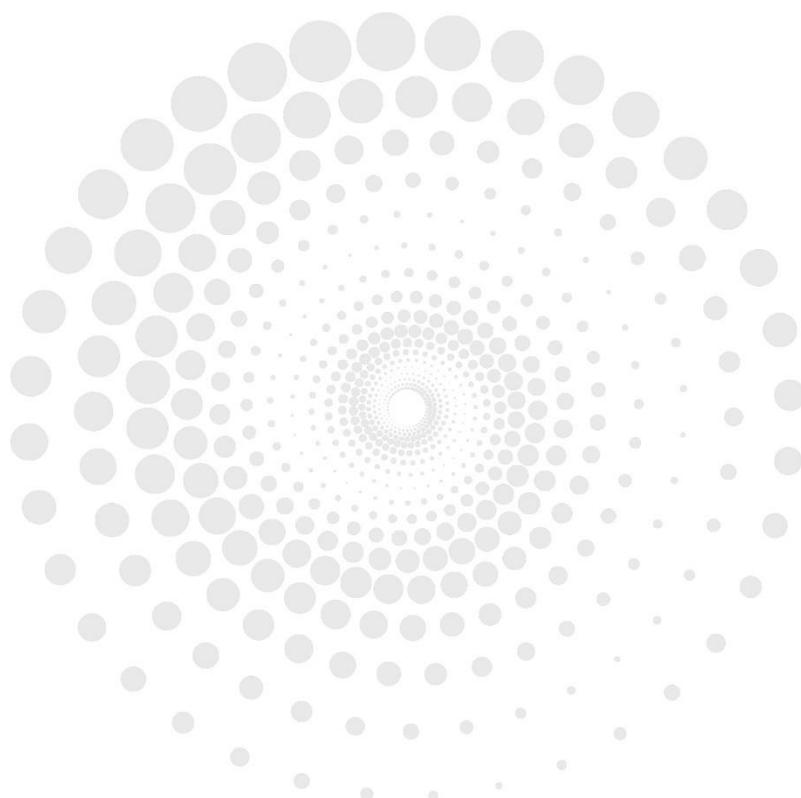




**Commission for
Financial Capability**
Building wealthy lives

Statement of Performance Expectations 2016/17



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 Statement of Performance Expectations (SPE) outlines the Commission's performance targets for 2016-17, and the activities we will undertake to achieve them. It should be read together with the Statement of Intent 2014-2018 (SOI), which sets out our strategic direction.

The focus for 2015/16 has been the successful execution of the strategy laid down in 2014/15, incorporating a more comprehensive and evidence-based understanding of both what is needed, and what works.

The development of a health analogy framework to define the needs of New Zealanders has proved an effective 'triage' tool for the Commission. Each of the three groups: Intensive Care, In The Ward and GP Visits, have resources and a delivery model designed to meet their needs.

The Sorted website is a core asset for those defined as GP Visits who we know are more likely to plan, have money smarts, and be motivated to build and maintain their financial health.

Early 2016 Sorted was rebuilt, rebranded and relaunched, with the new site designed to render on mobiles and tablets as well as desktop. Feedback from users and stakeholders has been overwhelmingly positive, with traffic up and the 'bounce rate' down. The new Sorted is more tailored, more dynamic, and more in keeping with users' expectations of how this should work *for them*. Language and navigation are simpler, tools are more visual, and tonally the site now places the individual at the centre and in control. After 12 years the Sorted mouse has been retired. He has moved to a retirement village from where he will make the occasional and well-timed appearance. He may even find love and romance in this new phase of his life.

For those In The Ward, who are likely to be spending as much as they earn and saving little, the risk is that they can maintain a good lifestyle while working, but don't have the savings buffer to manage sudden life events and will face greater challenges in retirement when their income stops. Sorted can be a great tool but for this group, and those in Intensive Care, but we've acknowledged that a website, no matter how good, may not bring about the changes needed.

A more intensive and fundamental engagement can be required. One that brings about an underlying shift in the way people think about money, challenges views on what constitutes a good use of money, raises confidence and capability, and increases awareness around management of debt. Our Intensive Care group in particular represent a large lifetime cost to government and will be more reliant on NZ Super and benefits in retirement.

The 6-9 week face-to-face programmes, built to deliver that deeper engagement, have been piloted, evaluated and rolled out nationally in partnership with employers, NGOs and other government agencies. Large organisations, are funding the roll-out of programmes amongst their staff and some have extended them beyond staff to customers. What we know from multiple evaluations is that people change spending and saving habits. They also make changes that improve the health and wellbeing of the whole family, with reductions in smoking, takeaways and small but significant behaviour shifts such as opening the mail and talking more openly about money as a family. The existing four programmes are Sorted Whanau, Pasifika, Community, and Workplace. An additional programme targeting women is in development.

For New Zealanders with money to invest the Commission has developed a wider range of investor education materials including a partnership with NZX to deliver a new website called Invested.

The National Strategy for Financial Capability launched in 2015 and now has 96 organisations committed to delivering to the five work streams. Research has better identified what those organisations want and need from CFFC and a national survey has captured what they are currently doing. Far better cross-government collaboration sees well-attended quarterly meetings, plus improved inter-agency sharing of initiatives and work underway.

The tensions remain between time spent on retirees of today versus our retirees of tomorrow. While the focus on young New Zealanders has increased so has our work with and for older New Zealanders. That work includes the launch of the 'three stages of retirement' framework which has been very popular with retirees and adopted by several other agencies.

The CFFC website now contains more tailored content for retirees and work such as a regular column in the SuperSeniors newsletter drives awareness of the role the Commission can play. Greater resource is being invested in the work with retirement villages, with a new FTE role engaging regularly with operators and residents, and delivering seminars nationally for those thinking about moving into a village.

The three-yearly Review of Retirement Income Policies has commenced, adopting a strategy of running seven themes across seven months. The approach allows those key themes to be discussed in depth, gives the media a clear schedule of topics to build into an editorial calendar, and encourages public participation.

The first month kicked off in April with the theme of KiwiSaver and created an excellent platform for surveys, debate and media coverage. 27 media stories ran across television, print, online and radio in the three days following the Commission KiwiSaver release, which lead to an additional 6,000 people visiting the CFFC website in April and over 1,400 to date completing an online survey, in addition to several hundred comments left on the website.

In short, this approach delivers a national conversation that builds awareness and understanding of retirement income issues and gives the public a chance to have a voice. It also allows for more genuine and effective cross-collaboration across government agencies.

Finally, the challenge remains to build the 'care factor', to deliver compelling, relevant messages to New Zealanders of all ages about a subject that many of them find either dry or complex. We are asking people to think about tomorrow when the demands of today are all so consuming, and asking them to defer gratification when bombarded with messages of 'buy now, pay later'. And we are trying to get the public to share their thoughts with a government agency.

The Commission now has an in-house production team which can create content, publish it with a fast turnaround, accuracy and control of message and far greater cost-efficiency. That team sets up the CFFC tent at markets and in malls around New Zealand, capturing the thoughts of people of all ages and ethnicities, better-informing our work and keeping us better-connected to the taxpayers we ultimately serve.



Diane Maxwell

Retirement Commissioner
23 May 2016



Statement of Authorisation

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.

This Statement of Performance Expectations sets out our financial forecast for the next financial year, 1 July 2016 to 30 June 2017, and has been prepared in accordance with the Crown Entities Act 2004. It should be read in conjunction with our Statement of Intent 2014-2018.

The forecast financial statements have been prepared in accordance with PBE FRS-42 for the purposes of this Statement of Performance Expectations, have not been audited, and should not be relied upon for any other purposes. Actual results are likely to be different from the forecast financial statements, and any variation may be material.

The Commission for Financial Capability is responsible for the preparation of this Statement of Performance Expectations, including the forecast financial statements and the assumptions on which they are based, the non-financial measures and for the judgments used in them.

Consultation and Reporting to the Responsible Minister

The Retirement Commissioner received a Letter of Expectations 2016/17 from the Minister of Commerce and Consumer Affairs, 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

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
23 May 2016

Output Classes and Outputs

Financial Capability

This category, within the Commission's single appropriation, contributes to our output of financial capability and is directed towards:

- **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 Zealander's 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.

Forecast Standard	2016/17 Target	2015/16 Forecast	2014/15 Actual	2013/14 Actual
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1. Lead the National Strategy for Financial Capability and associated action plan.

1.1	Lead quarterly meetings of the Cross Government Group for Financial Capability and lead at least four meetings of the Auckland and Wellington Financial Literacy Practitioners and Providers networks.	achieved	achieved	new measure	new measure
1.2	Number of result-oriented initiatives identified and delivered across the government sector.	three	new measure	new measure	new measure
1.3	Number of organisations from across the financial capability system that support and/or align their initiatives to the National Strategy.	120	68	new measure	new measure

Forecast Standard	2016/17 Target	2015/16 Forecast	2014/15 Actual	2013/14 Actual
2. Develop, support and quality assure the delivery of Sorted financial capability programmes.				
2.1 Delivery of intensive Sorted programmes.	175 programmes to 3,500 participants	90 programmes to 1,170 participants	28 programmes to 350 participants	2 programmes to 20 participants
2.2 Fighting Fit workshops delivered as 'triage' programme.	40 workshops to 3,000 participants	20 workshops to 536 participants	3 workshops to 60 participants	new measure
2.3 Downloaded one-off Sorted Seminars.	300 seminars to 4,500 participants	150 seminars to 2,500 participants	110 seminars to 2,105 participants	57 seminars to 855 participants
2.4 Number of initiatives delivered to improve Maori and Pasifika financial capability.	eight	eight	new measure	new measure
3. Increase demand for financial education to be included in student programmes.				
3.1 Partnerships and programmes to actively engage and influence students, boards of trustees, principals and parents.	5,000 students/parents and 50 principals/boards of trustees	new measure	new measure	new measure
3.2 Sorted 'teachers as employees' programmes delivered to promote the value of financial capability as a curriculum outcome and increase teacher's personal financial capability.	10 programmes to 200 teachers	new measure	new measure	new measure
4. Build greater Sorted engagement among New Zealanders.				
4.1 sorted.org.nz traffic.	1.8m sessions across 1m unique users	1.7m sessions across 1m unique users	1.5m sessions across 970k unique users	1.3m sessions across 840k unique users
4.2 Growth in number of active Sorted users (registered and used their account in the past 6 months) p/a.	10%	new measure	new measure	new measure

Forecast Standard	2016/17 Target	2015/16 Forecast	2014/15 Actual	2013/14 Actual
4.3 Active Sorted users (registered and used their account in the past 6 months) that have more than 3 saved tools in their personal dashboard.	25%	new measure	new measure	new measure
5. Provide leadership and support to Money Week partners.				
5.1 Cumulative reach to New Zealanders of social media channels.	2.5m	2.2m	new measure	new measure
5.2 New Zealanders that interact with tools promoted during Money Week and in the period one week after.	21,000	18,932	16,811	15,844
5.3 Number of organisations that take part in Money Week and reach to New Zealanders.	150 reaching 50,000 New Zealanders	new measure	new measure	new measure
5.4 Media value generated through Money Week.	\$500k	\$319k	new measure	new measure
6. Commissions owned communication channels support engagement with New Zealanders.				
6.1 cffc.org.nz traffic sessions.	65,000	57,000	38,491	30,141
6.2 CFFC Facebook engagements.	6,000	4,500	new measure	new measure
6.3 Sorted Facebook engagements.	75,000	65,000	60,000	new measure
6.4 CFFC YouTube views.	10,000	7,500	4,032	2,451
7 Key Projects for 2016/17				
7.1 Complete the development and delivery of Sorted v3.1 focusing on the integration of personalised tools and increased visualisation.				
7.2 Develop the Sorted budgeting tool to include manual spend tracking and investigate the viability of integrating data feeds from the main trading banks.				
7.3 Launch the Debt Empire learning game (mobile app) with at least 5,000 players.				
7.4 Integrate KiwiSaver fund finder into sorted.org.nz.				
7.5 Create three specialist needs based Sorted programmes (Women, Investor Education and Home Ownership).				
7.6 Incorporate insights and teaching resources from Auckland Sorted Schools Clusters to develop resources for publication on a new online Sorted Schools portal.				

Retirement Income

This category, within the Commission's single appropriation, contributes to our output of retirement income and is directed towards:

- **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.

Forecast Standard	2016/17 Target	2015/16 Forecast	2014/15 Actual	2013/14 Actual
8. Triennial review of effects and effectiveness of retirement income policies.				
8.1 Sessions on the review web pages and contributions/submissions on the review.	5,000	not applicable	not applicable	not applicable
8.2 Participants in review surveys.	5,000	not applicable	not applicable	not applicable
8.3 Execute the planned review agenda of 7 themes across 7 months, which includes 6 Sector Roundtables/ Forums.	achieved	not applicable	not applicable	not applicable
8.4 Familiarity with Retirement Income issues increased by 20% from the 2014 survey on Public Views on Retirement Income Policy.	achieved	not applicable	not applicable	not applicable
9. Increased participation in public discussions on retirement savings and planning.				
9.1 New "Invested" videos based on understanding more in-depth aspects of investments.	six	six	new measure	new measure
9.2 Number of KiwiSaver roadshows in main centres and regions.	six	new measure	new measure	new measure
9.3 Partner with government and community to deliver at least two forums focused on the needs of those aged 65+.	achieved	new measure	new measure	new measure

Forecast Standard	2016/17 Target	2015/16 Forecast	2014/15 Actual	2013/14 Actual
9.4 Partner with FMA on a key piece of retirement research and joint media strategy to maximise media coverage.	achieved	achieved	achieved	new measure
9.5 Collaborate with Fairfax and NZME to run two campaigns each, providing education and increasing public discussion about financial capability and retirement income.	achieved	achieved	new measure	new measure
10. Communication with the public about financial capability and retirement income issues.				
10.1 ASR (rate card) value of unpaid media coverage of the Commission and Sorted (* previously reported values are not comparable due to changes in reporting methodology).	\$6m*	new measure	new measure	new measure
10.2 Content items per month of stories, videos, blogs and podcasts that cover financial capability and retirement income issues.	ten	eight	new measure	new measure
10.3 Collaborate with MSD on SuperSeniors website and provide MSD with a regular column for every SuperSeniors newsletters.	achieved	achieved	new measure	new measure
10.4 Bi-monthly programme deployed around the country, videoing New Zealanders' thoughts on retirement (6 locations p/a).	achieved	new measure	new measure	new measure
11 Key Projects for 2016/17				
11.1 Development of a recommendations paper in association with MBIE for an Investor Portal that will assist New Zealand investors understand and compare licensed investment options.				
11.2 Lead and drive the public-private financial literacy consortium 'The Exchange' towards a clear strategic goal.				
11.3 A new investment module and templates on how to start a financial plan are developed and incorporated into the Sorted programmes.				
11.4 A new section for New Zealanders 65+ is developed for Sorted to help with decumulation and information on options available.				
11.5 Ongoing participation in the FAA review.				

Retirement Villages

This category, within the Commission's single appropriation, contributes to our output of retirement villages and is directed towards:

- **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.

Forecast Standard	2016/17 Target	2015/16 Forecast	2014/15 Actual	2013/14 Actual
12. Build on the education material and content on Retirement Villages.				
12.1 Seminars for prospective Retirement Village residents and seminars on Retirement Village related issues (* previously incorrectly reported as 10 seminars based on a calendar year).	15 seminars to 1,500 participants	19 seminars to 1,900 participants	8 seminars to 800 participants*	new measure
12.2 95% of resident enquires receive a substantive response from the Commission within 20 working days of the Commission receiving all relevant information.	achieved	achieved	achieved	achieved
12.3 Proposed and approved changes to the Retirement Villages Code of Practice are published and communicated to the public and industry via appropriate channels.	achieved	achieved	achieved	achieved
13. Monitoring provisions of the Retirement Villages Act.				
13.1 Annual RV stakeholder forum held with representation of all key stakeholders.	achieved	achieved	new measure	new measure
13.2 The Commission reports on at least one thematic monitoring project per year.	achieved	new measure	new measure	new measure
13.3 The Commission meets with the Minister for Building and Housing annually to discuss key retirement village issues (* change of Minister – meeting sought).	achieved	achieved	not achieved (met Aug 15)*	achieved

Forecast Standard	2016/17 Target	2015/16 Forecast	2014/15 Actual	2013/14 Actual
14. Administering the Retirement Villages Act disputes process.				
14.1 Retirement Commissioner maintains and publishes a list of approved disputes panel members.	achieved	achieved	achieved	achieved
14.2 100% of disputes panel decisions are published on cffc.org.nz	achieved	achieved	achieved	achieved
15 Key Projects for 2016/17				
15.1 Proposed changes to the complaints facility provisions of the Retirement Villages Code of Practice are recommended to the Minister for Building and Housing by 30 September 2016.				
15.2 Terms of Reference for a plain English review and simplification of the Retirement Villages Code of Practice are developed and agreed. Any proposed changes to the Retirement Villages Code of Practice are recommended to the Minister for Building and Housing by 31 December 2017.				
15.3 Development of a Retirement Village portal to consolidate key education material and content on Retirement Villages.				

Forecast Financial Statements

All figures exclude GST.

Summary of Output Revenue and Costs

Output category	2016/17 Forecast Revenue	2016/17 Forecast Cost
Financial Capability	\$4,507,209	\$4,820,557
Retirement Income	\$1,199,986	\$1,283,411
Retirement Villages	\$215,000	\$429,571
Total	\$5,922,195	\$6,533,539

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

Note: The net comprehensive deficit forecast for 2016/17 of \$611,345 is primarily due to the non-cash impact of amortisation of intangible assets and depreciation of property, plant and equipment and costs associated with the Commission's hosting of the OECD INFE conference in October 2016. 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 \$326,494 at 30 June 2017.

Forecast Statement of Comprehensive Revenue and Expenses

FOR THE YEAR ENDED 30 JUNE

	2015/16	2016/17
	\$	\$
Revenue		
Revenue from Crown Appropriation	5,782,000	5,782,000
Other Crown Revenue	112,736	-
Other Revenue	107,999	120,000
Interest Revenue	49,250	20,194
Total Revenue	6,051,985	5,922,194
Expenditure		
Community, Workplace & Education	907,788	455,150
Depreciation, Amortisation & Loss on Asset Disposal	259,395	460,800
Corporate Services	406,813	489,954
Financial Capability Summit/OECD Conference	151,379	358,290
Investor Education	87,514	120,200
Marketing & Communications	1,577,611	1,337,907
Personnel Costs	2,643,865	3,036,303
Retirement Commissioner	38,738	48,000
Retirement Villages	72,106	114,760
Review of Retirement Income Policies	69,333	112,175
Total Expenditure	6,214,542	6,533,539
Comprehensive Revenue/(Expenditure)	(162,557)	(611,345)

Forecast Statement of Changes in Equity

FOR THE YEAR ENDED 30 JUNE

	2015/16	2016/17
	\$	\$
Public Equity at Start of the Year	200,000	200,000
Accumulated Surplus	1,376,097	1,213,540
Comprehensive Revenue/(Expenditure)	(162,557)	(611,345)
Public Equity at End of the Year	1,413,540	802,195

Forecast Statement of Financial Position

AS AT 30 JUNE

	2015/16	2016/17
	\$	\$
Assets		
Current Assets		
Cash and Cash Equivalents	816,401	326,494
GST Receivable	167,421	59,280
Prepayments	22,001	-
Total Current Assets	1,005,823	385,774
Non-Current Assets		
Property, Plant & Equipment	478,631	402,631
Intangible Assets	577,303	417,503
Total Non-Current Assets	1,055,934	820,134
Total Assets	2,061,757	1,205,908
Current Liabilities		
Creditors and Other Payables	515,789	265,968
Lease Incentive Liability	41,293	31,765
Employee Entitlements	91,135	105,980
Total Current Liabilities	648,217	403,713
Net Assets	1,413,540	802,195
Public Equity		
Taxpayer Funds	200,000	200,000
Accumulated Surplus	1,213,540	602,195
Total Public Equity	1,413,540	802,195

Forecast Statement of Cash Flows

FOR THE YEAR ENDED 30 JUNE

	2015/16	2016/17
	\$	\$
Cash Flows From Operating Activities		
Cash Was Provided From:		
- Receipts from Crown Appropriation	5,782,000	5,782,000
- Other Crown Receipts	226,236	-
- Other Income	182,150	120,000
- Interest Received	50,738	20,194
	6,241,124	5,922,194
Cash Was Applied To:		
- Payments to Suppliers & Employees	(5,855,011)	(6,295,242)
- Net GST (Paid) / Received	(53,787)	108,141
	(5,908,798)	(6,187,101)
Net Cash Flows From Operating Activities	332,326	(264,907)
Cash Flows From Investing Activities		
Cash Was Applied To:		
- Purchase of Property, Plant & Equipment	(140,706)	(20,000)
- Purchase of Intangible Assets	(609,959)	(205,000)
Net Cash Flows From Investing Activities	(750,665)	(225,000)
Net Increase / (Decrease) In Cash Held	(418,339)	(489,907)
Plus Cash at the Start of the Year	1,234,740	816,401
Cash Held At The End Of The Year	816,401	326,494
Represented By:		
Cash and Cash Equivalents	816,401	326,494
Cash Held At The End Of The Year	816,401	326,494

Statement of Underlying Accounting Assumptions

Significant Assumption

The opening position of the forecast statements is based on unaudited results for 2015/16. The actual results for April to June 2016 are unavailable; therefore, the balance as at 30 June 2016 has been estimated using April to June 2016 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 23.6 FTEs to meet the work programme.

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.

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.

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.

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 New Zealand Superannuation and Retirement Income Act 2001 and the Crown Entities Act 2004 on 1 July 2013 for a term of three years.

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

The principle activities of the Commission are to:

- help all New Zealanders prepare financially for their retirement through improved financial capability and driving sustainable and enduring behaviour change;
- raising awareness of retirement income policy issues and monitoring and reporting on the effects and effectiveness of retirement income policies; and
- monitoring the provisions of the Retirement Villages Act and administering the Retirement Villages Act disputes process.

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). The Commission qualifies for PAS RDR reporting as it is not publicly accountable and has expenses greater than \$2m but less than \$30m.

Presentational and Functional Currency

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

Use of Estimates and Judgments

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.

Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

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.

The Commission 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.

Other Revenue

The Commission 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 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 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.
- '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 and accrued interest, are recognised initially at fair value and subsequently measured at amortised cost, less provision for impairment.

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 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.

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 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%
Websites	2.5 years	40.0%

Impairment

Property, plant & 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 the Commission'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 Statement of Comprehensive Revenue & Expenses whenever the carrying amount of an asset exceeds its recoverable amount. Any reversal of impairment losses is also recognised in the 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 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 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 the Commission becomes obliged to make future payments resulting from the purchase of goods and services.

Employee Entitlements

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 and the State Sector Retirement Savings Scheme are accounted for as defined contribution superannuation schemes and are recognised as an expense in the 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 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.

Cost Allocation Policy

The Commission has determined the cost of outputs using the cost allocation system outlined below:

- Direct costs are those costs directly attributed to an output. Indirect costs are those costs that cannot be identified in an economically feasible manner with a specific output.
- Direct costs are charged directly to outputs. Indirect costs are charged to outputs based on cost drivers and related activity or usage information. Personnel costs are charged on the basis of estimated time incurred. Other indirect costs are assigned to outputs based on the proportion of direct staff time for each output.

The Commission has refined its cost allocation methodology since the date of the last audited financial statements to better allocate the cost of outputs to output classes.

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