

Statement of Performance Expectations

2017-18



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Foreword

This will be the final year of Superu. The Government has set up a Social Investment Agency (SIA) to provide leadership to its social investment approach. As part of reconfiguring agencies and resources to support social investment, the Government has decided to disestablish Superu and reconfigure its functions and money to align with, and support, the social investment approach. Our disestablishment requires the repeal of the Families Commission Act 2003. We understand that a Bill will be introduced no later than November 2017 with the intention that the Bill passes no later than June 2018. Some of our work will transfer to other agencies. Work that's not transferring to another agency will finish by the time the legislation is repealed.

This is an important time for the social sector in Aotearoa New Zealand. There is a range of initiatives that involve a fundamental rethink about the relationship between government and the community sector when it comes to improving the outcomes for families and whānau. To be successful New Zealand needs:

1. On-the-ground knowledge. This is essential to the success of social investment. New Zealand is a diverse society. To improve social outcomes in New Zealand, we need policies, programmes and services that reflect this diversity and work for all. This will not be achieved unless our policy and other decision-making processes are informed by a broad range of perspectives and evidence. There needs to be much more sense of what is happening outside government used in government decision-making.
2. Interventions, services, and providers that effectively support families and whānau to achieve improved outcomes. There needs to be a focus on what actually works to support this change as well as a diversity of approaches that respond to the needs of our diverse population. A strong focus on testing the effectiveness of implementation and upskilling/capability building is needed.
3. Government to work with and understand the community perspective and the service providers that government is reliant on to achieve social investment outcomes. Both parties need the ability to successfully commission, and be commissioned, for outcomes. This requires deeper capability to build effective relationships, respect for the knowledge on both sides of the conversation, and the use of evidence and evaluation to know about what happens on the ground and to invest in what works. There are inconsistent levels of capability among both government agencies and NGOs to do this. Irrespective of organisational structure in the sector, these issues will need to be worked on so that the Government's drive for successful implementation of social investment achieves the individual outcomes needed to effect change in society.

Providing effective social services is difficult, not only because of the very different causes that place people in similar need, but also because we cannot be sure that policies will have the same effect for all that rely on them. New Zealand's history of evaluation is patchy, yet the learning from evaluation and continuous improvement can bring benefits to citizens in terms of assessing the quality of services.

During our final year, we look forward to supporting decision-making in the social sector by embedding use of the tools we've developed over the last year to build the capability of community and voluntary organisations and their funders to use evidence and evaluation. We will also provide a trusted and authoritative voice on what works to improve outcomes for families and whānau. This work has great potential to positively contribute to better social policies and programmes, which will ultimately lead to the people of Aotearoa New Zealand,

our families, whānau and communities, being stronger, safer and better supported in the challenges and hardships that they may face.

Len Cook

Families Commissioner/Superu Board Chair
23 August 2017

Statement of responsibility

The Board and management of Superu accept responsibility for the preparation of the Statement of Performance Expectations, comprising forecast financial statements, including the assumptions on which the financial statements are based, and information on the reportable class of outputs Superu intends to supply in the financial year.

The forecast financial statements have been prepared in accordance with public benefit entity accounting standards based on International Public Sector Accounting Standards (IPSAS).

The forecast financial statements have been prepared for the purpose of presenting Superu's intentions in Parliament, and should not be relied upon by any other party for any alternative purpose. The Board and management are of the opinion that these financial statements fairly reflect the expected financial position and operations of Superu.

We have authorised the issue of the Statement of Performance Expectations on this day, 23 August 2017.

Signed on behalf of the Board:



Len Cook
Board Chair



Jo-anne Wilkinson, MNZM
Deputy Chair

Purpose and role: our foundations

Our purpose

Our purpose is to focus decision-makers on what works to improve the lives of families and whānau.

We work closely with decision-makers in the social sector to help them use good quality evidence on what works to solve complex social issues. These are the people who develop, fund, deliver, research and evaluate social policies and programmes. We do this to improve the lives of families and whānau.

We help decision makers to understand:

- the complex challenges faced by many families and whānau, along with what needs to change to improve their life outcomes
- what should work to improve outcomes
- what did work.

Our roles and how they contribute

Our roles outline at a high-level the things we do to contribute to and achieve our purpose.

- we **generate** evidence about complex social issues and what works to address them
- we **connect** and interpret different perspectives
- we **share** the best evidence about what works with those that can effect change
- we **support** decision-makers to use evidence to make better decisions
- we provide **assurance** that things are being done in the best way possible.

While other government agencies are often involved in research and evaluation for one agency or sector, we help decision-makers to know what works across agencies and social sectors.

Our core capabilities are:

- Research
- Evaluation
- Evidence synthesis
- Knowledge broking
- Capability development.

We combine these skills to put together programmes of work that generate and apply evidence in a range of settings.

Strategic context

Disestablishment of Superu

Social investment is the Government's approach to investment within the social sector aimed at improving the lives of people with complex needs. The Government has set up a Social Investment Agency (SIA) to provide leadership to this approach. As part of reconfiguring agencies and resources to support social investment, the Government has decided to disestablish Superu and reconfigure its functions and money to align with, and support, the social investment approach.

Cabinet made the decision in principle to disestablish Superu in April. A report back in July has provided more detail about how and when this will happen. This SPE sets out how we will implement these decisions.

Our disestablishment requires the repeal of the Families Commission Act 2003. We understand that a Bill will be introduced no later than November 2017 with the intention that the Bill passes no later than June 2018.

Some of our work will transfer to other agencies.

Work stream	New agency
Families and Whānau Status Report and associated work programme	Ministry of Social Development
Management of the contract for Growing Up in New Zealand (GUINZ) and the GUINZ research fund	Ministry of Social Development
Management of the contract for the New Zealand Family Violence Clearinghouse	Ministry of Justice
The Hub, an online repository of government social science research	Social Investment Agency

Further work to assess the potential for continuing and repurposing materials and relationships that have been developed through Superu's NGO capability building and evidence gathering activities is being done with a view to finding a home for this work in the future.

Work that's not transferring to another agency will finish by the time the legislation is repealed.

In the meantime, we will continue promoting the use of evidence in decision-making and supporting the work of the Families Commissioner. This is the focus on this SPE.

Government priorities

As an Autonomous Crown Entity, Superu must have regard to government policy. In the social sector, approaches like social investment that combine investment in what works with decentralised innovation are key elements of the government's approach to improving social outcomes.

In our final year, Superu will contribute to government priorities by promoting the use of evidence in decision-making and providing a trusted and authoritative voice on what works to improve outcomes for families and whānau

Need to improve social outcomes

Many of New Zealand's citizens, families and whānau are doing well but too many are not. It is an important time to be part of the social sector as there is a real focus on making sustainable change that improves outcomes for disadvantaged children and whānau.

The establishment of the new agency Oranga Tamariki is an example of this focus.

In our final year, Superu will contribute to improving social outcomes by promoting research and the use of evidence on what works to improve outcomes for families and whānau.

Te Tiriti o Waitangi

As a treaty partner, we need to better understand what works to improve outcomes for Māori. Many of our approaches reinforce deficits and ignore the strengths and opportunities that exist within Māori communities to lead change themselves.

In our final year, Superu will contribute to improved whānau wellbeing by increasing the use of evidence to promote informed debate and decision-making on issues of high importance for whānau.

Sector capability

There is currently limited capability to find, assess and use evidence effectively amongst a variety of social sector participants. This could be a problem for the social investment approach which has a strong focus on policy-makers, funders, and providers of services using evidence in decision-making. This capability gap is evident among NGOs and community organisations working 'on the ground'.

In our final year, Superu will contribute to improving the sector's capability to collect and use evidence through a combination of best practice tools, guidance and education.

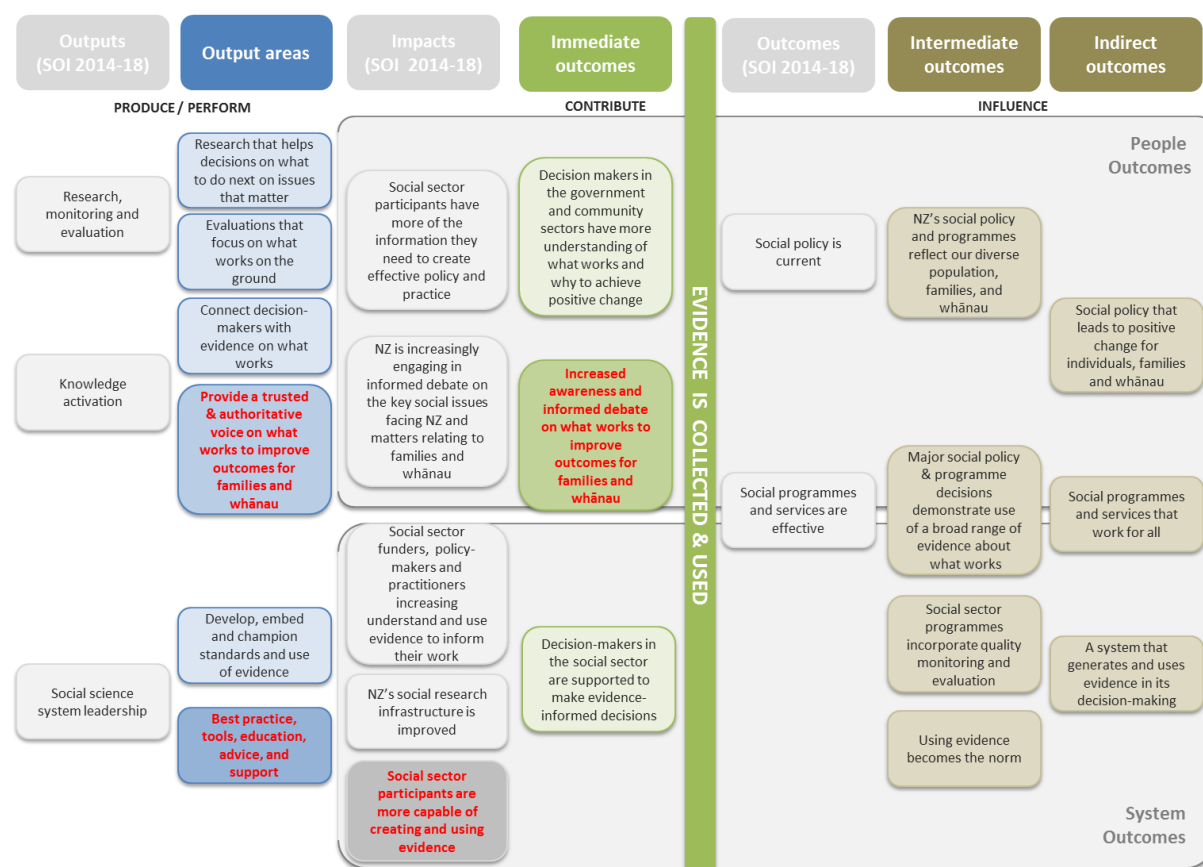
Operating intentions: how we will make a difference and measure our performance

Our strategic direction

Our current Statement of Intent (SOI) ran through to June 2017. Due to potential changes in the sector, our Minister decided to waive the requirements for us to produce a new SOI under section 139B (3) of the Crown Entities Act 2004. On 1 July 2017, we published an interim SPE aware that Cabinet decisions might necessitate a change once they were made. This new SPE reflects Cabinet's decisions and our revised work programme for 2017/18.

The diagram below outlines the way in which Superu has added value.

Diagram 1: Superu's Outcomes Framework



The grey boxes reflect the outcomes and impacts in our SOI 2014-18. The other columns refine these to guide where we originally thought we'd focus in 2017-18 and what success would look like. The diagram includes several indirect and intermediate outcomes that we were working to influence. However, evidence needs to be generated and used for these to be achieved. While we can influence the use of evidence in decision-making we cannot guarantee it. To support achievement of these outcomes we identified a number of immediate outcomes that we have a more direct ability to influence. These are:

- Decision makers in the government and community sectors have more understanding of what works and why to achieve positive change
- Increased awareness and informed debate on what works to improve outcomes for families and whānau
- Decision-makers in the social sector are supported to make evidence-informed decisions.

In considering its focus in 2017/18 Superu has had to consider its likely staffing levels and Cabinet's decisions regarding its future. This means that in 2017/18, Superu will focus on 2 areas in its outcomes framework (highlighted in red in diagram 1). They are:

- 1 providing a trusted and authoritative voice on what works to improve outcomes for families and whānau which is focused on increasing awareness and informed debate on these matters; and
- 2 developing and embedding best practice, tools, education, advice and support and through this building the capability of social sector participants to generate and use evidence.

Our programme for 2017/18

As noted above, our current circumstances mean that we need to look at a realistic work programme 2017/18. We have been guided by:

- Cabinet's decisions and their intent
- Providing certainty to staff as soon as we can
- Achieving continuity of key activities
- Ability to deliver given staff losses and reduced ability to take on new work.
- An understanding of how we best add value in the social sector within our legislation.

Our activities in 2017/18 are focused in the following four areas:

1. Transfer specified functions to their new homes as agreed by Cabinet
2. Support the Families Commissioner to advocate for the interests of families.
3. Continue activities to build NGO capability with a view to ensuring their continuation somewhere in the system
4. Run functions that must continue until our legislation is repealed and cannot be delegated; wind down remaining activities

These are covered in more detail on below.

1) Transfer specified functions to their new homes as agreed by Cabinet

In order to provide certainty to staff as soon as we can and to ensure continuity of the activities that Cabinet has agreed will continue, we will look to transfer these functions to their new homes as soon as we can.

Two of these functions, the Family and Whānau Status Report and The Hub, will need to be delivered by the new agency under delegation to the Superu Board.

Measured by success indicators	Success	Indicator	Target
	There is an improved understanding of works to improve families and whānau wellbeing	Sixth annual Families and Whānau Status Report.	Published By 30 June 2018 Agreed deliverables met on time and to required quality standards ¹
	Government-funded social research is accessible	The Hub is transferred as a going concern to the Social Investment Agency	31 December 2017 Agreed deliverables met on time and to required quality standards ²

The GUINZ and Family Violence Clearinghouse contracts can be transferred through negotiation and will not require a formal delegation.

Measured by success indicators	Success	Indicator	Target
	Increased understanding within government of what works to improve outcomes for families and whānau	<i>Superu Children and Families Research Fund</i> Increased amount of policy relevant research from the Growing up in New Zealand Study (GUINZ)	Research funding successfully allocated or transferred to another agency
		<i>Ministerial Social Sector Research Fund</i> ³	Current questions delivered by Superu or successfully transferred to agreed agencies
	System level architecture and research assets developed	GUINZ data is collected efficiently and is available for use by researchers Family violence information available through the Family Violence Clearinghouse	Contract deliverables met while managed by Superu Successfully transferred to MSD Contract deliverables met while managed by Superu Successfully transferred to MoJ

¹ This will be delivered by the Ministry of Social Development under delegation to the Superu Board.

² This will be delivered by the Social Investment Agency under delegation to the Superu Board.

³ Under the Ministerial Social Sector Research Fund (the Fund), Superu will commission external social sector research in response to questions asked by Ministers to inform their decision-making in relation to effective social sector policy, practice and investment. This is part of our legislated requirement "to commission social science research in the social sector on behalf of the Government and others" (Families Commission Act 2003, s8A(1)(b)).

2) Support the Families Commissioner to advocate for the interests of families

There are certain functions in our legislation that we will need to continue up until disestablishment. One of these is supporting the Families Commissioner to advocate for the interests of families. This advocacy will centre on posing questions raised by the evidence and proposing solutions and problems. This will include the production of issues/position papers along with the promotion of this evidence to those that can use it to make a difference.

Measured by success indicators	Success	Indicator	Target
	Informed debate about selected issues relating to the interests of families	Media comment Feedback to Superu	Key issues gain coverage Feedback from participants in Superu events demonstrates satisfaction or better with their relevance and quality
	The development and provision of policies designed to address issues relating to the interests of families	Evidence from Superu influences policy	At least 2 examples

3) Continue activities to build NGO capability with a view to ensuring their continuation somewhere in the system

This is a time of considerable change for the social sector. Government is looking for innovative responses to persistent social issues, and for social service providers to think and respond differently in a local context. However, the required evidence on what works often doesn't exist, and the capability of providers to collect and use evidence is typically not at the level required by funders.

These 'on the ground' realities increase risk and can impact negatively on implementation. Consequently, better support is needed for the collection and use of evidence in decentralised social policy innovation and programme delivery.

Over the past 18 months, Superu has made a significant investment in good practice tools and guidance to support community and voluntary sector organisations and their funders to use evidence and evaluation in their decision-making. This work is well-received by these organisations.

In 2017/18 we will deliver a programme of work aimed at promulgating the use of these tools with a view to getting value from the investment already made, embedding the use of these tools in the sector and through this increasing the capability of the sector to use evidence and evaluation, and ensuring their continuation somewhere in the system once our legislation is repealed. This work will involve:

- Engaging and facilitating within the community and voluntary sector and their funders to enhance uptake of our guidance and tools
- Developing supplementary materials and tools as required
- Working to find a new home for this work before Superu's legislation is repealed.

Measured by success indicators	Success	Indicator	Target
	Decision-makers in the community and voluntary sector and their funders can, and do, use evidence in their decision-making.	More people in the sector: <ul style="list-style-type: none"> • use Superu's tools • attend Superu's training 	At least 4 training sessions At least 4 new resources are available on the web by June 2018

4) Run functions that must continue until our legislation is repealed and cannot be delegated; wind down remaining activities

There is a range of functions in our legislation (in addition to support for the Families Commissioner which is outlined in area 2 above) that we will need to continue up until disestablishment. These functions are:

- Governance support – Board and Social Science Experts Panel
- Corporate support and Ministerial servicing – finance, audit, accountability documents (SPE, annual report), select committee questions, ministerial servicing, HR, archiving, and winding down the entity

Measured by success indicators	Success	Indicator	Target
	The Families Commission is wound down efficiently and effectively	Wind down and handover complete	By date legislation repealed

Mapping 2017/18 output areas to our 2014-18 outputs

The table below shows the alignment of our output areas against the outputs identified in our 2014-2018 SOI.

Output areas	2014-2018 Outputs		
	Research, monitoring and evaluation	Knowledge activation	Social science system leadership
Provide a trusted & authoritative voice on what works to improve outcomes for families and whānau	√	√	
Best practice, tools, education, advice, and support		√	√

Organisational capability: ensuring we are fit for our purpose

2017-18 will be a year of considerable change for Superu.

As a result, our primary focus in terms of organisational health and capability will be to implement Cabinet decisions around social investment, the new Social Investment Agency (SIA) and the Social Investment Board (SIB).

The Board and management of Superu will work constructively with Ministers, the State Services Commission, the SIA and the SIB to implement Cabinet's decisions.

We will work to ensure that our work continues to make a difference to the families and whānau of New Zealand; to support our people through any change processes; and ensure that we manage any change effectively.

Forecast revenue and expenditure for 2017-18

The table below sets out forecast revenue and expenditure in relation to the outputs Superu will provide in 2017-18. The table also outlines anticipated results for 2016-17 financial year using the same classification of outputs.

	2016/17	2017/18
	Estimated Actual \$000	Forecast \$000
Output Class: Families Commission		
Revenue	14,607	2,084
Expenditure	12,561	5,649
Total surplus/(deficit) (Note: deficits funded by retained equity)	2,046	(3,565)

Commentary on forecast revenue and expenditure

The forecast has been based on the reduction in activity as Superu implements the Cabinet decision concerning its disestablishment.

Forecast financial statements

Statement of forecast comprehensive income and expense for the year ending 30 June 2018

2015/16 Actual \$000	2016/17 Est. Actual \$000		2017/18 Forecast \$000
Income			
12,331	14,092	Revenue from Crown	1,930
140	137	Interest income	36
617	378	Other income	118
13,088	14,607	Total income	2,084
Expenditure			
117	102	Board fees	104
4,555	4,413	Personnel expense	2,314
7,548	8,016	Other expenses	3,206
27	30	Depreciation and amortisation expense	25
12,247	12,561	Total expenditure	5,649
841	2,046	Net Surplus/(Deficit) for the year	(3,565)
0	0	Other Comprehensive Income	0
841	2,046	Total Comprehensive Income and Expense	(3,565)

Forecast statement of financial position for the year ending 30 June 2018

2015/16 Actual \$000	2016/17 Est. Actual \$000		2017/18 Forecast \$000
Assets			
Current assets			
4,199	7,642	Cash and cash equivalents	642
316	242	Debtors and other receivables	45
27	9	Prepayments	0
4,542	7,893	Total current assets	687
Non-current assets			
89	59	Property, plant and equipment	34
0	0	Intangible assets	0
89	59	Total non-current assets	34
4,631	7,952	Total assets	721
Liabilities			
Current Liabilities			
2,145	3,506	Creditors and other payables	193
272	199	Employee entitlements	0
82	69	Lease inducements	0
85	85	Income Received in Advance	0
2,584	3,859	Total current liabilities	193
2,047	4,093	Net Assets	528
Equity			
2,047	4,093	General funds	528
2,047	4,093	Total equity	528

Forecast statement of changes in equity for the year ending 30 June 2018

2015/16 Actual \$000	2016/17 Est. Actual \$000		2017/18 Forecast \$000
1,206	2,047	Balance at 1 July	4,093
841	2,046	Total comprehensive income for the year	(3,565)
2,047	4,093	Balance at 30 June	528

Forecast statement of cash flows for the year ending 30 June 2018

2015/16 Actual \$000	2016/17 Est. Actual \$000		2017/18 Forecast \$000
		Cash flows from operating activities	
12,331	14,092	Receipts from Crown revenue	1,930
137	128	Interest received	11
442	489	Receipts from other revenue	160
(7,837)	(6,858)	Payments to suppliers	(6,370)
(4,250)	(4,380)	Payments to employees	(2,594)
193	(28)	Good and services tax (net)	(137)
1,016	3,443	<i>Net cash from operating activities</i>	(7,000)
		Cash flows from investing activities	
(17)	0	Purchase of property, plant and equipment	0
0	0	Purchase of intangible assets	0
(17)	0	<i>Net cash from investing activities</i>	0
999	3,443	Net (decrease)/increase in cash & cash equivalents	(7,000)
3,200	4,199	Cash & cash equivalents at the beginning of the year	7,642
4,199	7,642	Cash and cash equivalents at the end of the year	642

Notes to the financial statements

Note 1: Statement of accounting policies for the year ending 30 June 2018

Reporting entity

The Families Commission / Social Policy and Evaluation Research Unit ('Superu') is a Crown entity as defined by the Crown Entities Act 2004 and domiciled in New Zealand. As such, Superu's ultimate parent is the New Zealand Crown.

Superu was established as a Crown entity on 1 July 2004 by the Families Commission Act 2003. Its primary purpose is to provide public services to the New Zealand public under this Act, rather than making a financial return.

Accordingly, Superu has designated itself as a public benefit entity for the purposes of International Public Sector Accounting Standards ('IPSAS').

The forecast financial statements for Superu are for the year ended 30 June 2018, and were approved by the Board on 31 August 2017.

Basis of preparation

Statement of compliance

The forecast financial statements of Superu have been prepared in accordance with the requirements of the Crown Entities Act 2004, which includes the requirement to comply with generally accepted accounting practice.

These forecast financial statements comply with public benefit entity (PBE) financial reporting standard (FRS) 42 – *Prospective Financial Statements*. They have been prepared in accordance with Tier 2 PBE Accounting Standards. We are required to prepare a Statement of Performance Expectations including prospective financial statements at or before the start of each financial year to promote public accountability by providing a base against which its actual performance can later be assessed. The forecast financial statements may not be appropriate for any other purposes.

Measurement base

The forecast financial statements have been prepared on a historical costs basis.

Functional and presentation currency

The forecast financial statements are presented in New Zealand dollars and all values are rounded to the nearest thousand dollars (\$000). The functional currency of Superu is New Zealand dollars.

Bases for assumptions, risks and uncertainties

In preparing these forecast financial statements Superu has made estimates and assumptions concerning the future. Following the Cabinet decision they have factored in a wind down of activities to a disestablishment date of 30 June 2018.

Subsequent actual results achieved for the period may vary from the information presented, and variances may be material.

Significant accounting policies

The following accounting policies, which materially affect the measurement of comprehensive income and expense and financial position, have been applied consistently.

Revenue

Revenue is received from exchange transactions and is measured at the fair value of consideration received or receivable.

Revenue from the Crown

Superu is primarily funded through revenue from the Crown, which is restricted in its use for the purpose of Superu meeting its objectives as specified in its accountability documents. Revenue from the Crown is recognised as revenue when earned and is reported in the financial period to which it relates.

Interest

Interest income is recognised using the effective interest method. Interest income on an impaired financial asset is recognised using the original effective interest rate.

Rental income

Lease receipts under an operating sub-lease are recognised as revenue on a straight-line basis over the lease term. The residual balance of the lease at 30 June 2018 has been brought to charge in the year.

Provision of services

Revenue derived through the provision of services to third parties is recognised in proportion to the stage of completion at the balance sheet date. The stage of completion is assessed by reference to surveys of work performed.

Leases

Finance leases

Superu does not enter finance leases.

Operating leases

Leases that do not transfer substantially all the risks and rewards incidental to ownership of an asset to Superu 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 statement of comprehensive income and expense. Lease incentives received are recognised in the statement of comprehensive income over the lease term as an integral part of the total lease expense.

Cash and cash equivalents

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

Debtors and other receivables

Debtors and other receivables are initially measured at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment.

Investments

At each balance sheet date Superu assesses whether there is objective evidence that an investment is impaired.

Bank deposits

Investments in bank deposits are initially measured at fair value plus transaction costs. After initial recognition investments in bank deposits are measured at amortised cost using the effective interest method less any provision for impairments. For bank deposits, impairment is established when there is objective evidence that Superu will not be able to collect amounts due according to the original terms of the deposit.

Equity investments

Superu does not enter into equity investments.

Property, Plant and Equipment

Property, plant and equipment asset classes consist of leasehold improvements, furniture and fittings and office equipment. Property, plant and equipment are shown at historical cost, less accumulated depreciation and any accumulated impairment losses.

Individual assets, or groups of assets, are capitalised if their costs are greater than \$2,000 (excluding GST). The value of an individual asset that is less than \$2,000 (excluding GST) and is part of a group of similar assets is capitalised.

Initial cost includes the purchase price and any costs directly attributable to bringing the asset to the location and condition required for its intended use.

Fixed assets are written down immediately if any impairment in the value of the asset causes its recoverable amount to fall below its carrying value.

Additions

The cost of an item of property, plant and equipment is recognised as an asset only when it is probable that the future economic benefits or service potential associated with the item will flow to Superu and the cost of the item can be measured reliably. Where 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 statement of comprehensive income and expense. Superu does not hold assets which are revaluable in nature.

Subsequent costs

Costs incurred subsequent to the initial acquisition are capitalised only when it is probable that future economic benefits or service potential associated with the item will flow to Superu and the cost of the item can be measured reliably. The costs of day-to-day servicing of property, plant and equipment is recognised in the statement of comprehensive income and expense as they are incurred.

Depreciation

Depreciation is provided on a straight-line basis on all property, plant and equipment, at rates that will write off the cost (or valuation) of the assets to their estimated residual values over their useful lives. The useful lives and associated depreciation rates of major classes of assets have been estimated as follows:

	Useful life	Depreciation rate
Leasehold improvements	8 years	12.5%
Furniture	5 years	20%
Office equipment	5 years	20%

Leasehold improvements are depreciated over the unexpired period of the lease or the estimated remaining useful lives of the improvements, whichever is more appropriate.

The residual value and useful life of an asset is reviewed, and adjusted if applicable, at the end of each financial year-end.

Intangible assets

Software acquisition and development

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. Software is capitalised if its cost is greater than \$2,000 (excluding GST).

Costs that are directly associated with the development of software for internal use by Superu, are recognised as an intangible asset. Direct costs include the software development, employee costs and an appropriate portion of relevant overheads.

Staff training costs are recognised as an expense when incurred.

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

Costs associated with the development and maintenance of Superu's website are recognised as an expense when incurred.

Amortisation

The carrying value of an asset with a finite life is amortised on a straight-line basis over its useful life. Amortisation begins when the asset is available for use and ceases at the date that the asset is derecognised. The amortisation charge for each period is recognised in the statement of comprehensive income and expense.

The useful lives and associated amortisation rates of major classes of intangible assets have been estimated as follows:

	Useful life	Amortisation rate
Acquired computer software	3 years	33.3%
Developed computer software	4 years	25%

Impairment of non-financial assets

Property, plant and equipment and intangible assets that have a finite useful life are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its net recoverable proceeds.

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 total impairment loss is recognised in the statement of comprehensive income and expense.

Creditors and other payables

Creditors and other payables are initially measured at fair value and subsequently measured at amortised cost using effective interest method.

Employee entitlements

Short-term employee entitlements

Employee entitlements that Superu expects to be settled within 12 months of balance date are measured at undiscounted nominal values based on accrued entitlements at current rates of pay.

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

Superu recognises a liability for sick leave to the extent that compensated absences in the coming year are expected to be greater than the sick leave entitlements earned in the coming year. The amount is calculated based on the unused sick leave entitlement that can be carried forward at balance date; to the extent Superu anticipates it will be used by staff to cover future absences.

Superu recognises a liability and an expense for bonuses where it is contractually obliged to pay them, or where there is a past practice that has created a constructive obligation and a reliable estimate of the obligation can be made.

Superannuation schemes

Defined contribution schemes

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

Provisions

Superu recognises a provision for future expenditure of uncertain amounts or timing when there is a present obligation (either legal or constructive) as a result of a past event, it is probable that expenditures will be required to settle the obligation and a reliable estimate can be made of the amount of the obligations.

Provisions are measured at the present value of the expenditures 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. The increase in the provision due to the passage of time is recognised as a finance cost.

Restructuring

A provision for restructuring is recognised when Superu has approved a detailed formal plan for the restructuring which has either been announced publicly to those affected, or for which implementation has already commenced.

Goods and services tax (GST)

All items in the financial statements are presented exclusive of 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 receivables or payables in the statement of financial position.

The net GST paid to, or received from the IRD, including 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

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

Budget figures

The budget figures are derived from the Statement of Performance Expectations as approved by the Board for the beginning of the financial year. The budget figures have been prepared in accordance with PBE accounting standards, using accounting policies that are consistent with those adopted by Superu for the preparation of the financial statements.

Note 2: Statement of significant underlying assumptions

These forecast financial statements have been prepared on the basis of the following significant assumptions:

- (i) Crown revenue (GST exclusive) is \$1.930 million for the 2017-18 financial year. This is lower than the \$12.639 provided in the Estimates of Appropriation, and allows for transfers of programmes to other Crown entities.
- (ii) The activities of Superu are as detailed in the earlier sections in this document, and that at least part of these activities continue for the full financial year, and that there is no further significant change than that already contemplated in the plans.



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