



FAMILIES COMMISSION ANNUAL REPORT 2013-2014

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In accordance with section 151 of the Crown Entities Act 2004, we submit the Annual Report of the Families Commission for the year ended 30 June 2014.



Jo-anne Wilkinson
Families Commissioner
31 October 2014



James Prescott
Board member
31 October 2014

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Foreword from the outgoing Families Commissioner

The use of evidence to make decisions isn't a new thing.

In the 1850s, physician John Snow proved that an outbreak of cholera in London wasn't caused by pollution or 'bad air' but was a result of contaminated water from a nearby well. He used statistics to illustrate the connection between the quality of the water source and cholera cases.

The use of evidence can change people's lives. Our aim is to promote the use of evidence in the social sector so that better decisions can be made – about funding, policies or services – to improve the lives of families, whānau and communities in New Zealand. This isn't just some lofty, unachievable goal. We've spent the past 12 months ensuring we have the right structure and people in place to deliver on this aim.

We have greater clarity of the new role the Government set for us a year ago. We have repositioned our organisation and this is starting to bear fruit. For example, we have taken over the management of the contract to deliver the Growing Up in New Zealand longitudinal study and the resulting feedback from stakeholders has been very positive.

We have a new leadership team in place who, jointly and individually, will lead the Commission to develop our knowledge base and influence policymakers, programme developers and funders, and those who work with families and whānau. Our challenge in the coming year is to ensure the research and evidence we produce gets into the hands of the people who need it – and to ensure they use it. If you work in the social sector, as a policy maker, or programme funder, deliverer or evaluator, expect to hear from us a lot in the coming year.

The Commission has welcomed three new Board members this year. Haami Piripi is Chair of Rūnanga o Te Rarawa. Paul von Dadelszen is a retired Family Court Judge. Jo-anne Wilkinson, MNZN, is co-founder and recently retired Executive Director of the Foundation for Youth Development (formerly Project K Trust). Our new Board members bring a wealth of experience to the Commission and have practical first-hand experience of issues facing many New Zealand families. We are fortunate to have them on the Board.

The year has also seen the departure of Board members Sir Wira Gardiner, Dr Parmjeet Parmer and Robyn Scott. Their wise counsel has been valuable in reshaping the Commission for the future.

In announcing my own decision to stand down from the Board and resign as Families Commissioner, I want to acknowledge the support of my colleagues on the Board, and the outstanding work that the Commission's leadership team and staff have done over the past year. It is through their professionalism and hard work that we have achieved so much during a period of significant change for the organisation.

What does the coming year hold for the Commission? A laser focus on working across the social sector to:

- › promote informed debate on key social issues for New Zealand, its families and whānau, and increase awareness about what works
- › grow the quality, relevance and quantity of evidence in priority areas
- › facilitate the use of evidence by sharing it and supporting its use in decision-making.



Belinda Milnes
Outgoing Families Commissioner



PART ONE:
THE YEAR IN REVIEW

Our role and strategic direction

The Families Commission (the Commission) is an autonomous Crown entity established under the Families Commission Act 2003 to act as an advocate for the interests of families generally.

The Families Commission Amendment Act 2014, passed in March 2014, gives the Commission the additional responsibility to monitor and evaluate programmes and interventions in the social sector, and to provide social science research into key issues, programmes, and interventions across that sector.

The Commission's Statement of Intent sets out the outcomes, impacts and measures on which we must report at the end of each financial year.

We set the outcome and impacts we wanted to contribute to during 2013-2016 prior to new legislation being passed

In our 2013-2016 Statement of Intent, we said we wanted to contribute to the achievement of a single outcome:

- › improved understanding of New Zealand's families, whānau and their children and the policy pathways that lead to increasing their strength and resilience.

We also said that our contribution to this outcome is through:

- › the impact of our knowledge-base on those who influence policy and practice
- › our influence on organisations working with families and whānau.

While we made some initial changes during 2013-14 to start readying the organisation to assume its proposed new responsibilities in the Families Commission Amendment Bill which passed into law in March 2014, we needed to refine our thinking during the year as we developed a better understanding of our new role.

This Annual Report includes a wider set of performance information than the results against the performance measures included in our 2013-2016 Statement of Intent

Given we charted a new direction during the year, this annual report presents the results of our performance during the year against the impact measures, performance standards and targets set out in the Commission's Statement of Intent 2013-2016, while also highlighting results for the year within the context of our new mandate and revised direction.

We achieved the majority of the targets in our 2013-2016 Statement of Intent, although a few were not met as we embarked on a major programme of change during the year involving:

- › identifying new priorities
- › developing better measures of performance
- › aligning our work programme to our new direction with a much stronger focus on producing quality outputs that will have a greater impact
- › developing and beginning to implement a new business model that will give effect to our new strategic direction
- › starting to both extend and deepen relationships in the social sector that will be critical to our future success
- › reviewing the way we work, our business processes, systems and tools, and our capability needs to support our new strategy.

Outcome: improved understanding of New Zealand's families, whānau and their children and the policy pathways that lead to increasing their strength and resilience

Through our social science research, monitoring and evaluation work, we are learning more about the many aspects of family and whānau wellbeing and how wellbeing might be measured and monitored, and we are increasing our understanding of what shapes children in the critical early years of their development. We are also identifying what works and what doesn't in regard to current social interventions aimed at improving the strength and resilience of New Zealanders, and New Zealand's families and whānau.

Over time, our evidence-based approach will help people in the social sector to make better decisions about social policies, programmes and services and how these are funded.

Measuring our progress

In this section, we report on performance against the specific impact measures included in our Statement of Intent 2013-2016, while also reporting more fully on the impact our work is having on social sector decision-making.

In our Statement of Intent 2013-2016, we signalled that measuring the value of our research and evaluation work to those who make, fund and implement social policy and programmes will be the subject of **an independent external review** in 2015-16.

During the year, the Board agreed that the independent review would have two key components:

- › an **assessment after three years** against six broad factors: impact, performance dimensions, robust processes, capability and infrastructure, reputation, and overall performance
- › an **annual review of one of the Commission's top five projects**, with the Effective Parenting Programmes project undertaken in 2013-14 selected as the first project to be evaluated.

Our **interim measures of impact** include measuring on an annual basis **the impact of our knowledge-base on those who influence policy and practice**, and **our influence on organisations working with families and whānau**.

Summary snapshot of the impact of our work

Key achievements in 2013/14	How our work is being used in the social sector
Effective parenting programme review	Informing purchasing decisions by government agencies, such as the Ministry of Social Development (MSD)
Examination of what school-based relationship education programmes work	Ministry of Education developing guidelines on best practice relationship education for use in schools
Assessment of two trial community-based Children's Teams ¹	Informing the roll-out of further Children's Teams
Investing in Services for Outcomes (ISO) evaluation and evidence strategy (with MSD)	Ensuring future MSD investment decisions are evidence-based
Improved contract management of the Growing Up in New Zealand longitudinal study	Ensuring the study is focused on producing more policy-relevant research
2014 Families and Whānau Status Report	Helping the New Zealand Defence Force to develop ways to improve the wellbeing of its staff and families
Evidence2Action Symposium	Greater focus by social agencies on implementation in key social sector projects (such as ISO and the Children's Action Plan)

"Complex social issues deserve good quality evidence to enable better decisions to be made. We want decision makers to know what works and what doesn't".

¹ The establishment of local Children's Teams is part of the Government's Children's Action Plan that has arisen out of The White Paper for Vulnerable Children. The Teams bring together frontline professionals working with children to protect vulnerable children and young people.

IMPACT ONE: IMPACT OF OUR KNOWLEDGE-BASE ON THOSE WHO INFLUENCE POLICY AND PRACTICE

2012/13 Actual	Measure	2013/14 Target	2013/14 Actual
New in 2013/14	Results of independent assessment of a sample project	Assessment completed by 30 June 2014 Rating assessment in top category for at least two aspects	Project to be assessed (Effective Parenting Programmes review) selected Report on Effective Parenting Programmes published in April 2014 Dovetail Consulting Ltd commissioned in June 2014 to conduct the assessment Draft and final assessment report received in August 2014 (see commentary below for evaluation conclusions)
24	Number of presentations	40	36 While the number of presentations exceeded last year's levels, in this year of change we did not achieve our target of 40
New in 2013/14	Percentage of survey respondents who were satisfied or highly satisfied with the helpfulness of the information presented at Families Commission seminars and events attended	90%	96.5%

The independent evaluation of our Effective Parenting Programmes Review found it to be a well-developed, comprehensive and credible addition to the literature

In 2013-14, the Commission reviewed the effectiveness of parenting programmes for parents of vulnerable children. An independent evaluation of the project was carried out in July-August 2014 and a final report received in August 2014.

The evaluation was commissioned to explore the following performance domains:

- 1. Relevance** – was our work focused on the most important issues and did it meet customer need?
- 2. Robust process** – did we use robust research and knowledge activation processes and engage effectively with stakeholders?

3. **Usability** – were we effective in making social science information useable by social sector decision-makers?
4. **Quality** – did our work have appropriate research design, analysis and findings?
5. **Clarity** – was our work clearly communicated and presented?
6. **Accessibility** – is our work easy to find?
7. **Impact** – what happened as a result of our work?

The evaluation concluded that the Effective Parenting Programmes review: “delivers strongly across all seven performance domains ... is well structured and clearly presented, and overall is reasonably accessible ... [however] for future activities of this type, consideration should be given to how the domains of usability and accessibility can be further strengthened”².

The evaluation approach included a number of stakeholder interviews, as well as consultation with the Ministry of Health’s publications team on accessible publication formats.

The common view amongst stakeholders was that the review achieved very well the following aims:

- › to provide a stocktake of parenting programmes and their effectiveness
- › to provide a resource to inform commissioning and programme development
- › to provide an independent review to inform work across agencies.

Evaluation of the Effective Parenting Programmes Review – Conclusions

Overall, the Effective Parenting Programmes review can be seen to be a well-developed, comprehensive and credible analysis. The review connected with the needs of government agencies to understand both what is effective, and the considerations that are needed to support implementation in the future.

Dr Adrian Field, Dovetail Consulting Limited, August 2014

Presentations of our research findings are demonstrating the relevance and helpfulness of our work to decision-makers

We delivered 36 presentations during the year at various professional forums. These included workshops, seminars, conferences, publication and project launches, stakeholder meetings, as well as a number of other events. This represented an increase of 12 presentations over the previous year, and slightly shy of the target of 40. This was because we made a conscious decision to focus on the quality of presentations over quantity, which led to a couple of seminars being cancelled as we felt they did not meet our expectations of adding value, and one seminar was re-scheduled to 1 July 2014 in order to secure a larger audience.

Satisfaction with presentations was very high, with more than 96 per cent of attendees satisfied with the helpfulness of information presented at Commission seminars and events.

Particular highlights included feedback that we received from the **Evidence2Action Symposium** and **Evidence2Action Forum** that we hosted in Wellington and Auckland in June 2014, and from the various **Effective Parenting Programmes Forums** that we delivered during June 2014.

² Evaluation of the Effective Parenting Programmes Review, p4.

Event Evaluation Feedback from Evidence2Action Symposium (Wellington) and Forum (Auckland)

Question: What did you learn from the presentations on the use of evidence in the development of policy and practice and in funding that you can apply to your work or organisation?

“Generated a lot of thought around implementation approaches.”

“Great ideas on having a planned approach, but also [the need to take] care in the amount of capacity / resources required to implement well.”

“Outcome-based evidence is crucial for service development.”

“The whole implementation science field was new, fascinating and useful.”

Event Evaluation Feedback from Effective Parenting Programmes Forums

Question: What did you learn from the presentations that you can apply to your work or organisation?

“I will be doing a lot of reflection ... on how the information we gather can be used in more meaningful ways.”

“Would like to have further discussion within our agency about measuring outcomes.”

“Reinforcement that there are multiple factors that feed into a situation – and that there’s no golden bullet.”

IMPACT TWO: INFLUENCE ON ORGANISATIONS WORKING WITH FAMILIES AND WHĀNAU

2012/13 Actual	Measure	2013/14 Target	2013/14 Actual
59%	Percentage of decision-making organisations influenced by the Commission	88%*	46%

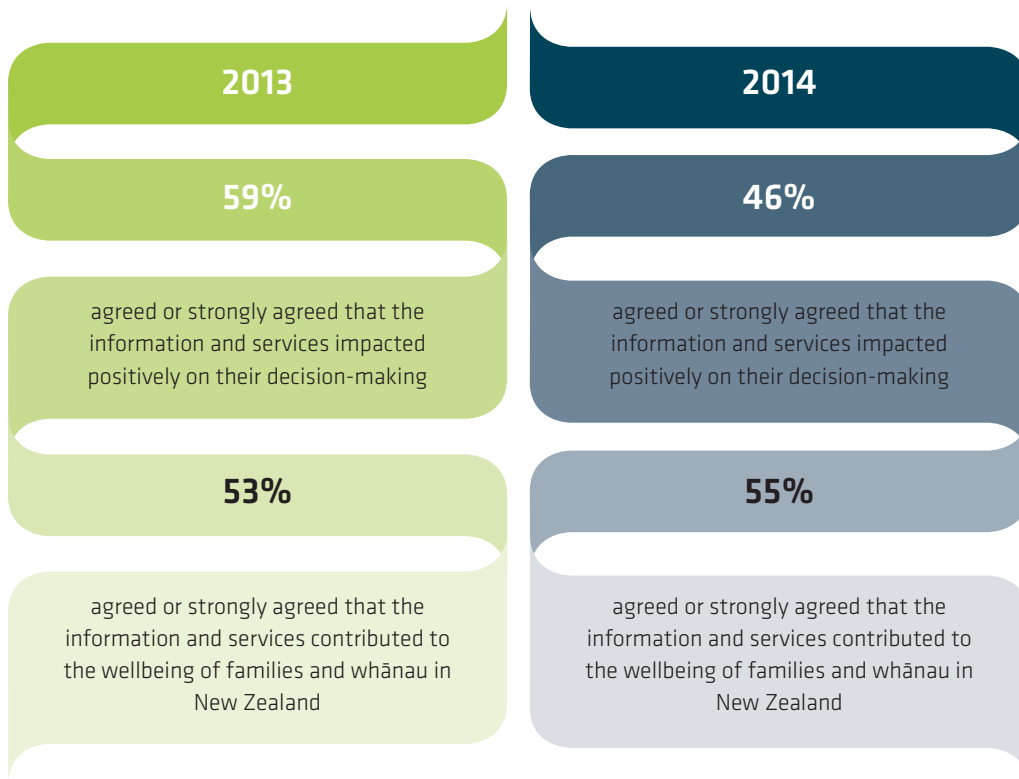
* Target set before the 2013 stakeholder survey was undertaken and based on historical results when a narrower range of stakeholders were surveyed.

We use an **annual stakeholder survey** to measure and evaluate our influence and impact on key stakeholders across the family and whānau, and social sectors. The survey was broadened in 2013 to include a wider set of stakeholders related to the Commission’s new social policy research, monitoring and evaluation function.

This means that care needs to be taken in comparing 2014 figures with those from 2013.

In the 2014 survey, respondents were asked the same two questions relating to the impact of the Commission’s information and services as were asked in the previous year: 1) how strongly they agreed or disagreed that the information and services impacted positively on their decision-making, and 2) how strongly they agreed or disagreed that the information and services contributed towards the wellbeing of families and whānau in New Zealand.

Stakeholder Satisfaction Survey Results



The percentage of interview respondents who agreed the Commission's information and services impacted positively on their decision-making was lower than in 2013 and well below target. However, as noted earlier care needs to be taken when making comparisons due to changes in size and composition.

The percentage of interview respondents who agreed that the information and services contributed to the wellbeing of families and whānau in New Zealand did not change significantly between 2013 and 2014.

These results need to be balanced against positive trends evident on some other key survey indicators:

- › 79 per cent of respondents agreed or strongly agreed that the Commission's services are of overall good quality (compared to 65 per cent in 2013)
- › 90 per cent of respondents agreed or strongly agreed that the Commission's events are useful (compared to 84 per cent in 2013)
- › 85 per cent of respondents agreed or strongly agreed that the Commission's other research reports are useful (compared to 78 per cent in 2013).

The impact of SuPERU on the lives of New Zealanders is indirect, through the way in which other organisations responsible for policy advice, social programmes, investment decisions, and delivering services perform better than they might otherwise have done. Our work is focused on increasing the use of evidence by these organisations in their work.

The outcomes we are seeking occur as a result of evidence and/or our outputs being used by social sector decision-makers. While we can influence this use, we cannot guarantee it. We increase the likelihood of evidence being used by ensuring that our products and services are fit-for-purpose and meet the needs of our customers as well as carrying out activities that support decision-makers to understand and use evidence.

For this reason, we are very pleased with the increase in the percentage of stakeholders who report that they find our events and reports useful. This has been an area of focus for us this year as we have adapted our focus and the customer base we're working with. We are confident that this lift in these measures will lead to an increase in the percentage of stakeholders reporting that our products and services impacted strongly on their decision-making.

Comments from Stakeholders in the 2014 Stakeholder Survey on the Commission's Influence

"Some of the research work around drug education programmes in schools, around parenting programmes have certainly informed our policy development. It would be one of the resources we go to when we are looking to do policy work."

"I think the Review of Parenting Programmes was a good piece of work ... it provides a basis for making good decisions about what we should be funding in that space."

"The whānau wellbeing report that they did ... we have used that as a resource to influence some of our thinking ... it has certainly influenced policy."

"[They need to make] sure that the people in the sector and the Ministers know what they are there for. It is a new role for them and they need to make sure the people who are going to use them as a resource actually know what they are doing."

"They have filled a vacuum of knowledge for me ... it's influenced the way I have run the project [and] the direction of the Cabinet Paper ... I am also running with some small purchasing trials at the moment and it's influenced the way I am thinking about those, so it's profound."

Stakeholders made a number of suggestions which we are incorporating into the design and delivery of our services and communications going forward. Key suggestions included the need for the Commission to foster relationships (45 respondents), to define its role more clearly (15), to increase its profile (10), to tailor the delivery of information to audience needs (7) and to continue to work towards its vision (10).

Performance highlights for the year

We are improving understanding about family and whānau wellbeing

Under legislation, the Commission is required to produce an annual Families and Whānau Status Report that measures and monitors the wellbeing of New Zealand families.

Our second Status Report was prepared and published in 2013-14 and is another step towards improving our understanding of family and whānau wellbeing. The 2014 report builds on our first report by setting out proposed Family and Whānau Wellbeing Frameworks and discussing how these will be used to measure and monitor family and whānau wellbeing.

The first part of the report sets out the proposed frameworks and provides some preliminary analysis of trends in family and whānau wellbeing. The two frameworks reflect different cultural concepts about wellbeing as well as the different cultural ideas about family and whānau held by non-Māori and Māori communities.

The **Family Wellbeing Framework** identifies four key dimensions of family wellbeing (physical, material, emotional, and social). Within each of these four domains are a number of factors that contribute to families being able to carry out their four core functions which are to: 1) promote social and human 'capital', 2) manage resources and support, 3) provide identity and a sense of belonging, and 4) nurture and care, and provide socialisation.

The **Whānau Wellbeing Framework** identifies four whānau wellbeing dimensions that are based on the capability dimensions used in Statistics New Zealand's Māori Statistics Framework: 1) sustainability of Te Ao Māori (the Māori world), 2) social capability, 3) human resource potential, and 4) economic self-determination. It is also structured around five whānau rangatiratanga (family empowerment) principles:

- › Whakapapa (descent),
- › Manaakitanga (duties and expectations of care and reciprocity),
- › Kotahitanga (collective unity),
- › Wairuatanga (a spiritual embodiment), and
- › Rangatiratanga (governance, leadership and the hierarchal nature of traditional Māori society).

The report draws on available data, such as the General Social Survey (2008, 2010, and 2012), the Census (to 2006), and administrative datasets to examine trends in family and whānau wellbeing. This year's report shows how current demographic trends such as smaller family sizes, increased longevity, relatively high fertility levels and higher rates of household formation and dissolution are changing the structure of families and whānau in New Zealand.

Some Quick Facts on Family Wellbeing

The **Status Report** highlights significant differences in wellbeing by family type that include:

One-parent families are shown to be much less likely to be satisfied with their life as a whole and this difference in wellbeing was repeated across many aspects of wellbeing, particularly physical health and safety and economic security.

Nearly nine in 10 of those in couple without children and two-parent families were satisfied or very satisfied with their life as a whole and were most likely to report good or excellent health.

Older couples without children do well across many domains of wellbeing, particularly healthy relationships.

With regard to changes over time, the analysis shows some emergent trends – for example, individuals in all four family types were slightly less likely to experience crime and more likely to be non-smokers. One-parent families were also shown to be increasingly more satisfied with their life as a whole and to hold a post-secondary school qualification over the three survey waves.

Analysis of questions from the General Social Survey (2008, 2010, 2012)

Some Quick Facts on Whānau Wellbeing

Measuring whānau wellbeing presents significant challenges. Data are collected at the individual level and there is a lack of high-quality information on whānau wellbeing.

While the trend analysis shows some improvements in wellbeing for some whānau types, this is not universal:

One-parent families showed improvements in education and employment but faced challenges relative to other family types in terms of economic self-determination (particularly housing and income) and in relation to overall life-satisfaction.

Of all the family types, couple-only families experienced the highest overall levels of whānau wellbeing.

The second part of the report includes the results of two targeted investigations by recognised experts into issues of specific interest: family transitions, and issues of wellbeing in Pacific families.

In our 2015 Status Report, we will be providing more detailed analysis and commentary on family and whānau wellbeing.

We are promoting the importance of families and whānau, and adding to the knowledge base on what increases their strength and resilience

During the year, we published an exploratory study to identify the major challenges of stepfamily life and the strategies that families use to address these challenges. Common challenges identified in the report, **Addressing the Challenges of Step-Family Life**, were around disciplining children, agreeing on household rules and routines, the influence of non-resident parents, and having enough time to develop the couple relationship. Strategies that both parents and stepparents used to manage these challenges and increase family resilience included having a positive outlook and willingness to compromise, and being able to negotiate solutions.

In 2014, we had a chapter entitled **Whānau Development and Resilience** published in *Family Futures* – a book produced by the United Nations in 2014 to celebrate the Year of the Family. The article reported on the results of the Commission's research on an indigenous Māori approach to building and maintaining whānau resilience in times of adversity and hardship. The research is helping improve our understanding of the ways in which whānau respond to challenging circumstances and the strategies they draw on to deal with them.

We also hosted or participated in a suite of events in 2014 in celebration of the **20th anniversary of the United Nations International Year of the Family**, which included presenting on why families matter.

We continue to provide leadership in helping reduce family violence

In 2013-14, the Commission continued to play a leadership role in initiatives to help reduce family violence. We are an active member of **the Taskforce for Action on Violence within Families**, and also fund the University of Auckland to operate **the New Zealand Family Violence Clearinghouse** (NZFVC), the national centre for collating and disseminating information about domestic and family violence in New Zealand.

In November 2012, we contracted the NZFVC to do further work on developing family violence indicators. The **Family Violence Indicators** report, finalised in December 2013 and published by the Commission in March 2014, assesses the suitability of current administrative data for providing outcomes indicators to measure trends in the frequency of family violence in our communities. The report makes recommendations to improve the quality of data that already exists in New Zealand, and also proposes a minimum data set for administrative family violence collections.

The approach set out in the report will improve our ability to measure family violence if the findings are implemented.

In May 2014, the Commission successfully transitioned responsibility for the delivery and management of the annual **White Ribbon Campaign** to end violence against women to the White Ribbon Campaign Trust Board. Under the Commission's leadership, the 2013 Campaign with its focus on a 'call to action' approach was the most successful ever held with over 120 community events undertaken, 114,793 visits to the White Ribbon website, and a record level of awareness (86 per cent, up from 57 per cent). The Trust, with a conditional two-year grant from the Commission, is now well-placed to take the Campaign on its next steps.

We are advancing and promoting cross-government practices, standards and methods

Over the course of the year, we have been developing principles-based **standards for good evaluation** in partnership with the Aotearoa New Zealand Evaluation Association and key stakeholders.

After extensive consultation over a number of months, an agreed set of principles was reached in June 2014. Getting the entire New Zealand evaluation community to support the principles has been a significant milestone. Final evaluation standards and guidelines are expected to be completed at the end of 2014.

During the year, we developed a **protocol for the release of social research** which we are currently trialling internally within the Commission. Later in the year, once we have had a chance to adequately test the protocol internally, we intend to promote the publishing protocol to other government agencies, actively encouraging them to adopt the protocol.

We are delivering evaluations of significance to government that will benefit the whole social sector

In November 2013, we signed a three-year contract with the Ministry of Health to evaluate the **Prime Minister's Youth Mental Health Project**, which comprises 26 cross-sector initiatives aimed at improving the mental health and resilience of young people aged 12-19 years, and improving access to specialised treatment. The Commission's evaluation plan for the project was signed off in February 2014 by the Youth Mental Health Project Steering Group, which includes representatives from the Ministries of Health, Education, Social Development, and Te Puni Kokiri. We completed the second major deliverable, a preliminary report, in September 2014.

We released the research report, **Assessment of the Design and Implementation of the Children's Teams**, and summary report in May 2014. The report outlines the functions needed for a Children's Team to work effectively. The Children's Teams are a key component of the Government's multi-year Children's Action Plan.

We are influencing social policy through use of evidence

We made five **submissions** during the year using the evidence from a range of research findings, including our own. These included submissions on: 1) the proposed Carers' Strategy Action Plan 2013-2018, 2) the Vulnerable Children Bill, 3) the Credit Contracts and Financial Services Law Reform Bill, 4) the Inquiry into Engaging Parents in the Education of Their Children, and 5) the National Drug Policy Review.

Our evidence-based publications are being used by government agencies in their policy-making. For example, the Treasury is using the findings from a draft report we commissioned on **the characteristics of family economic resilience** to inform their work on economic wellbeing, and our assessment of two trial community-based Children's Teams is informing the roll-out of further Children's Teams.

We are filling gaps in New Zealand's knowledge about social services

Arising out of the 2012 White Paper for Vulnerable Children, the Commission **reviewed the effectiveness of parenting programmes** for parents of vulnerable children aged 0-6 years. The report, published in April 2014, is contributing to the body of evidence needed to improve results for vulnerable children, as part of the Children's Action Plan. Since its release, the report has been widely disseminated across the social sector with the intent of improving practice. The Commission has also made a number of presentations, on invitation, regarding the review's findings, including to the Australian Institute of Families Conference in July 2014.

We commissioned a literature review to examine the evidence and relevant literature on what works in school-based relationship education (Years 7-13), in New Zealand and internationally. The report, ***Effectiveness of Relationship Education Programmes in Schools For Years 7-13***, was published in November 2013 and is helping inform decision-makers within government and schools about best practice in school-based relationship education programmes.

Key Learnings from the *Effectiveness of Relationship Education Programmes in Schools for Years 7-13* Report:

- › The underlying concepts and learning goals of the New Zealand Curriculum are consistent with international literature on what works for violence prevention.
- › There is solid evidence that school-wide approaches for improving relationships and behaviour (such as restorative practices) can have positive behavioural and academic outcomes.
- › Programmes specifically aimed at preventing adolescent violence in romantic or sexual relationships can be effective, but there is evidence that many programmes are ineffective in the long term, or even harmful.
- › The literature emphasises the importance of Māori and Pacific communities defining their own aspirations, and drawing on traditional knowledge, concepts and practices to find solutions.

We worked in partnership with the Ministry of Social Development (MSD) during the year to develop an **Investing in Services for Outcomes (ISO) Evaluation and Evidence Strategy** to support the Ministry's ISO Investment Strategy which is aimed at ensuring the Ministry's investment in the community targets areas of greatest need and reduces service gaps and duplication of delivery. The Strategy includes establishing a contestable Evaluation Fund for the purposes of improving the evidence base of 'what works' and reporting.

By 30 June 2014, we had completed our programme of work on the ISO Evaluation and Evidence Strategy which included the development of Evaluation Guidance for use by policy makers, purchasing staff and Non-Government Organisations (NGOs). The Strategy was incorporated into the Ministry's Cabinet Paper on the ISO Investment Strategy and subsequently approved. Implementing the Evaluation Fund is the next significant phase of the programme, which we will be promoting to NGOs by the end of 2014.

The ISO Evaluation and Evidence Strategy

- › Provides broad **evaluation guidance**, which supports the development of consistency in evaluation and covers different types of evaluations and how they might be used and provides key principles of good evaluation practice.
- › Provides an **evaluation schedule** which takes a strategic approach to evaluation and prioritises evaluation based on where there is the strongest need for understanding effectiveness in relation to spend.
- › Establishes a contestable **evaluation fund** which is provider driven and focuses on finding out what works for priority groups and in priority locations.
- › Provides a **publication, synthesis and dissemination strategy** which supports the use of findings and suggests how findings generated by evaluation can be used for learning and better decision making.
- › Supports the integration of evaluation into budget and performance management processes.

During the year, we **commissioned research examining the support and services that families need to assist in their resilience** after major disruptive events, such as the Canterbury earthquakes. The work has drawn interest from Canterbury-based health and social service providers.

As part of Budget 2013, responsibility for contract management of ***Growing Up in New Zealand***, New Zealand's largest and most culturally diverse longitudinal study of 7000 New Zealand children and their families, transferred to the Commission at the end of 2013. The Study is based at the University of Auckland's Centre for Longitudinal Research.

The contract the Commission negotiated with the University of Auckland took into account the recommendations made in the review led by UK expert Professor Sir Mansel Aylward. The new governance arrangements will ensure the Study, under the Commission's management, is better positioned to deliver value to government.

A key focus for the Commission is to increase the use of the study data so that decision-makers across the research, central and local government, and community sectors have the information they need to make more informed decisions.

In June 2014, the Study's third report, *'Now We Are Two: Describing our first 1000 days'* was released. The report is an important resource that will contribute evidence of what works for children and families in contemporary New Zealand.

"It is very exciting to be entering the pre-school data collection phase. Understanding what shapes children in the critical early years of their development in the context of contemporary New Zealand, is essential if we are to improve outcomes for all our children."

Associate Professor Susan Morton, Director of Growing Up in New Zealand

Earlier in the year, as a result of the Commission's consultation with other government agencies, agreement was reached that vulnerability was the most urgent policy and research priority across agencies and that this would form the basis of a future topic report (subsequently released by the Study in July 2014).

The Commission is now reviewing options for the future funding of the Study beyond 30 June 2015, with a business case due to be completed at the end of the year.

We are establishing a hub to make social science research easy to access

The Commission is mandated to establish and maintain a database of social science research undertaken by or on behalf of the Government. During the year, we completed a user needs analysis for the project in consultation with stakeholders, identified the functional requirements for the database, and considered delivery options. As a result of the needs analysis, we have adopted the term 'hub' rather than 'database' for the project which more accurately reflects what is being developed – namely a central place of activity for making social science research available for use. The hub is anticipated to be operational by the end of 2014.

We are facilitating social sector use of evidence

We ran or participated in a number of events during the year to support the translation of evidence or knowledge into practice. Promoting awareness and encouraging the use of evidence is integral to our role in leading and supporting an evidence-based approach to the design and delivery of policies and programmes aimed at improving social outcomes for individuals, families and whānau.

We held an **Evidence2Action Symposium** in Wellington in June 2014 which attracted 150 attendees and very positive feedback. We followed this up with an Auckland-based forum targeting the provider and philanthropic sectors on **the use of evidence in programme design and delivery**. This event, which we co-hosted with Auckland Council's Research and Monitoring Unit, attracted more than 50 participants and also received a positive response.

We made a series of **presentations** at various interagency meetings, forums and events, **on what the evidence tells us about effective parenting programmes**, following the release of our review in April 2014. The launch of the Growing Up in New Zealand Study's **Now We Are Two: Describing our first 1000 days Report** in June 2014 generated a high level of interest, with nearly 100 key stakeholders attending. We followed this up with an Auckland-based seminar on the Report's key findings. The launch of the Report also received extensive media coverage.

In 2014, we initiated a **Government /Academia Social Sciences Policy Roundtable Discussion**, with the goal to open a dialogue between academics and policy makers about the opportunities and obstacles facing the generation and uptake of policy-relevant social research in New Zealand.



PART TWO: ORGANISATIONAL HEALTH AND CAPABILITY



Organisational health and capability activities

In order to influence better social outcomes for New Zealanders, their families and whānau, we need to attract, retain and develop a high-quality, high-performing, committed workforce.

In our 2013-16 Statement of Intent, we identified four organisational health and capability areas of focus for the year: our people, whānau knowledge research and evaluation, our relationships and partnerships, and our information management systems.

It became clear during the year that we needed to review the organisation and the way we will work in the future to ensure we have the foundations in place to be able to successfully deliver on our new strategy.

As a consequence, our key areas of focus shifted to:

- › **planning** – creating a new business model, and developing and beginning to implement a new business plan to support our new strategic direction
- › **organisation design** – reviewing the design of the organisation with the objective to create a professional 'knowledge' organisation with staff who are highly expert, credible, and focused on external customers and stakeholders, and teams that are multi-functional, working collaboratively together to harness the organisation's collective strength
- › **business process development** – initiating the development of new business processes, systems and tools to support the new way of working
- › **culture and capability** – defining the skills and capabilities as well as cultural shift needed to turn the Commission into an influential, customer-focused organisation.

Our key achievements for the year as we began to transition to our new way of working, are set out below.

We revamped our Ethics Committee and recruited new expertise to our Reference Groups, reinforcing our commitment to delivering quality, relevant work

During the year, we **revised the Terms of Reference for, and recruited new members to, our Ethics Committee and three reference groups**: our Whānau, Ethnic, and (new in 2014) Pacific reference groups. Our intention is to make more use of our reference groups to quality-assure and peer review our work as part of our commitment to delivering research and evaluation products and services that are of high-quality, relevant and meet the needs of our key customers and stakeholders.

We strengthened relationships with our priority stakeholders and customers

Our focus during the year was on **developing relationships with customers, stakeholders and sectors** we'd prioritised under our new strategy. We gave particular emphasis to engaging with senior policy-makers, programme developers, funders, researchers and evaluators from within government, philanthropic organisations, and academia.

We actively used individual members of our Expert Advisory Group on specific projects

We sought advice and peer-review from individual members of our Expert Advisory Group during the year in relation to specific projects.

Workforce profile and equal opportunities

Gender	2010/11	2011/12	2012/13	2013/14
Female	31	27	22	25
Male	11	11	8	9

Ethnicity	2010/11	2011/12	2012/13	2013/14
Māori	6	5	4	4
Pacific Island	1	1	0	1
Asian	3	3	2	1
Pakeha / European	32	29	24	27
Other	0	0	0	1

	2010/11		2011/12		2012/13		2013/14	
	Full-time	Part-time	Full-time	Part-time	Full-time	Part-time	Full-time	Part-time
Management	5	0	6	0	3	1	4	0
Non-management	27	10	24	8	22	4	26	4

We are committed to being an Equal Employment Opportunity (EEO) employer through our organisation-wide EEO good employer practices relating to the recruitment and selection, development, management and retention of staff. Our policies and practices are reviewed on a regular basis. We are also a member of the EEO Trust.

Our commitment to being an EEO employer is reflected through:

- › ensuring all policies and practices comply with our EEO policy
- › implementing family-friendly practices in the workplace
- › providing equal opportunities for all staff
- › ensuring EEO principles and activities are reflected in recruitment processes, job descriptions, employment agreements and performance agreements and the induction process for new staff
- › promoting and respecting diversity and openness among staff
- › creating an environment, which is free from harassment for staff, client stakeholders and visitors
- › providing development opportunities and support to staff so they can contribute to their full potential and draw from their range of knowledge and experience
- › removing potential barriers for staff to both access training and development opportunities to assist them to reach their full potential
- › working with staff to find solutions that work for them and the Commission
- › continuing to develop programmes (eg cultural awareness programmes) that encourage the breakdown of traditional stereotypes and assist staff in their employment with the Commission.



PART THREE: GOVERNANCE AND MANAGING OUR RISKS



Governance

The Families Commission is governed by a Board of Directors, made up of a Families Commissioner (who is typically the Board Chair) and up to six other members. Board members are appointed by the Minister for Social Development. During 2013-14, Belinda Milnes was the Families Commissioner and Board Chair (appointed in an interim capacity in November 2012, and appointed for a 2.5 year term from July 2013).

The Crown Entities Act 2004 sets out the collective and individual duties of Board members.

Board meetings

The Board met 13 times during the year to discuss governance and strategic issues.

Board member	Term commencement date	Term end date
Belinda Milnes (Chair)	November 2012	Resigned October 2014
Sir Peter Gluckman	November 2012	November 2015
James Prescott	November 2010	November 2013 (now on rollover provisions)
Robyn Scott	November 2010	October 2013
Sir Wira Gardiner	May 2013	Resigned January 2014
Dr Parmjeet Parmar	May 2013	Resigned October 2014
Paul von Dadelszen	March 2014	March 2017
Jo-anne Wilkinson	March 2014	March 2017
Haami Piripi	June 2014	June 2017

Board sub-committees

The **Audit, Finance and Risk** sub-committee met once during the year. Members were James Prescott, Belinda Milnes and David Smyth (external member).

The **Remuneration** sub-committee met once during the year. Members were Belinda Milnes, Len Cook and Jo-anne Wilkinson.

Reference and advisory groups

The **Ethnic Reference Group** met once during 2013-14. Members were Dr Parmjeet Parmar (Board member), Prabodh Mishra, Venkat Raman, Tayo Agunlejika, Nilda Campbell, Manying Ip.

The **Whānau Reference Group** and (newly established) **Pacific Reference Group** didn't meet during the year. While there were no formal meetings of the **Expert Advisory Group**, they did meet as part of the Youth Mental Health Evaluation Advisory Group, and individual members were actively consulted during the year on specific projects.

The **Ethics Committee** met once during the year. Members are Sharron Cole, Dr John Kleinsman, Dr T M Suaalii-Sauni, and Paul Brown.

We are re-vamping these groups so expect changes over the coming year.

Risk management framework

We operate a risk management framework, which serves to coordinate how we manage risk to achieve our strategic objectives. The framework is compliant with the AS/NZS ISO: 31000: 2009. Risks are regularly monitored and reviewed with any significant changes presented to the Risk and Audit Committee and Board for approval.



PART FOUR:
ACCOUNTABILITY
STATEMENTS

Statement of responsibility

The Board is responsible for the preparation of the Families Commission's financial statements and statement of service performance, and the judgements used in them.

The Board of the Families Commission has the responsibility for establishing and maintaining a system of internal control designed to provide reasonable assurance as to the integrity and reliability of financial reporting.

In the Board's opinion, these financial statements and statement of service performance fairly reflect the financial position and operations of the Families Commission for the year ended 30 June 2014.

Signed on behalf of the Board:



Jo-anne Wilkinson
Families Commissioner
31 October 2014



James Prescott
Board member
31 October 2014

Independent Auditor's Report

To the readers of The Families Commission's financial statements and non-financial performance information for the year ended 30 June 2014

The Auditor-General is the auditor of the Families Commission (the Commission). The Auditor-General has appointed me, Ajay Sharma, using the staff and resources of Audit New Zealand to carry out the audit of the financial statements and non-financial performance information of the Commission on her behalf.

We have audited:

- › the financial statements of the Commission on pages 39 to 61, that comprise the statement of financial position as at 30 June 2014 the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date and notes to the financial statements that include accounting policies and other explanatory information; and
- › the non-financial performance information of the Commission that comprises the statement of service performance on pages 35 to 38 and the report about outcomes in the tables on pages 10 and 12.

Opinion

In our opinion:

- › the financial statements of the Commission on pages 39 to 61:
 - › comply with generally accepted accounting practice in New Zealand; and
 - › fairly reflect the Commission's:
 - financial position as at 30 June 2014; and
 - financial performance and cash flows for the year ended on that date.
- › the non financial performance information of the Commission on pages 35 to 38 and in the tables on pages 10 and 12.
 - › complies with generally accepted accounting practice in New Zealand; and
 - › fairly reflects the Commission's service performance and outcomes for the year ended 30 June 2014, including for each class of outputs:
 - its service performance compared with forecasts in the statement of forecast service performance at the start of the financial year; and
 - its actual revenue and output expenses compared with the forecasts in the statement of forecast service performance at the start of the financial year.

Our audit was completed on 31 October 2014. This is the date at which our opinion is expressed.

The basis of our opinion is explained below. In addition, we outline the responsibilities of the Commissioners and our responsibilities, and we explain our independence.

Basis of opinion

We carried out our audit in accordance with the Auditor-General's Auditing Standards, which incorporate the International Standards on Auditing (New Zealand). Those standards require that we comply with ethical requirements and plan and carry out our audit to obtain reasonable assurance about whether the financial statements and non-financial performance information are free from material misstatement.

Material misstatements are differences or omissions of amounts and disclosures that, in our judgement, are likely to influence readers' overall understanding of the financial statements and non-financial performance information. If we had found material misstatements that were not corrected, we would have referred to them in our opinion.

An audit involves carrying out procedures to obtain audit evidence about the amounts and disclosures in the financial statements and non-financial performance information. The procedures selected depend on our judgement, including our assessment of risks of material misstatement of the financial statements and non-financial performance information, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the preparation of the Commission's financial statements and non-financial performance information that fairly reflect the matters to which they relate. We consider internal control in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control.

An audit also involves evaluating:

- › the appropriateness of accounting policies used and whether they have been consistently applied;
- › the reasonableness of the significant accounting estimates and judgements made by the Commissioners;
- › the appropriateness of the reported non-financial performance information within the Commission's framework for reporting performance;
- › the adequacy of all disclosures in the financial statements and non-financial performance information; and
- › the overall presentation of the financial statements and non-financial performance information.

We did not examine every transaction, nor do we guarantee complete accuracy of the financial statements and non-financial performance information. Also we did not evaluate the security and controls over the electronic publication of the financial statements and non-financial performance information.

We have obtained all the information and explanations we have required and we believe we have obtained sufficient and appropriate audit evidence to provide a basis for our audit opinion.

Responsibilities of the Commissioners

The Commissioners are responsible for preparing financial statements and non-financial performance information that:

- › comply with generally accepted accounting practice in New Zealand;
- › fairly reflect the Commission's financial position, financial performance and cash flows; and
- › fairly reflect its service performance and outcomes.

The Commissioners are also responsible for such internal control as is determined necessary to enable the preparation of financial statements and non-financial performance information that are free from material misstatement, whether due to fraud or error. The Commissioners are also responsible for the publication of the financial statements and non-financial performance information, whether in printed or electronic form.

The Commissioners' responsibilities arise from the Crown Entities Act 2004, the Families Commission Act 2003, and Families Commission Amendment Act 2014.

Responsibilities of the Auditor

We are responsible for expressing an independent opinion on the financial statements and non-financial performance information and reporting that opinion to you based on our audit. Our responsibility arises from section 15 of the Public Audit Act 2001 and the Crown Entities Act 2004.

Independence

When carrying out the audit, we followed the independence requirements of the Auditor-General, which incorporate the independence requirements of the External Reporting Board.

Other than the audit, we have no relationship with or interests in the Commission.

A handwritten signature in black ink that reads "Ajay Sharma". The signature is written in a cursive style with a horizontal line underneath the name.

Ajay Sharma

Audit New Zealand

On behalf of the Auditor-General

Wellington, New Zealand

Statement of service performance

This section reports actual performance for the year ending 30 June 2014 against the performance standards set out in the 2013-2016 Statement of Intent.

The Commission's outputs are appropriated through Vote: Social Development, non-departmental output expense – Families Commission.

Output expenditure to 30 June 2014

Output	2013/14 Actual \$000	SOI Budget \$000	Variance \$000	2012/13 Actual \$000
Families and whānau knowledge base				
Revenue	3,843	3,900	(57)	3,997
Expenditure	3,727	4,030	(303)	4,131
Net surplus/(deficit)	116	(130)	246	(134)
Social policy evaluation and research				
Revenue	8,098	4,631	3,467	3,762
Expenditure	7,815	5,206	2,609	3,458
Net surplus/(deficit)	283	(575)	858	304
Total Surplus/(Deficit)	399	(705)	1,104	170

Explanations for Major Variances

Expenditure on Families and whānau knowledge base projects was lower than budgeted with less activity than anticipated in this year of organisational change.

After the preparation of the Statement of Intent, the Commission was assigned management of the Growing Up in New Zealand (GUINZ) longitudinal study. Approximately \$4 million in revenue and expenditure was added to the Commission's social policy evaluation and research activities through the management of this study. The additional GUINZ revenue was partly offset by less revenue than budgeted from other commissioned work. Rather than picking up additional third-party funded research and evaluation activity, we focused on major projects such as establishing best practice management of GUINZ and the evaluation of Youth Mental Health initiatives, scoped in 2012/13.

Performance measures and standards to 30 June 2014

Output: Family and whānau knowledge base

Performance measures and standards	2013/14 Actual	SOI Standard	2012/13 Actual
Reports, submissions and other publications published	Standard achieved 20 reports, submissions and other publications published ³	20	11
Families and Whānau Status Report	Standard achieved Report published June 2014	Report published	Standard not achieved Report published July 2013
Family Violence Indicators Report	Standard achieved Report completed in October 2013 and printed and disseminated to key stakeholders in December 2013. The report was published on the Commission's website in March 2014 (in order that it could be published along with the Family Violence Indicators Summary Report)	Report published	New measure in 2013/14
New Zealand Family Violence Clearinghouse			
Percentage of time website available on 24/7 basis	Standard achieved 99%	95%	96%
Website usage (views)	Standard achieved 31,550	17,000	36,249

³ NB, includes the Family Violence Indicators Report (published March 2014), the Families and Whānau Status Report (published June 2014), and the Now We Are Two: Describing Our First 1000 Days Report (produced by the Growing Up in New Zealand Study but contributed to by the Commission and published on the Commission's website).

Performance measures and standards	2013/14 Actual	SOI Standard	2012/13 Actual
Published reports or research briefs formally peer reviewed (by at least one external expert and one internal expert in the field of study and comments incorporated into the final report where appropriate)	Standard achieved 100% of research briefs and statistics were formally peer reviewed during 2013/14	100%	100%
White Ribbon Campaign			
Reported events held	Standard not achieved Due to the changeover during the year to a new internet-based system, the full number of White Ribbon Events in 2013 was not able to be captured. While 120 events were registered through the voluntary system, this is likely to have been a sizeable understatement of the true number of events held. However, we cannot definitively say we met the target. The system will be rectified in 2014 to enable accurate events data to be captured.	240	Over 237 reported events
Website usage (views)	Standard achieved 114,793	90,000	86,000

Output: Social policy evaluation and research

Performance measures and standards	2013/14 Actual	SOI Standard	2012/13 Actual
Guide for better practice standards and resources for practitioners	<p>Standard partially achieved</p> <p>Overall principles for good evaluation were agreed with partnering agency ANZEA⁴ and key stakeholders by 30 June 2014 and a near-complete exposure draft of evaluation standards was completed (which were finalised in July 2014) but final evaluation standards and guidelines for their use are not anticipated to be completed until December 2014⁵</p>	Guide published	Standard not achieved
Resource database established	<p>Standard not achieved</p> <p>A needs analysis and delivery approach for the government social science research hub⁶ was completed by 30 June 2014 but the hub is not anticipated to be fully operational until December 2014</p>	Database established by 30 June 2014	Standard not achieved
Published reports formally peer reviewed (by at least one external expert and one internal expert in the field of study and comments incorporated into the final report where appropriate)	<p>Standard achieved</p> <p>100% of reports were formally peer reviewed during 2013/14</p>	100%	100%

⁴ ANZEA is the acronym for the Aotearoa New Zealand Evaluation Association.

⁵ Subsequent to the preparation of the 2013-2016 Statement of Intent, the focus of this performance measure and standard was more clearly defined as the development of evaluation standards by 30 June 2014.

⁶ Subsequent to the preparation of the 2013-2016 Statement of Intent, reference to the resource database was revised to Government social science research hub which is a more appropriate term for what will be an interface which will link users to research publications housed on other online environments.

Financial statements

Statement of comprehensive income for the year ended 30 June 2014

	Note	2013/14 Actual \$000	2013/14 Budget \$000	2012/13 Actual \$000
Income				
Revenue from Crown	2	10,305	7,124	7,124
Interest income		158	80	102
Other revenue	3	1,478	1,327	533
Total income		11,941	8,531	7,759
Expenditure				
Commissioners' fees	19	142	196	183
Personnel expenses	4	4,841	4,085	4,369
Other expenses	5	6,459	4,806	2,988
Depreciation and amortisation expense	8, 9	100	149	49
Total expenditure		11,542	9,236	7,589
Net surplus/ (deficit) for the year		399	(705)	170
Other comprehensive income		0	0	0
Total comprehensive income		399	(705)	170

Explanations of significant variances against budget and previous year are detailed in notes 26 and 27.

The accompanying notes form part of these financial statements.

Statement of financial position as at 30 June 2014

	Note	2013/14 Actual \$000	2013/14 Budget \$000	2012/13 Actual \$000
Assets				
Current assets:				
Cash and cash equivalents	6	4,092	930	1,782
Debtors and other receivables	7	235	55	86
Prepayments		23	0	13
Total current assets		4,350	985	1,881
Non-current assets:				
Property, plant and equipment	8	55	94	152
Intangible assets	9	3	220	5
Total non-current assets		58	314	157
Total assets		4,408	1,299	2,038
Liabilities				
Current liabilities:				
Creditors and other payables	10	1,959	649	635
Employee entitlements	11	153	150	206
Restructuring Provision	12	600	0	0
Income Received in Advance	13	100	0	0
Total current liabilities		2,812	799	841
Total liabilities		2,812	799	841
Net assets		1,596	500	1,197
Equity				
General funds	14	1,596	500	1,197
Total equity		1,596	500	1,197

The accompanying notes form part of these financial statements.

Statement of changes in equity for the year ended 30 June 2014

	Note	2013/14 Actual \$000	2013/14 Budget \$000	2012/13 Actual \$000
Balance at 1 July		1,197	1,205	1,027
Amounts recognised directly in equity:				
Total comprehensive income		399	(705)	170
Balance at 30 June	14	1,596	500	1,197

Statement of cash flows for the year ended 30 June 2014

	Note	2013/14 Actual \$000	2013/14 Budget \$000	2012/13 Actual \$000
Cash flows from operating activities				
Receipts from the Crown		10,305	7,124	7,124
Interest received		143	80	102
Receipts from other revenue		1,472	1,327	498
Payments to suppliers		(5,485)	(5,410)	(3,043)
Payments to employees		(4,097)	(3,643)	(4,364)
Good and services tax (net)		(28)	(60)	(26)
Net cash flow from operating activities	15	2,310	(582)	291
Cash flows from investing activities				
Purchase of property plant and equipment		0	(10)	(109)
Purchase of intangible assets		0	(300)	(5)
Net cash flow from investing activities		0	(310)	(114)
Net (decrease)/ increase in cash and cash equivalents		2,310	(892)	177
Cash at the beginning of the year		1,782	1,822	1,605
Cash at the end of the year	6	4,092	930	1,782

The accompanying notes form part of these financial statements.

Notes to financial statements

1. Statement of accounting policies for the year ended 30 June 2014

Reporting entity

The Families Commission (the Commission) is a Crown entity as defined by the Crown Entities Act 2004 and domiciled in New Zealand. The Commission's ultimate parent is the New Zealand Crown.

The Commission's primary objective is to provide public services to the New Zealand public, as opposed to that of making a financial return. Accordingly, the Commission has designated itself as a public benefit entity for the purposes of New Zealand equivalents to International Reporting Standards (NZ IFRS).

The financial statements for the Commission are for the year ending 30 June 2014 and were approved by the Board on 31 October 2014.

Basis of preparation

Statement of compliance

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

These financial statements have been prepared in accordance with NZ GAAP as appropriate for public benefit entities and they comply with NZ IFRS.

Measurement base

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

Functional and presentation currency

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

Changes in Accounting Policies

There have been no changes in accounting policies. All accounting policies have been applied consistently with the previous year.

Standards, amendments, and interpretations issued that are not yet effective and have not been early adopted

The Minister of Commerce has approved a new Accounting Standards Framework (incorporating a Tier Strategy) developed by the External Reporting Board (XRB). Under this Accounting Standards framework the Commission is classified as a Tier 2 reporting entity and it will be able to apply a reduced disclosure regime under the public sector Public Benefit Entity Accounting Standards (PAS). The effective date for the new standards for public sector entities is for reporting periods beginning on or after 1 July 2014. This means the Commission will transition to the new standards in preparing its 30 June 2015 financial statements.

Due to the change in the Accounting Standards Framework for public benefit entities, it is expected that all new NZ IFRS and amendments to existing NZ IFRS will not be applicable to public benefit entities. Therefore, the XRB has effectively frozen the financial reporting requirements for public benefit entities up until the new Accounting Standard Framework is effective. Accordingly, no disclosure has been made about new or amended NZ IFRS that exclude public benefit entities from their scope.

The Commission anticipates that these standards will have no material impact on the financial statements in the period of initial application. It is likely that the changes arising from this framework will affect the disclosures required in the financial statements. However, it is not practicable to provide a reasonable estimate until a detailed review has been completed.

Significant accounting policies

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

Revenue

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

› Revenue from the Crown

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

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

› 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 sublease are recognised as revenue on a straight-line basis over the lease term.

› Other income

Funding received from other organisations is recognised as revenue upon entitlement.

› Recoverable administrative expenses

The Commission will be reimbursed by a sub-tenant for administrative expenses based on an agreed allocation methodology. This revenue will be recognised when the expense by the Commission is incurred.

› Vested asset

Where a physical asset is gifted to or acquired by the Commission for nil or nominal costs, the fair value of the assets received is recognised as income. Such assets are recognised as income when control of the asset is obtained.

Grant expenditure

Grants awarded by the Commission are discretionary in nature. The Commission has no obligation to award on receipt of the grant application and the grant is recognised as expenditure when approved by the Commission's Board and the approval has been communicated to the applicant.

Leases

› Finance leases

The Commission does not enter into finance leases.

› 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 lease term.

Lease incentives received are recognised in the statement of comprehensive income over the lease term as an integral part of the total lease expense.

Cost Allocation

Within the statement of service performance, the cost of outputs has been determined through a direct allocation and overhead allocation:

- › Direct allocation – where costs can be directly allocated to an output; and
- › Overhead allocation – where costs cannot be directly attributed to an output they have been classified as an overhead. Overhead costs include expenditure related to the Board and corporate administration costs. Overhead costs are allocated across the outputs based on the proportional allocation of full-time equivalent employees (FTEs) within each output.

Cash and cash equivalents

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

Debtors and other receivables

Short-term debtors and other receivables are recorded at their face value, less any provision for impairment.

Impairment of a receivable is established when there is objective evidence that the Commission will not be able to collect amounts due according to the original terms of the receivable. The amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted using the original effective interest rate.

Investments

At each balance sheet date the Commission 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 impairment. For bank deposits, impairment is established when there is objective evidence that the Commission will not be able to collect amounts due according to the original terms of the deposit.

› Equity investments

The Commission does not enter into equity investments.

Property, plant and equipment

Property, plant and equipment asset classes consist of leasehold improvements, furniture, computer equipment and office equipment. Property, plant and equipment are shown at cost or valuation, less accumulated depreciation and 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. All are recorded at historical cost.

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 the Commission 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. The Commission 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 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 in the statement of comprehensive income as they are incurred.

Depreciation

Depreciation is provided on a straight-line basis on all property, plant and equipment other than land, 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	4-5 years	20% - 25%
Computer equipment	3 years	33%
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 shorter.

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

Intangible assets

› Software acquisition and development

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

Costs that are directly associated with the development of software for internal use by the Commission 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 the Commission'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.

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%
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 recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

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

If an asset's carrying amount exceeds its recoverable amount, the asset is impaired and the carrying amount is written down to the recoverable amount. The total impairment loss is recognised in the statement of comprehensive income.

Creditors and other payables

Short-term creditors and other payables are recorded at their face value.

Employee entitlements

› Short-term employee entitlements

Employee entitlements that the Commission 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.

The Commission 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 the Commission anticipates it will be used by staff to cover future absences.

The Commission 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.

Superannuation schemes

› **Defined contribution 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 income as incurred.

Equity

Equity is measured as the difference between total assets and total liabilities.

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, 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

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

Budget figures

The budget figures are derived from the Statement of Intent as approved by the Board for the beginning of the financial year. The budget figures have been prepared in accordance with NZ GAAP, using accounting policies that are consistent with those adopted by the Board in preparing these financial statements.

Critical accounting estimates and assumptions

In preparing these 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. There are no known significant risks within these estimates and assumptions that would cause a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

2. Revenue from the Crown

The Commission has been provided with funding from the Crown within Vote: Social Development, non-departmental Output Expense – Families Commission for specific purposes as set out in the Families Commission Act 2003 and the scope of relevant government appropriations. Apart from these general restrictions, there are no unfulfilled conditions or contingencies attached to government funding (2013: \$nil).

3. Other revenue

	2013/14 Actual \$000	2013/14 Budget \$000	2012/13 Actual \$000
White Ribbon Day – other agency contribution	0	100	100
Rental income	147	227	185
Revenue from work commissioned by other agencies	300	1,000	140
Other agency contributions to Growing Up in New Zealand (GUiNZ) longitudinal study	943	0	0
Other miscellaneous	88	0	108
Total other revenue	1,478	1,327	533

4. Personnel expenses

	2013/14 Actual \$000	2013/14 Budget \$000	2012/13 Actual \$000
Salaries and wages ⁷	3,784	3,771	3,475
Termination benefits paid or provided for at year end	685	0	607
Employer contributions to defined contribution plan	112	90	99
Increase/(decrease) in employee entitlements ⁸	(53)	(56)	(103)
Other	313	280	291
Total personnel expenses	4,841	4,085	4,369

Employers' contributions to defined contribution plans include contributions to Kiwisaver, State Sector Retirement Savings Scheme and Government Superannuation Fund.

During the year ended 30 June 2014, 2 staff received compensation and other benefits in relation to cessation, and at year end provision was made for redundancies for a further 14 staff (2013: 13). A total of \$685,000 in termination benefits has been paid or provided for at year end (2013: \$607,381).

⁷ Includes accrued salaries and wages.

⁸ Change in annual leave entitlement only.

5. Other expenses

	2013/14 Actual \$000	2013/14 Budget \$000	2012/13 Actual \$000
Fees to auditor			
› Fees to Audit NZ for audit of financial statements	37	37	36
› Fees to Audit NZ for other professional services	0	0	15
Staff travel	113	131	59
Operating lease expense	414	417	427
Advertising	51	38	301
Consultancy/contractors*	5,097	3,333	1,198
Other	747	850	952
Total other expenses	6,459	4,806	2,988

* Actual consultancy and contractors costs in 2014 include the Growing Up in New Zealand longitudinal study contract cost of \$3.94 million.

6. Cash and cash equivalents

	2013/14 Actual \$000	2013/14 Budget \$000	2012/13 Actual \$000
Cash on hand at bank	1,041	300	467
Cash equivalents - term deposits	3,051	630	1,315
Total cash and cash equivalents	4,092	930	1,782

The carrying value of short-term deposits with maturity dates of three months or less approximates their fair value.

The weighted average effective interest rate for term deposits is 3.60% (2013: 3.10%).

7. Debtors and other receivables

	2013/14 Actual \$000	2013/14 Budget \$000	2012/13 Actual \$000
Debtors	120	55	14
Net debtors	120	55	14
GST receivable	97	0	69
Interest receivable	18	0	3
Total debtors and other receivables	235	55	86

The carrying value of debtors and other receivables approximates their fair value.

The carrying amount of receivables that would otherwise be past due, but not impaired, whose terms have been renegotiated in 2014 is \$nil (2013: \$nil).

As at 30 June 2014 and 2013, all overdue receivables have been assessed for impairment and appropriate provisions applied, as detailed below:

	2013/14 Actual \$000	2013/14 Budget \$000	2012/13 Actual \$000
	Gross	Gross	Gross
Not past due	120	55	14

No provision or doubtful accounts have been required or made in 2014 and 2013.

8. Property, plant and equipment

	Leasehold improvements \$000	Computer equipment \$000	Furniture \$000	Office equipment \$000	Total \$000
Cost or valuation					
Balance at 1 July 2012	397	285	26	129	837
Additions	86	0	0	29	115
Disposals	0	(261)	0	(42)	(303)
Balance at 30 June 2013	483	24	26	116	649
Balance at 1 July 2013	483	24	26	116	649
Additions	0	0	0	0	0
Disposals	0	0	0	0	0
Balance at 30 June 2014	483	24	26	116	649
Accumulated depreciation and impairment losses					
Balance at 1 July 2012	335	279	24	107	745
Depreciation expense	35	2	1	11	49
Disposals		(257)		(40)	(297)
Balance at 30 June 2013	370	24	25	78	497
Balance at 1 July 2013	370	24	25	78	497
Depreciation expense	84	0	1	13	98
Disposals	0	0	0	0	0
Balance at 30 June 2014	454	24	26	91	595
Carrying amounts					
At 30 June and 1 July 2012	62	6	2	22	92
At 30 June 2013	113	0	1	38	152
At 30 June 2014	29	0	0	25	54

The Commission does not own land or buildings.

9. Intangible assets

	Acquired software \$000	Internally generated software \$000	Total \$000
Cost or valuation			
Balance at 1 July 2012	145	62	207
Additions	5	0	5
Disposals	(23)	0	(23)
Balance at 30 June 2013	127	62	189
Balance at 1 July 2013	127	62	189
Additions	0	0	0
Disposals	0	0	0
Balance at 30 June 2014	127	62	189
Accumulated depreciation and impairment losses			
Balance at 1 July 2012	145	62	207
Depreciation expense	0	0	0
Disposals	(23)	0	(23)
Balance at 30 June 2013	122	62	184
Balance at 1 July 2013	122	62	184
Depreciation expense	2	0	2
Disposals	0	0	0
Balance at 30 June 2014	124	62	186
Carrying amounts			
At 30 June and 1 July 2012	0	0	0
At 30 June 2013	5	0	5
At 30 June 2014	3	0	3

There are no restrictions over the title of the Commission's intangible assets, nor are any intangible assets pledged as security for liabilities.

10. Creditors and other payables

	2013/14 Actual \$000	2013/14 Budget \$000	2012/13 Actual \$000
Creditors	602	649	471
Accrual expenses	1,357	0	164
Total creditors and other payables	1,959	646	635

11. Employee entitlements

	2013/14 Actual \$000	2013/14 Budget \$000	2012/13 Actual \$000
Annual leave	153	150	206
Total employee entitlements	153	150	206

The Commission does not have retirement or long service leave as an employee entitlement.

12. Provisions

	2013/14 Actual \$000	2013/14 Budget \$000	2012/13 Actual \$000
Restructuring Provision	600	0	0
Total Provisions	600	0	0

Following staff consultation on a restructuring proposal, in June 2014 a detailed restructuring plan was announced that disestablished a number of positions within the Commission. Accordingly \$600,000 has been provided for 14 staff redundancies. (2013: \$nil).

13. Income in Advance

	2013/14 Actual \$000	2013/14 Budget \$000	2012/13 Actual \$000
Income in Advance	100	0	0
Total Income in Advance	100	0	0

14. Equity

	2013/14 Actual \$000	2013/14 Budget \$000	2012/13 Actual \$000
General funds			
Balance at 1 July	1,197	1,205	1,027
Net surplus/ (deficit)	399	(705)	170
General funds at 30 June	1,596	500	1,197

The Commission incurred no re-evaluations or cash flow hedging in 2014 (2013: \$nil).

15. Reconciliation of the net operating surplus to net cash flows from operating activities

	2013/14 Actual \$000	2013/14 Budget \$000	2012/13 Actual \$000
Net surplus/ (deficit)	399	(705)	170
Add non-cash items:			
Depreciation and amortisation expense	100	149	49
Total non-cash items	499	(556)	49
Add/ (less) movements in working capital items:			
(Incr)/ Decr in debtors, other receivables and Prepayment	(131)	0	222
(Incr)/ Decr in GST receivable	(28)	0	(26)
Incr/ (Decr) in creditors and other payables	2,023	19	(21)
Incr/ (Decr) in employee entitlements	(53)	(45)	(103)
Net cashflows from operating activities	2,310	(582)	291

16. Operating leases

Operating commitments

The future aggregate minimum lease payments to be paid under non-cancellable operating leases are as follows:

	2013/14 Actual \$000	2012/13 Actual \$000
Not later than one year	187	401
Later than one year and not later than five years	0	158
Later than five years	0	0
Total	187	559

The significant portion of the total non-cancellable operating lease expense relates to the lease of two floors in Wellington and one car park and part of one floor in Auckland. The Auckland lease expired at the end of November 2013.

The lease in Wellington expires on 31 December 2014. In December 2014 the Commission is moving to new premises and will be co-locating with a major government department. A co-location memorandum of understanding is to be signed which commits the Commission to a new 8 year lease at a rental cost equivalent to \$292,000 per annum.

A memorandum of understanding has been signed with the Ministry of Social Development to provide the Commission with information technology infrastructure and services for a monthly fee. The arrangement can be cancelled at any time with six months' notice by either party.

17. Sponsorship commitments

All sponsorship commitments made in 2013/14 were paid as at 30 June 2014 (2013: \$nil).

18. Contingencies

Contingent liabilities

The Commission has no contingency liabilities related to legal actions or superannuation schemes (2013: \$nil).

Contingent assets

The Commission has no contingent assets (2013: \$nil).

19. Related party transactions and key management personnel compensation

All related party transactions have been entered into on an arm's length basis.

The Commission is a wholly-owned entity of the Crown.

Significant transactions with government-related entities

The Commission has been provided with funding from the Crown of \$10.305 million (2013 \$7.124 million) for specific purposes as set out in the Families Commission Act 2003, and the scope of relevant government appropriations.

Collectively, but not individually, significant transactions with government-related entities

In conducting its activities, the Commission is required to pay various taxes and levies (such as GST, PAYE and ACC levies) to the Crown and entities related to the Crown. The payment of these taxes and levies, other than income tax, is based on the standard terms and conditions that apply to all tax and levy payers. The Families Commission is exempt from paying income tax.

The Families Commission also purchased goods and services from entities controlled, significantly influenced, or jointly controlled by the Crown. Purchases from these government-related entities for the year ended 30 June 2014 totalled \$0.190 million (2013: \$0.252 million). These purchases included the purchase of information technology services and infrastructure from the Ministry of Social Development, electricity from Genesis, air travel from Air New Zealand, and postal services from New Zealand Post.

Key management personnel

No transactions were entered into during the year with key management personnel

Key management personnel compensation

	2013/14 Actual \$000	2012/13 Actual \$000
Salaries and other short-term employee benefits	940	972
Termination benefits	114	90
Total key management personnel compensation	1,054	1,062

Key management personnel included the Families Commissioner, six Commissioners, the Chief Executive and three senior managers; the Director Social Policy Evaluation and Research, Director Centre for Family and Whānau Knowledge and Manager Corporate Support and Reporting.

In 2014 two key management personnel received compensation or other benefits in relation to cessation (2013: 1).

20. Board member remuneration

The total value of remuneration paid or payable to each Board member during the financial year was:

	2013/14 Actual \$	2012/13 Actual \$
Milnes, B (Chairperson from 2013)	96,294	55,178
Gluckman, P ⁹	10,817	4,520
Parmar, P	12,571	2,260
Prescott, J	14,690	32,770
Scott, R	2,840	12,715
Wilkinson, J	3,673	0
Von Dadelszen, P	2,542	0
Davidson, C (Chairperson in 2012)	0	51,150
Rankin, C	0	22,600
Gardiner, W ¹⁰	(1,695)	1,695
Total board member remuneration	141,732	182,888

The Commission provided a deed of indemnity to Board members for certain activities undertaken in the performance of the Commission's functions. The Commission arranged Directors and Officers Liability and Professional Indemnity insurance cover during the financial year in respect of the liability or costs of Board members and employees.

⁹ No direct payments are made to Professor Sir Peter Gluckman. His office is reimbursed for the time he spends on Families Commission business.

¹⁰ Sir Wira Gardiner did not claim Board member fees for meetings he attended in 2013. These fees had been accrued, but were reversed when he advised that he would not be claiming them.

Advisory committee member remuneration

The total value of remuneration paid or payable to advisory committee members was \$19,400 (2013: \$45,619). The membership of the advisory committees follows:

Ethnic Reference Group		Expert Advisory Group	
Mishra, P	\$369	Cook, L	\$9,816
Campbell, N	\$369	Moewaka-Barnes, H	\$ 436
Raman, V	\$369	Audit Committee	
Agunlejika, T	\$369	Smyth, D	\$1,327

No Board members or committee members received compensation or other benefits in relation to cessation (2013: \$nil).

21. Employee remuneration

Annual salary paid, (not including compensation or other benefits in relation to cessation – disclosed separately in note 4)	2013/14 Actual	2012/13 Actual
100,000 – 109,999	0	2
110,000 – 119,999	6	2
120,000 – 129,999	4	2
130,000 – 139,999	2	1
140,000 – 149,999	0	3
150,000 – 159,999	0	1
160,000 – 169,999	0	1
170,000 – 179,999	0	0
180,000 – 189,999	0	0
190,000 – 199,999	1	0
260,000 – 269,999	1	0
Total employees	14	12

22. Events after balance sheet date

There were no significant events after the balance sheet date (2013:nil).

23. Categories of financial assets and liabilities

The carrying amounts of financial assets and liabilities in each of the NZ IAS 39 Standard's 39 categories are as follows:

	2013/14 Actual \$000	2013/14 Budget \$000	2012/13 Actual \$000
Loans and receivables			
Cash and cash equivalents (note 6)	4,092	930	1,782
Debtors and other receivables (note 7)	235	55	86
Total loans and receivables	4,327	985	1,868
Financial liabilities measured at amortised cost			
Creditors and other payables (note 10)	1,859	649	635
Total financial liabilities measured at amortised cost	1,859	649	635

24. Financial instrument risks

Market risk

› Fair value interest rate risk

Fair value interest rate risk is the risk that the value of the financial instrument will fluctuate due to changes in market interest rates. The Commission's exposure at fair value interest rate risk is limited to its bank deposits which are held at fixed rates of interest.

› Cash flow interest rate risk

Cash flow interest rate risk is the risk that the cash flow from a financial instrument will fluctuate because of changes in market interest rates. Investments issued at variable interest rates expose the Commission to cash flow interest rate risk.

The Commission's investment policy requires a spread of investment maturity dates to limit exposure to short-term interest rate movements. The Commission currently has no variable interest rate investments. The Commission's policy is to not engage in borrowings.

› Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates. The Commission does not purchase significant goods or services overseas and does not hold balances in foreign currencies and therefore has no exposure to currency risk.

Credit risk

Credit risk is the risk that a third party will default on its obligations to the Commission, causing the Commission to incur a loss.

Due to the timing of its cash inflows and outflows, the Commission invests surplus cash with registered banks. The Commission's investment policy limits the amount of credit exposure to any one institution.

The Commission has processes in place to review the credit quality of customers prior to the granting of credit.

The Commission's maximum credit exposure for each class of financial instrument is represented by the total carrying amount of cash and cash equivalents (note 6) and net debtors (note 7). There is no term deposit over three months. There is no collateral held as security against these financial instruments, including those instruments that are overdue or impaired.

The Commission has no significant concentrations of credit risk, as it has no credit customers and only invests funds with registered banks with specified Standard and Poor's credit ratings.

Liquidity risk

Liquidity risk is the risk that the Commission will encounter difficulty raising liquid funds to meet commitments as they fall due. Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through adequate amount of committed credit facilities, and the ability to close out market positions. The Commission aims to maintain flexibility in funding by keeping committed credit lines available. In meeting its liquidity requirements, the Commission maintains a target level of investments that must mature within specified timeframes.

The Commission had a credit card facility of \$9,000 as at 30 June 2014 (2013: \$9,000).

The table below analyses the Commission's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. Future interest payments on floating rate debt are based on the floating rate at the balance sheet date. The amounts disclosed are the contractual undiscounted cash flows.

2013	Less than 3 months \$000
Creditors and payables (note 10)	635
2014	
Creditors and payables (note 10)	1,959

25. Capital management

The Commission's capital is in its equity, which comprises accumulated funds and other reserves. Equity is represented by net assets.

The Commission is subject to the financial management and accountability provisions of the Crown Entities Act 2004, which impose restrictions in relation to borrowings, acquisition of securities, issuing guarantees and indemnities and the use of derivatives.

The Commission manages its equity as a by-product of prudently managing revenues, expenses, assets, liabilities, investments and general financial dealings to ensure the Commission effectively achieves its objectives and purpose, while remaining a going concern.

26. Explanation of significant variances against budget

Statement of comprehensive income

› **Crown revenue**

After the preparation of the Statement of Intent, the Commission was assigned management of the Growing Up in New Zealand (GUiNZ) longitudinal study. \$3 million in revenue was transferred through Vote Social Development for the management of this study. An additional \$0.180 million was also transferred through this Vote for additional monitoring and evaluation activity. The additional GUiNZ revenue was partly offset by less revenue than budgeted from other commissioned work. Rather than picking up additional third-party funded research and evaluation activity, we focussed on major projects such as establishing best practice management of GUiNZ and the evaluation of Youth Mental Health initiatives, scoped in 2012/13.

› **Other revenue**

An additional \$0.943 million in other revenue was received from other government departments to contribute to the management of the GUiNZ longitudinal study. This more than offset reduced other revenue from other research and evaluation activities.

› **Commissioners fees**

Commissioners used less time than the Commission total commissioner days.

› **Personnel expenses**

Personnel expenses are higher than budgeted largely due to \$0.685 million in compensation and other benefits in relation to cessation either paid or provided for at year end for 16 staff members. These costs were not anticipated at the time the Statement of Intent budgets were developed.

› **Operating Expense**

Other expenses exceeded budgeted levels primarily due to approximately \$4 million GUiNZ activity more than offsetting reduced expenditure in other areas.

27. Explanation of significant variances against the previous year

All significant variances in revenue and expenditure between years are largely explained by additional revenue and expenditure associated with the GUiNZ longitudinal study.

Reports are available on the Commission's website or contact the Commission to request copies:

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