



FAIRWAY FORWARD | 2015-
2016

FairWay Resolution Limited is a Crown-owned company and is subject to the Crown Entities Act 2004. This Statement of Performance Expectations (SPE) is prepared in accordance with section 149 of the Crown Entities Act 2004. FairWay is incorporated under the Companies Act 1993. FairWay is a specialist conflict management company providing services and systems to help people and organisations manage, resolve, learn from, and prevent conflicts.

The purpose of the SPE is to:
enable the responsible Ministers to participate in the process of setting annual performance expectations;
enable the House of Representatives to be informed of those expectations;
and provide a base against which actual performance can be assessed.

This SPE outlines for Parliament, Ministers and interested stakeholders FairWay's operating objectives and outcomes for the next financial year commencing 1 July 2015.

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Board foreword

FairWay Resolution is progressing well towards its goal to grow and diversify by adopting a professional services model. In preparing this Statement of Performance Expectations (SPE) we have been aware that we are only one year into our four year strategy as detailed in last year's Statement of Intent (SOI).

Several initiatives that were launched in 2014 demonstrate the progress being made on implementation of our strategy. These include the successful launch and operation of the Family Dispute Resolution (FDR) scheme on behalf of the Ministry of Justice (MoJ), the establishment of a partnership with Local Government NZ to provide conflict management services specifically for the local government sector, and launching a FairWay Commercial and Private Dispute Resolution service.

FairWay continues to work with the Accident Compensation Corporation to initiate early resolution services (conciliation and facilitation) with its customers. Over the past 12 months, FairWay has completed around 6,000 reviews, and has initiated a new service improvement programme for ACC reviews including holding workshops with ACC representatives and FairWay reviewers to identify aspects of the service that need improvement.

After a relatively slow start to demand for the service, the number of FDR cases has increased and we now expect to handle around 3,000 cases per year with at least 1,000 of those

going through the full mediation process. The FairWay FDR service is achieving a success rate of 86% resolution of family disputes.

We continue to focus effort on collaborating and working with local government clients, with our range of customised conflict management services for the sector, and responses from our new clients strongly suggest we are adding significant value to this sector. We expect our commitment to this sector to be long term, although early signs are very encouraging with good growth in demand for training, mediation and facilitation services.

In December 2014, FairWay launched a Commercial and Private Dispute Resolution service to handle a growing demand for one-off mediations. This new service extends FairWay's current provision of mediation services directly to clients and businesses, and targets disputes between individuals, or an individual and a trader, business or company.

In addition, we continue to focus on growing our profile in the building and construction sector. FairWay has become an authorised nominating authority under the Construction Contracts Act 2002. After serving a Notice of Adjudication under Section 28(2) of the Act, a party may request FairWay to nominate an adjudicator.

We are also developing a dispute resolution service for the domestic building market for implementation by the middle of 2015 in response to

new consumer protection obligations under the Building Act.

The future success of FairWay's business will depend on raising its profile in strategically important markets to win new work and diversify the business. This will require a reinvestment of profits over the next 12 months.

FairWay strives continually to position the company for the future by building our capability and focusing our culture on excellent customer service. We are fortunate to have a professional, expert and committed workforce.

The Board of Directors (the Board) of FairWay is accountable to the Shareholding Ministers (the Minister of Finance and the Minister for ACC) as set out in the Crown Entities Act 2004. The SPE fulfils our statutory requirements under the Crown Entities Act 2004.

This SPE sets out the short-term picture of the results FairWay is pursuing over the next 12 months, how we intend to achieve and measure our progress towards those results.



Peter Blades
Chairman



Anita Chan
Director

Background

FairWay Resolution Limited is an independent, Crown-owned company providing specialist complaint management and dispute resolution services. FairWay employs 90 staff and contracts with over 180 specialist practitioners (adjudicators, reviewers, mediators and conciliators) throughout the country so that we can offer our clients a nationwide, high quality professional service.

FairWay handles over 14,000 disputes each year — of all kinds and all levels of complexity, including family, business, medical, insurance, financial services, telecommunications and real estate. Our dispute resolution experience underpins our conflict management expertise in all parts of the conflict management cycle — prevention, management, resolution and analysis of conflict.

FairWay offers a comprehensive range of conflict management services. Our key clients remain the Accident Compensation Corporation (ACC) and the Ministry of Justice (MoJ). We are focussed on delivering early resolution services to assist ACC and its customers in reaching agreement well before the formal review process and to provide an effective and efficient Family Dispute Resolution service for the MoJ.

In the past few years our commercial success has required a diversification of both our client base and revenue. Therefore, we have added services to a range of industry sectors, including the telecommunication dispute

resolution service (TDR), financial service sector dispute resolution service (FDRS), real estate sector, working with families in transition, local government and most recently commercial and private dispute resolution.

Furthermore, FairWay sees opportunity to expand the range of services we provide to new sectors and markets. In particular, we are focussed on developing relationships with key partners and clients in the building and construction sector.

The value that FairWay can add to these sectors is by helping our clients to better understand conflicts, help them build capacity to manage and prevent them, and where necessary, assist in resolving them in an independent, timely and fair manner.

FairWay's business planning has become more robust, based on increasing understanding of client requirements, and improved business management, allowing us to more accurately forecast and deliver better results to all stakeholders.

Our fundamental values are to pursue excellence in all we do through service excellence, fairness, integrity, empathy and teamwork.

Each and every person in FairWay plays a significant role. A strong sense of teamwork (one of our values) is critical, as no individual can achieve excellence without the support and collaboration of team members. This applies to our staff and our network

of contractor partners. As we grow staff numbers will increase, as will the depth and breadth of our relationship with specialised contractors.

Our mission

Helping people in conflict move forward.

Our vision

To be the leading conflict management services provider by:

- protecting consumers' rights
- assisting people to resolve disputes themselves, and
- strengthening organisations' reputations by improving their conflict capability.

Ministers' priorities

FairWay will focus on the priorities set out in the Ministers' 2015 annual Letter of Expectations, namely:

1. Delivery of profitable services and diversification of the customer base
2. Focus on providing high quality services to New Zealanders now and in the future
3. Working openly and collaboratively to achieve results
4. Contributing to Government's priorities

These priorities are explained further below with information on how they will be measured by FairWay in the year ahead.



1 Outcome: Maintaining a well-run, profitable and effective company

There are a number of changes that FairWay is making in order to achieve this outcome. This includes providing strong and effective leadership, improving our HR management and ensuring that staff are empowered to

implement company strategy. FairWay will look to develop new and innovative initiatives while maintaining the delivery of core services to its key clients.

What will be measured	What are our targets
Quality framework – Develop and implement quality policies, systems and processes and ensure client and customer feedback systems are in place with feedback used to improve performance	All KPIs are met
Service delivery improvement programme (ACC) developed and implemented	Achieve 100% of KPIs in the ACC contract
Net surplus after tax growth year on year	Meet or exceed \$652,000 (the 2015 estimate is \$598,000) – 9% growth
Provide a recognised level of work safety management practices	Zero Harm
All capital investment aligns with core drivers in Statement of Intent	Return on investment is achieved across the capital expenditure program

2 Outcome: Effective business transformation (through professional services model)

A constant focus on our clients remains at the core of our business model. FairWay will continue to deliver an excellent high quality, cost effective and customer-focused service that meets or exceeds our client's expectations.

FairWay will continue to ensure that the client experience is based on quality, responsiveness and provide value-for-money services to meet their needs.

What will be measured	What are our targets
Staff engagement survey	Staff engagement survey results show staff are at least 75% engaged (staff engagement rate at 68% in 2015)
Learning and development	All staff to have a personal development plan (PDP) in place
Enhance FairWay's brand reputation with clear visible processes demonstrated by improved client and customer survey results	Develop and set a benchmark for first year, in order to measure in following years
Improve client digital engagement and effectiveness	Enhancing digital channels for service delivery to increase choice for the end user by March 2016
Privacy Policy	Zero substantive privacy breaches*

**FairWay considers a privacy breach to be where there has been unauthorised access to or collection, use or disclosure of personal information, resulting in a significant risk of harm to an individual.*

3 Outcome: Successfully grow and diversify the business

The focus for FairWay in 2015/16 will be on continued profitable growth as it diversifies its customer base and expands its product and services offering. The future success of FairWay's business will depend on raising its

profile in strategically important markets to win new work and diversify the business. Securing long-term contracts with current clients is important to developing a sustainable, profitable business for our shareholders.

What will be measured	What are our targets
Grow the portfolio	Achieve a combined sales revenue of \$100,000 in two new market sectors
Manage all dispute resolution schemes to provide standalone profitability	All major existing schemes are achieving at least 5% profit on revenue (NPAT)

4 Outcome: Effective relationships with Government Shareholders and expectations met

The Government's four priorities are: responsibly managing the Government's finances, building a more competitive and productive economy, delivering better public services, and rebuilding Christchurch.

A further consideration for FairWay is how it can contribute to the Government's Business Growth Agenda to support New Zealand businesses to grow in order to create jobs and improve New Zealand's standard of living, by encouraging

businesses to reduce costs, be more productive and competitive.

FairWay will continue to collaborate where appropriate, with relevant organisations, the business community, Maori and other communities. We will also where appropriate take an open, transparent approach to conducting business including the publication of non-sensitive information online.

What will be measured	What are our targets
Rebuilding Christchurch	Continue to achieve a satisfaction rating of at least 75% for Residential Advisory Service (RAS) facilitations in Christchurch Achieve at least a 70% completion rate for facilitations for RAS in Christchurch
Provide leadership in dispute resolution in public policy thinking	At least one major 'think' piece published on options for improving dispute resolution in New Zealand

Summary financial statements

Forecast summary statement of comprehensive income For the year ended 30 June 2016

	2014 Actual (\$000)	2015 Estimated (\$000)	2016 Forecast (\$000)
Total income	16,264	17,226	17,334
Expenditure			
Employee salaries and costs	(7,537)	(7,951)	(8,122)
Other expenditure	(7,707)	(8,550)	(8,307)
Total expenditure	(15,244)	(16,501)	(16,429)
Operating surplus before tax	1,020	725	905
Income tax expense	(297)	(127)	(253)
Net surplus and total comprehensive income attributable to owners	723	598	652

Forecast summary statement of changes in equity
For the year ended 30 June 2016

	2014 Actual (\$000)	2015 Estimated (\$000)	2016 Forecast (\$000)
Share capital			
Balance as at 30 June	400	400	400
Retained surpluses			
Balance as at 1 July	3,416	3,939	4,357
Surplus for the year	723	598	652
Dividends paid*	(200)	(180)	(420)
Balance as at 30 June	3,939	4,357	4,589
Total equity attributable to owners	4,339	4,757	4,989

* Refer to our dividend policy on page 13

Summary financial statements

Forecast summary statement of financial position

For the year ended 30 June 2016

	2014 Actual (\$000)	2015 Estimated (\$000)	2016 Forecast (\$000)
Current assets			
Cash and cash equivalents	977	934	1,357
Trade and other receivables	2,814	2,237	1,947
Work in progress	1,501	1,673	1,623
Total current assets	5,292	4,844	4,927
Total non-current assets	2,544	2,454	2,313
Total assets	7,836	7,298	7,240
Total current liabilities	3,141	2,183	1,913
Total non-current liabilities	356	358	338
Total liabilities	3,497	2,541	2,251
Net assets	4,339	4,757	4,989
Equity			
Share capital	400	400	400
Retained surpluses	3,939	4,357	4,589
Total equity	4,339	4,757	4,989

Forecast summary statement of cash flows

For the year ended 30 June 2016

	2014 Actual (\$000)	2015 Estimated (\$000)	2016 Forecast (\$000)
Net cash inflow from operating activities	1,134	801	1,543
Net cash (outflow) from investing activities	(1,496)	(664)	(700)
Net cash (outflow) from financing activities	(200)	(180)	(420)
Net (decrease) increase in cash and cash equivalents	(562)	(43)	423
Cash and cash equivalents at beginning of year	1,539	977	934
Cash and cash equivalents at end of the year	977	934	1,357

Notes to the financial statements

These forecast financial statements have been prepared in accordance with generally accepted accounting practice for Tier 2 For Profit entities. Their purpose is to facilitate consideration by Parliament of the planned performance of FairWay. Use of this information for other purposes may not be appropriate.

The following (1) Summary of accounting policies, and (2) Critical accounting estimates and assumptions, are those that have been applied for the financial year ended 30 June 2016.

1. Summary of accounting policies

a. Basis for preparation

FairWay Resolution Limited (the 'Company') is a limited liability company incorporated and domiciled in New Zealand. Effective 20 June 2011, the two shares held by the Accident Compensation Corporation (ACC) were transferred to the Minister for ACC, one share, and the Minister of Finance, one share, and on that date became a Crown Entity in terms of the Crown Entities Act 2004, and is wholly owned on behalf of the Crown by the two aforementioned Ministers.

The principal activity of the company is the provision of personal injury review and mediation services.

b. Revenue recognition

Revenue is measured at the fair value of consideration received or receivable. Revenue is recognised when earned and is reported in the financial period to which it relates. Interest income is recognised using the effective interest method.

c. Cash and cash equivalents

Cash and cash equivalents include cash on hand and deposits held at call with banks.

d. Trade and other receivables

Trade and other receivables are stated at net realisable value. Trade receivables are non-interest bearing and are generally on 0-30-day terms.

e. Property, plant and equipment

Purchases of property, plant and equipment are initially recorded at cost. Depreciation is calculated to write off the cost over the expected useful lives of the assets.

Items of property, plant and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may overstate fair value.

f. Intangible assets

Costs that are directly associated with the development of software by the Company, are recognised as an intangible asset.

g. Goods and Services Tax (GST)

The financial statements have been prepared on a GST exclusive basis with the exception of receivables and payables which are stated GST inclusive.

h. Employee benefits

Provision is made for benefits accruing to employees in respect of wages and salaries, annual leave, and long service leave when it is probable that settlement will be required and they are capable of being measured reliably.

i. Payables

Trade payables and other accounts payable are recognised when the Company becomes obliged to make future payments resulting from the purchase of goods and services.

j. Income tax

Income tax for the period is calculated by reference to the amount of income taxes payable or recoverable in respect of the taxable profit or tax loss for the period.

k. Operating leases

Operating lease payments, where the lessors effectively retain substantially all the risks and benefits of ownership of the leased items, are included in the Statement of Comprehensive Income in equal instalments over the lease term when the leased items are in use.

l. Dividend policy

The payment and amount of dividends will be at the discretion of the Board of FairWay Resolution Limited (FairWay).

It is the current intention of the directors of FairWay to make annual dividend payments to shareholders' in accordance with the following dividend policy:

- The directors have established a target dividend range of 30% to 65% of net profit after tax after taking into consideration the following; prevailing economic conditions, working capital requirements, capital expenditure requirements, and investment in new business opportunities. Any significant capital expenditure projects or new business investment opportunities will be supported by robust business cases and will have been approved by the Board prior to initiation.
- Any distribution to shareholders will be subject to the solvency provisions contained in the Companies Act 1993, and will follow the processes and procedures generally adopted by directors of publicly listed companies.

- When a dividend is declared, it will be a single and final dividend to be paid no later than October of each year.
- The Directors reserve the right to amend this policy at any time.
- The dividend declaration for 2015 and 2016 is based on an assumption of completing satisfactory contract negotiations in relation to FDR.

2. Critical accounting estimates and assumptions

The following Accounting Estimates and/or assumptions that are critical to the accounts have been used in the preparation of these accounts.

Work in progress

Work in progress at year end is calculated based on a stage of completion of ACC and Partnership programme reviews and mediation work.

Impairment of intangible assets

The company determines whether software intangible assets are impaired on an annual basis.

This requires an estimation of the asset's recoverable amount based on its value in use. This requires management's estimates of future cash flows associated with the asset.

