

Forecast Financial Statements

Ministry of Social Development

Statement of Accounting Policies: Departmental

Reporting entity

These are the prospective financial statements of the Ministry of Social Development, prepared in accordance with section 38 of the Public Finance Act 1989.

The Ministry of Social Development is a government department as defined by section 2 of the Public Finance Act 1989 and is domiciled in New Zealand.

For the purposes of financial reporting the Ministry of Social Development is a public benefit entity.

Authorisation statement

The forecast figures reported are those for the year ending 30 June 2016 included in the Budget Economic and Fiscal Update 2015 (BEFU 2015). These were authorised for issue on 23 April 2015 by the Chief Executive, who is responsible for the forecast financial statements as presented. The preparation of these financial statements requires judgements, estimations and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. Actual financial results achieved for the period covered are likely to vary from the information presented and the variations may be material.

It is not intended that the prospective financial statements will be updated subsequent to presentation.

Basis of preparation

These forecast financial statements have been prepared in accordance with New Zealand Public Benefit Entity (NZ PBE) International Public Sector Accounting Standards (IPSAS).

These prospective financial statements are presented by the department under NZ PBE IPSAS. They are compliant with Public Benefit Entity Financial Reporting Standard 42 Prospective Financial Statements (PBE FRS-42) and are consistent with Generally Accepted Accounting Practice. The purpose of the forecast financial statements is to facilitate Parliament's consideration of the appropriations for, and planned performance of, the department. Use of this information for other purposes may not be appropriate. Readers are cautioned that actual results are likely to vary from the forecast information presented and that the variations may be material.

The forecast financial statements are unaudited.

Significant assumptions

These forecast financial statements are based on BEFU 2015 and have been prepared on the basis of assumptions as to future events that the department reasonably expects to occur, associated with the actions it reasonably expects to take. They have been compiled on the basis of existing government policies and ministerial expectations at the date that the information was prepared.

The main assumptions are as follows:

- The department's activities will remain substantially the same as the previous year.
- Personnel costs are based on 10,118 full-time equivalent staff positions.
- Operating costs are based on historical experience. The general historical pattern is expected to continue.

These assumptions are adopted as at 1 April 2015.

Estimated year-end information for 2014/2015 is used as the opening position for the 2015/2016 forecasts.

There are no significant events or changes that would have a material impact on the BEFU 2015 forecast.

Factors that could lead to material differences between the forecast financial statements and the 2015/2016 actual financial statements include changes to the baseline budget through new initiatives, or technical adjustments.

Significant accounting policies

The accounting policies used for the forecast financial statements does not vary materially from the statement of financial policies applied to the financial statements of the Ministry for the year ended 30 June 2015 (refer page 84).

Ministry of Social Development

Statement of Forecast Comprehensive Revenue and Expense

For the year ended 30 June 2016

Actual 2014 \$000		NOTES	Actual 2015 \$000	Unaudited Budget 2015 \$000	Unaudited Forecast 2016 \$000
	Revenue				
1,253,265	Revenue Crown		1,384,292	1,350,726	1,471,120
7,857	Revenue other		7,314	7,167	4,667
-	Gain on disposal of fixed assets		19	-	-
1,261,122	Total revenue		1,391,625	1,357,893	1,475,787
	Expenses				
694,973	Personnel costs		716,712	697,398	773,038
44,251	Depreciation and amortisation expenses		53,042	58,157	55,540
23,422	Capital charge		24,706	23,575	24,461
486,439	Other operating expenses	1	591,837	578,763	622,748
433	Loss on disposal of fixed assets		-	-	-
1,249,518	Total expenses		1,386,297	1,357,893	1,475,787
11,604	Net surplus/(deficit)		5,328	-	-
	Other comprehensive revenue and expense				
	Item that will not be reclassified to net surplus/ (deficit)				
11,069	Gain on property revaluations		-	-	-
22,673	Total comprehensive revenue and expense		5,328	-	-

The Statement of Accounting Policies: Departmental on page 140 and Notes 1 to 4 on pages 145 to 148 form an integral part of these financial statements.

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Forecast Statement of Financial Position

As at 30 June 2016

Actual 2014 \$000		NOTES	Actual 2015 \$000	Unaudited Budget 2015 \$000	Unaudited Forecast ⁵⁹ 2016 \$000
	Equity				
261,887	Taxpayers' funds		280,097	280,097	282,397
46,944	Revaluation reserve		46,944	35,875	46,944
308,831	Total equity		327,041	315,972	329,341
	Assets				
	Current assets				
31,259	Cash and cash equivalents		38,590	46,200	19,390
18,353	Accounts receivable		9,099	11,078	18,351
13,960	Prepayments		23,253	13,056	12,000
108,859	Crown receivable		72,083	45,718	61,394
172,431	Total current assets		143,025	116,052	111,135
	Non-current assets				
302,813	Property, plant and equipment	2	300,443	333,297	318,174
75,925	Intangible assets	3	114,455	52,119	125,835
378,738	Total non-current assets		414,898	385,416	444,009
551,169	Total assets		557,923	501,468	555,144
	Liabilities				
	Current liabilities				
120,411	Accounts payable and accruals		108,668	83,248	104,588
2,108	Revenue received in advance		-	-	-
11,604	Return of operating surplus to the Crown		5,328	-	-
60,761	Provision for employee entitlements		64,523	56,347	68,761
6,199	Other provisions		6,873	6,142	6,199
201,083	Total current liabilities		185,392	145,737	179,548
	Non-current liabilities				
41,255	Provision for employee entitlements		45,490	39,759	46,255
41,255	Total non-current liabilities		45,490	39,759	46,255
242,338	Total liabilities		230,882	185,496	225,803
308,831	Net assets		327,041	315,972	329,341

59 The opening balance as at 1 July 2015 differs from the actual closing balance as at 30 June 2015 as it is based on the estimated year-end information included in the BEFU 2015.

The Statement of Accounting Policies: Departmental on page 140 and Notes 1 to 4 on pages 145 to 148 form an integral part of these financial statements.

Ministry of Social Development Statement of Forecast Changes in Equity

For the year ended 30 June 2016

Actual 2014 \$000		NOTES	Actual 2015 \$000	Unaudited Budget 2015 \$000	Unaudited Forecast 2016 \$000
292,771	Balance at 1 July ⁶⁰		308,831	297,762	327,041
22,673	Total comprehensive revenue and expense		5,328	-	-
	Owner transactions				
(11,604)	Return of operating surplus to the Crown		(5,328)	-	-
4,991	Capital injections		18,210	18,210	2,300
308,831	Balance at 30 June		327,041	315,972	329,341

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Statement of Forecast Cash Flows

For the year ended 30 June 2016

Actual 2014 \$000		NOTES	Actual 2015 \$000	Unaudited Budget 2015 \$000	Unaudited Forecast 2016 \$000
	Cash flows from operating activities				
1,237,474	Receipts from Crown revenue		1,421,068	1,386,419	1,479,809
7,869	Receipts from other revenue		10,589	7,167	4,667
(472,442)	Payments to suppliers		(594,479)	(637,505)	(704,385)
(685,581)	Payments to employees		(725,544)	(654,116)	(673,461)
(23,422)	Payments for capital charge		(24,706)	(23,575)	(24,461)
938	Goods and services tax (net)		2,983	-	-
64,836	Net cash flow from operating activities	4	89,911	78,390	82,169
	Cash flows from investing activities				
1,844	Receipts from sale of property, plant and equipment		1,749	1,800	1,800
(24,743)	Purchase of property, plant and equipment		(28,591)	(63,150)	(26,652)
(41,316)	Purchase of intangible assets		(62,344)	(17,040)	(59,850)
(64,215)	Net cash flow from investing activities		(89,186)	(78,390)	(84,702)
	Cash flows from financing activities				
4,991	Capital injections		18,210	18,210	2,300
(7,048)	Return of operating surplus		(11,604)	(5,000)	(2,000)
(2,057)	Net cash flow from financing activities		6,606	13,210	300
(1,436)	Net increase/(decrease) in cash		7,331	13,210	(2,233)
32,695	Cash at the beginning of the year ⁶¹		31,259	32,990	21,623
31,259	Cash at the end of the year		38,590	46,200	19,390

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Notes to the Financial Statements

Note 1: Other operating expenses

Actual 2014 \$000		Actual 2015 \$000	Unaudited Budget 2015 \$000	Unaudited Forecast 2016 \$000
931	Audit fees	932	1,000	1,000
72,396	Rental, leasing and occupancy costs	71,201	71,000	75,000
58	Bad debts written off	61	-	-
(195)	Impairment of receivables	215	-	-
120,216	Client financial plan costs	125,809	120,000	126,000
60,463	Employment support and subsidies	162,163	168,807	154,000
27,605	Non-specific client costs	28,861	28,000	29,000
23,392	Vocational Skills Training	-	-	-
32,966	Office operating expenses	46,691	33,000	46,000
82,088	IT-related operating expenses	68,375	82,000	100,000
8,237	Travel expenses	8,120	8,500	8,500
9,808	Consultancy and contractors' fees	18,872	10,000	18,500
7,954	Professional fees	10,961	8,000	15,000
40,520	Other operating expenses	49,576	48,456	49,748
486,439	Total operating costs	591,837	578,763	622,748

Note 2: Property, plant and equipment

	Land \$000	Buildings \$000	Furniture & Fittings \$000	Computer Equipment \$000	Motor Vehicles \$000	Plant & Equipment \$000	Total \$000
Cost or revaluation							
Balance as at 1 July 2015⁶²	57,118	190,898	112,625	129,864	28,345	21,177	540,027
Additions by purchase	-	8,500	6,852	6,000	5,000	300	26,652
Revaluation increase/(decrease)	-	-	-	-	-	-	-
Work in progress movement	-	-	-	-	-	-	-
Asset transfers	-	-	-	-	-	-	-
Other asset movement	-	-	-	-	-	-	-
Disposals	-	-	-	-	(3,000)	(270)	(3,270)
Balance as at 30 June 2016	57,118	199,398	119,477	135,864	30,345	21,207	563,409
Accumulated depreciation and impairment losses							
Balance as at 1 July 2015⁶²	-	11,171	69,465	105,466	13,294	14,295	213,691
Depreciation expense	-	10,843	9,036	7,391	3,853	1,891	33,014
Eliminate on disposal	-	-	-	-	(1,300)	(170)	(1,470)
Eliminate on revaluation	-	-	-	-	-	-	-
Asset transfers	-	-	-	-	-	-	-
Other asset movement	-	-	-	-	-	-	-
Balance as at 30 June 2016	-	22,014	78,501	112,857	15,847	16,016	245,235
Carrying amounts							
At 1 July 2015	57,118	179,727	43,160	24,398	15,051	6,882	326,336
At 30 June 2016	57,118	177,384	40,976	23,007	14,498	5,191	318,174

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Note 3: Intangible assets

	Internally Generated Software \$000	Total \$000
Cost or revaluation		
Balance as at 1 July 2015⁶³	314,399	314,399
Additions by purchase and internally generated	59,850	59,850
Work in progress movement	-	-
Asset transfers	-	-
Other asset movement	-	-
Disposals	-	-
Balance as at 30 June 2016	374,249	374,249
Accumulated amortisation and impairment losses		
Balance as at 1 July 2015⁶³	225,888	225,888
Amortisation expense	22,526	22,526
Disposals	-	-
Asset transfers	-	-
Other asset movement	-	-
Balance as at 30 June 2016	248,414	248,414
Carrying amounts		
At 1 July 2015	88,511	88,511
At 30 June 2016	125,835	125,835

63 The opening balance as at 1 July 2015 differs from the actual closing balance as at 30 June 2015 as it is based on the estimated year-end information included in the BEFU 2015.

Note 4: Reconciliation of net surplus/(deficit) to net cash from operating activities

Actual 2014 \$000		Actual 2015 \$000	Unaudited Budget 2015 \$000	Unaudited Forecast 2016 \$000
11,604	Net surplus/(deficit)	5,328	-	-
	Add/(less) non-cash items			
28,101	Depreciation	29,230	40,306	33,014
16,150	Amortisation	23,812	17,851	22,526
44,251	Total non-cash items	53,042	58,157	55,540
	Add/(less) items classified as investing or financing activities			
433	(Gains)/losses on disposal property, plant and equipment	(19)	-	-
433	Total items classified as investing or financing activities	(19)	-	-
	Add/(less) working capital movements			
(23,065)	(Increase)/decrease in accounts receivable	46,033	35,693	8,689
(903)	(Increase)/decrease in prepayments	(9,293)	-	1,000
26,453	Increase/(decrease) in accounts payable	(11,743)	(15,460)	3,940
95	Increase/(decrease) in revenue received in advance	(2,108)	-	-
4,415	Increase/(decrease) in provision for employee entitlements	3,762	-	8,000
57	Increase/(decrease) other provisions	674	-	-
7,052	Net movements in working capital items	27,325	20,233	21,629
	Add/(less) movements in non-current liabilities			
1,496	Increase/(decrease) in provision for employee entitlements	4,235	-	5,000
1,496	Net movements in non-current liabilities	4,235	-	5,000
64,836	Net cash inflow from operating activities	89,911	78,390	82,169



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