

Forecast Financial Statements

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 2015 included in the Budget Economic and Fiscal Update 2014 (BEFU 2014). These were authorised for issue on 17 April 2014 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). While a detailed impact assessment has yet to be completed, no significant impact is expected on transition from NZ IFRS to IPSAS.

These are the first set of prospective financial statements 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 actual results for 30 June 2013 and 2014 and Main Estimates 2014 are based on NZ IFRS for public benefit entities.

The forecast financial statements are unaudited.

Significant assumptions

These forecast financial statements are based on the BEFU 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 9,900 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 2014.

Estimated year-end information for 2013/2014 is used as the opening position for the 2014/2015 forecasts.

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

Factors that could lead to material differences between the forecast financial statements and the 2014/2015 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 2014 (refer page 85).

Statement of Forecast Comprehensive Income

For the year ending 30 June 2015

Actual 2013 \$000		Notes	Actual 2014 \$000	Main Estimates 2014 \$000	Forecast 2015 \$000
	Income				
1,203,636	Revenue Crown		1,253,265	1,189,557	1,350,726
5,310	Revenue other		7,857	12,460	7,167
295	Gain on disposal of fixed assets		-	-	-
1,209,241	Total income		1,261,122	1,202,017	1,357,893
	Expenditure				
660,842	Personnel costs		694,973	655,078	697,398
45,135	Depreciation and amortisation expenses		44,251	51,853	58,157
23,742	Capital charge		23,422	23,575	23,575
472,476	Other operating expenses	1	486,439	471,511	578,763
-	Loss on disposal of fixed assets		433	-	-
1,202,195	Total expenditure		1,249,518	1,202,017	1,357,893
7,046	Net surplus/(deficit)		11,604	-	-
	Other comprehensive income				
-	Gain on property, plant and equipment revaluations		11,069	-	-
7,046	Total comprehensive income		22,673	-	-

The Statement of Accounting Policies: Departmental on page 139 and Notes 1 to 4 on pages 144 to 146 form an integral part of these forecast financial statements.

Forecast Statement of Financial Position

As at 30 June 2015

Actual 2013 \$000		Notes	Actual 2014 \$000	Main Estimates 2014 \$000	Forecast ¹⁰⁷ 2015 \$000
	Taxpayers' funds				
256,896	General funds		261,887	256,896	280,097
35,875	Revaluation reserve		46,944	35,875	35,875
292,771	Total taxpayers' funds		308,831	292,771	315,972
	Assets				
	Current assets				
32,695	Cash and cash equivalents		31,259	40,701	46,200
11,078	Accounts receivable		18,353	7,798	11,078
13,056	Prepayments		13,960	10,205	13,056
93,068	Crown receivable		108,859	53,000	45,718
149,897	Total current assets		172,431	111,704	116,052
	Non-current assets				
297,380	Property, plant and equipment	2	302,813	317,662	333,297
50,756	Intangible assets	3	75,925	57,640	52,119
348,136	Total non-current assets		378,738	375,302	385,416
498,033	Total assets		551,169	487,006	501,468
	Liabilities				
	Current liabilities				
93,955	Accounts payable and accruals		120,411	96,731	83,248
2,013	Revenue received in advance		2,108	-	-
7,046	Return of operating surplus to the Crown		11,604	-	-
56,347	Provision for employee entitlements		60,761	53,622	56,347
6,142	Other provisions		6,199	6,916	6,142
165,503	Total current liabilities		201,083	157,269	145,737
	Non-current liabilities				
39,759	Provision for employee entitlements		41,255	36,966	39,759
39,759	Total non-current liabilities		41,255	36,966	39,759
205,262	Total liabilities		242,338	194,235	185,496
292,771	Net assets		308,831	292,771	315,972

¹⁰⁷ The opening balance as at 1 July 2014 differs from the actual closing balance as at 30 June 2014 as it is based on the estimated year-end information included in the BEFU 2014.

Statement of Forecast Changes in Taxpayers' Funds

For the year ending 30 June 2015

Actual 2013 \$000		Note	Actual 2014 \$000	Main Estimates 2014 \$000	Forecast 2015 \$000
300,771	Balance at 1 July¹⁰⁸		292,771	292,771	297,762
7,046	Total comprehensive income		22,673	-	-
(7,046)	Return of operating surplus to the Crown		(11,604)	-	-
-	Capital injections		4,991	-	18,210
(8,000)	Capital withdrawal		-	-	-
292,771	Balance at 30 June		308,831	292,771	315,972

¹⁰⁸ The opening balance as at 1 July 2014 differs from the actual closing balance as at 30 June 2014 as it is based on the estimated year-end information included in the BEFU 2014.

The Statement of Accounting Policies: Departmental on page 139 and Notes 1 to 4 on pages 144 to 146 form an integral part of these forecast financial statements.

Statement of Forecast Cash Flows

For the year ending 30 June 2015

Actual 2013 \$000		Note	Actual 2014 \$000	Main Estimates 2014 \$000	Forecast 2015 \$000
	Cash flows from operating activities				
1,218,004	Receipts from Crown revenue		1,237,474	1,201,557	1,386,419
3,892	Receipts from other revenue		7,869	12,460	7,167
(475,176)	Payments to suppliers		(472,442)	(472,407)	(637,505)
(655,875)	Payments to employees		(685,581)	(651,782)	(654,116)
(23,742)	Payments for capital charge		(23,422)	(23,575)	(23,575)
(602)	Goods and services tax (net)		938	-	-
66,501	Net cash flow from operating activities	4	64,836	66,253	78,390
	Cash flows from investing activities				
2,276	Receipts from sale of property, plant and equipment		1,844	1,800	1,800
(25,854)	Purchase of property, plant and equipment		(24,743)	(45,175)	(63,150)
(17,659)	Purchase of intangible assets		(41,316)	(17,821)	(17,040)
(41,237)	Net cash flow from investing activities		(64,215)	(61,196)	(78,390)
	Cash flows from financing activities				
-	Capital contribution from the Crown		4,991	-	18,210
(8,000)	Capital withdrawal from the Crown		-	-	-
(14,983)	Return of operating surplus to Crown		(7,048)	(4,000)	(5,000)
(22,983)	Net cash flow from financing activities		(2,057)	(4,000)	13,210
2,281	Net increase/(decrease) in cash held		(1,436)	1,057	13,210
30,414	Cash and cash equivalents at the beginning of the year ¹⁰⁹		32,695	39,644	32,990
32,695	Cash and cash equivalents at the end of the year		31,259	40,701	46,200

¹⁰⁹ The opening balance as at 1 July 2014 differs from the actual closing balance as at 30 June 2014 as it is based on the estimated year-end information included in the BEFU 2014.

Notes to the Financial Statements

Note 1: Other operating expenses

Actual 2013 \$000		Actual 2014 \$000	Main Estimates 2014 \$000	Forecast 2015 \$000
1,034	Audit fees	931	1,178	1,000
69,482	Rental, leasing and occupancy costs	72,396	70,000	71,000
10	Bad debts written off	58	-	-
80	Impairment of receivables	(195)	-	-
118,182	Client financial plan costs	120,216	120,000	120,000
-	Employment support and subsidies	60,463	-	168,807
22,422	Non-specific client costs	27,605	25,000	28,000
54,635	Vocational Skills Training	23,392	46,784	-
32,621	Office operating expenses	32,966	31,000	33,000
107,719	IT related operating expenses	82,088	98,000	82,000
7,313	Travel expenses	8,237	7,100	8,500
6,650	Consultancy and contractors' fees	9,808	7,000	10,000
14,301	Professional fees	7,954	15,000	8,000
38,027	Other operating expenses	40,520	50,449	48,456
472,476	Total operating costs	486,439	471,511	578,763

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 2014¹¹⁰	49,983	215,519	92,095	135,584	31,790	20,737	545,708
Additions by purchase	-	5,750	34,362	12,810	8,000	2,228	63,150
Revaluation increase/(decrease)	-	-	-	-	-	-	-
Work in progress movement	-	-	-	-	-	-	-
Asset transfers	-	-	-	-	-	-	-
Other asset movement	-	-	-	-	-	-	-
Disposals	-	-	-	-	(3,000)	(270)	(3,270)
Balance as at 30 June 2015	49,983	221,269	126,457	148,394	36,790	22,695	605,588
Accumulated depreciation and impairment losses							
Balance as at 1 July 2014¹¹⁰	-	21,860	69,002	114,353	15,259	12,981	233,455
Depreciation expense	-	7,766	12,659	10,973	6,001	2,907	40,306
Eliminate on disposal	-	-	-	-	(1,300)	(170)	(1,470)
Eliminate on revaluation	-	-	-	-	-	-	-
Asset transfers	-	-	-	-	-	-	-
Other asset movement	-	-	-	-	-	-	-
Balance as at 30 June 2015	-	29,626	81,661	125,326	19,960	15,718	272,291
Carrying amounts							
At 1 July 2014	49,983	193,659	23,093	21,231	16,531	7,756	312,253
At 30 June 2015	49,983	191,643	44,796	23,068	16,830	6,977	333,297

110 The opening balance as at 1 July 2014 differs from the actual closing balance as at 30 June 2014 as it is based on the estimated year-end information included in the BEFU 2014.

Note 3: Intangible assets

	Internally Generated Software \$000	Total \$000
Cost or revaluation		
Balance as at 1 July 2014¹¹¹	255,019	255,019
Additions by purchase and internally generated	17,042	17,042
Work in progress movement	-	-
Asset transfers	-	-
Other asset movement	-	-
Disposals	-	-
Balance as at 30 June 2015	272,061	272,061
Accumulated amortisation and impairment losses		
Balance as at 1 July 2014¹¹¹	202,091	202,091
Amortisation expense	17,851	17,851
Disposals	-	-
Asset transfers	-	-
Other asset movement	-	-
Balance as at 30 June 2015	219,942	219,942
Carrying amounts		
At 1 July 2014	52,928	52,928
At 30 June 2015	52,119	52,119

111 The opening balance as at 1 July 2014 differs from the actual closing balance as at 30 June 2014 as it is based on the estimated year-end information included in the BEFU 2014.

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

Actual 2013 \$000		Actual 2014 \$000	Main Estimates 2014 \$000	Forecast 2015 \$000
7,046	Net surplus/(deficit) after tax	11,604	-	-
	Add/(less) non-cash items			
29,540	Depreciation	28,101	38,117	40,306
15,595	Amortisation	16,150	13,736	17,851
45,135	Total non-cash items	44,251	51,853	58,157
	Add/(less) items classified as investing or financing activities			
(295)	(Gains)/losses on disposal of property, plant and equipment	433	-	-
(295)	Total items classified as investing or financing activities	433	-	-
	Add/(less) working capital movements			
11,085	(Increase)/decrease in accounts receivable	(23,065)	12,000	35,693
(2,851)	(Increase)/decrease in prepayments	(903)	-	-
424	Increase/(decrease) in accounts payable	26,453	2,400	(15,460)
1,213	Increase/(decrease) in revenue received in advance	95	-	-
2,725	Increase/(decrease) in provision for employee entitlements	4,415	-	-
(774)	Increase/(decrease) in other provisions	57	-	-
11,822	Net movements in working capital items	7,052	14,400	20,233
	Add/(less) movements in non-current liabilities			
2,793	Increase/(decrease) in provision for employee entitlements	1,496	-	-
2,793	Net movements in non-current liabilities	1,496	-	-
66,501	Net cash inflow from operating activities	64,836	66,253	78,390