

Forecast Financial Statements

Department of Labour

Statement of Forecast Financial Performance for the year ending 30 June 2009

	Note	2006/07 Actual \$000	2007/08 Budgeted \$000	2007/08 Estimated Actual \$000	2008/09 Budgeted \$000
Income					
Crown		158,192	168,486	168,486	177,234
Department(s)		2,743	3,482	3,482	3,505
Other revenue	1	84,509	110,126	110,126	117,164
Gains		-	-	-	-
Interest		112	150	150	100
Total Income		245,556	282,244	282,244	298,003
Expenses					
Personnel		124,574	142,606	138,651	149,877
Operating	2	104,907	115,215	105,986	122,428
Depreciation and amortisation		11,390	11,707	11,707	14,951
Capital charge		3,992	4,197	4,197	4,845
Finance costs		-	-	-	-
Other		1,659	-	-	-
Total Expenses	3	246,522	273,725	260,541	292,101
Net Surplus / (Deficit)	4	(966)	8,519	21,703	5,902

Statement of Forecast Changes in Taxpayers' Funds for the year ending 30 June 2009

	Note	2006/07 Actual \$000	2007/08 Budgeted \$000	2007/08 Estimated Actual \$000	2008/09 Budgeted \$000
Balance at 1 July					
General funds		50,576	53,823	53,823	58,089
Revaluation reserve		4,358	3,981	3,981	3,981
Other reserves		-	-	-	-
Taxpayers' Funds Opening Balance		54,934	57,804	57,804	62,070
Changes in Taxpayers' Funds					
Income and Expense for the Period					
Net surplus / (deficit) for the year		(966)	8,519	21,703	5,902
Total gains / (losses) taken to equity		(377)	-	-	-
Total Income and Expense for the Period		(1,343)	8,519	21,703	5,902
Other Changes					
Repayment of surplus		-	(8,519)	(21,703)	(5,902)
Capital contribution		4,213	4,266	4,266	13,032
Capital withdrawal		-	-	-	-
Other		-	-	-	-
Total Changes in Taxpayers' Funds		2,870	4,266	4,266	13,032
Balance at 30 June					
General funds		53,823	58,089	58,089	71,121
Revaluation reserve		3,981	3,981	3,981	3,981
Other reserves		-	-	-	-
Taxpayers' Funds Closing Balance		57,804	62,070	62,070	75,102

Forecast Statement of Financial Position as at 30 June 2009

	Note	2006/07 Actual \$000	2007/08 Budgeted \$000	2007/08 Estimated Actual \$000	2008/09 Budgeted \$000
Assets					
Current Assets					
Cash and cash equivalents		52,370	50,699	62,761	52,724
Debtors and other receivables		2,086	2,829	2,829	2,990
Prepayments		1,376	1,000	1,000	1,000
Inventories		115	400	400	400
Other current assets		491	-	-	-
Total Current Assets		56,438	54,928	66,990	57,114
Non-current Assets					
Property, plant and equipment		24,335	37,181	37,181	43,701
Intangible assets		15,312	15,886	15,886	19,154
Other non-current assets		-	-	-	-
Total Non-current Assets		39,647	53,067	53,067	62,855
Total Assets		96,085	107,995	120,057	119,969
Liabilities					
Current Liabilities					
Creditors and other payables		16,403	15,284	14,350	16,181
Repayment of surplus		224	8,519	21,703	5,902
Employee entitlements		8,166	8,677	8,489	9,339
Other current liabilities		10,953	10,890	10,890	10,890
Total Current Liabilities		35,746	43,370	55,432	42,312
Non-current Liabilities					
Provisions		-	-	-	-
Employee entitlements		2,455	2,455	2,455	2,455
Other non-current liabilities		80	100	100	100
Total Non-current Liabilities		2,535	2,555	2,555	2,555
Total Liabilities		38,281	45,925	57,987	44,867
Taxpayers' Funds					
General funds		53,823	58,089	58,089	71,121
Revaluation reserve		3,981	3,981	3,981	3,981
Other reserves		-	-	-	-
Total Taxpayers' Funds		57,804	62,070	62,070	75,102
Total Liabilities and Taxpayers' Funds		96,085	107,995	120,057	119,969

Statement of Forecast Cash Flows for the year ending 30 June 2009

	Note	2006/07 Actual \$000	2007/08 Budgeted \$000	2007/08 Estimated Actual \$000	2008/09 Budgeted \$000
Cash Flows from Operating Activities					
Receipts from:					
Crown		158,192	168,486	168,486	177,234
Department(s)		2,761	3,482	3,482	3,505
Other		82,856	109,383	109,383	117,003
Interest		112	150	150	100
Payments to:					
Suppliers		(112,965)	(118,999)	(110,625)	(121,645)
Employees		(125,725)	(141,289)	(137,601)	(148,144)
Capital charge		(3,992)	(4,197)	(4,197)	(4,845)
Goods and services tax (net)		(61)	2,206	2,206	165
Other operating activities		(167)	-	-	-
Net Cash from Operating Activities		1,011	19,222	31,284	23,373
Cash Flow from Investing Activities					
Receipts from:					
Sale of property, plant and equipment		220	-	-	-
Sale of intangible assets		-	-	-	-
Sale of other non-current assets		-	-	-	-
Purchase of:					
Property, plant and equipment		(10,353)	(18,921)	(18,921)	(16,017)
Intangible assets		(1,933)	(6,014)	(6,014)	(8,722)
Other non-current assets		-	-	-	-
Net Cash from Investing Activities		(12,066)	(24,935)	(24,935)	(24,739)
Cash Flow from Financing Activities					
Capital contribution		4,213	4,266	4,266	13,032
Other financing cash inflows		-	-	-	-
Repayment of surplus		-	(224)	(224)	(21,703)
Capital withdrawal		-	-	-	-
Other financing cash outflows		-	-	-	-
Net Cash from Financing Activities		4,213	4,042	4,042	(8,671)
Net Increase / (Decrease) in Cash		(6,842)	(1,671)	10,391	(10,037)
Cash at the beginning of the year		59,212	52,370	52,370	62,761
Cash at the end of the year		52,370	50,699	62,761	52,724

Statement of Significant Assumptions

Prospective Financial Statement Disclosures

The Department has complied with FRS 42 in the preparation of these prospective financial statements, and they have been prepared pursuant to the requirements of the Public Finance Act.

These prospective financial statements have been prepared on the basis of existing government policies and Ministerial expectations at the time the statements were finalised.

Department-Specific Accounting Policies

The Department of Labour has applied the accounting policies set out in Statement of Accounting Policies Standard included in this document, except as stated below.

Reporting Entity

These are the prospective financial statements of Department of Labour, prepared in accordance with section 38 of the Public Finance Act 1989.

Department of Labour is a Government Department as defined by section 2 of the Public Finance Act 1989. For the purposes of financial reporting Department of Labour is a public benefit entity.

Statement of Entity-Specific Accounting Policies

Measurement system

The financial statements have been prepared on a modified historical cost basis except for certain items with specific accounting policies outlined below.

Budget figures

The Budget figures are those presented in the Main Estimates and those amended by the Supplementary Estimates and any transfer made by Order in Council under the Public Finance Act 1989.

Cost accounting policies

The Department's accounting systems record costs by outputs. The costs may be direct or indirect. Costs that can be casually linked and assigned to an output economically are direct costs. Costs incurred to produce more than one output are indirect costs. Indirect costs are allocated to outputs according to staff numbers, the amount of resource consumption of use. The direct costs of personnel, operating, depreciation and capital charge are assigned directly to outputs. Indirect costs are corporate costs that are mainly shared across all workgroups.

Property, plant and equipment

Freehold properties (land and buildings) in New Zealand and overseas are individually valued on a three-yearly cycle. The results of revaluing land and buildings are credited or debited to an asset revaluation reserve for that class of asset. Where a revaluation results in a debit balance in the revaluation reserve, the debit balance will be expensed in the Statement of Financial Performance. Any write-down of an item to its recoverable amount is recognised in the Statement of Financial Performance.

Fixed assets forming part of a network which are material in aggregate, costing more than \$5,000, are capitalised and recorded at cost.

Depreciation

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

- Buildings - up to 40 years
- Leasehold improvements - up to 13 years
- Motor vehicles - up to 6 years
- Furniture and fittings:
 - Fixtures and fittings - up to 10 years
 - Carpets and drapes - up to 7 years
- Office equipment - up to 4 years
- Computer equipment - up to 4 years
- Specialised equipment - up to 8 years.

Intangible assets

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

- Acquired computer software - up to 5 years.
- Internally generated computer software - up to 5 years.

Foreign currencies

Transactions covered by forward exchange contracts are measured and reported at the forward rates specified in those contracts. All other foreign currency transactions are converted into New Zealand dollars at average rates for the month of the transaction approximating the exchange rate at the date of the transaction.

At balance date, monetary assets and liabilities in foreign currencies are translated to New Zealand dollars at the closing exchange rate. The resulting unrealised exchange gain or loss is recognised in the Statement of Financial Performance. Other exchange gains or losses, whether realised or unrealised, are recognised in the Statement of Financial Performance in the period to which they relate.

Restructuring provisions

A provision for restructuring is recognised when the Department has developed a detailed formal plan for the restructuring and has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement the plan, or announcing its main features to those affected by it.

Financial instruments

The Department is party to financial instruments as part of its normal operations. These financial instruments include bank accounts, short-term deposits, debtors, creditors and foreign currency forward contracts. All revenues and expenses in relation to financial instruments are recognised in the Statement of Financial Performance.

Except for those items covered by a separate accounting policy, all financial instruments are shown at their estimated fair value.

The Department is exposed to currency risk and credit risk:

Currency Risk

The Department operates foreign currency bank accounts to support the operations of the overseas branches of the Immigration Service. For business continuity reasons, balances of up to an average month's expenses for each branch may be retained in the branch foreign currency bank account. All material foreign exchange transaction exposures arising in the normal course of business are identified as early as possible in the budgetary cycle. The Department may utilise forward contracts to hedge exposures when recognised. The Department has policies in place to limit foreign exchange exposure.

Credit Risk

The risk that a bank with which funds are deposited will fail or that a party with which future or current transactions are outstanding will not meet its obligations is minimised by only opening accounts with banks following Treasury approval.

The Department deals only, where there is a choice, with banks that have a high credit standing. Exposure to any one counterparty is limited to NZ \$5 million including unsettled forward exchange contracts, bank account balances and contracts due for settlement on the day the exposure is calculated. This limit does not apply when the counterparty is the New Zealand Debt Management Office (NZDMO) or the Reserve Bank of New Zealand.

Notes to the Financial Statements

Note 1 - Other Revenue

	2006/07 Actual \$000	2007/08 Budgeted \$000	2007/08 Estimated Actual \$000	2008/09 Budgeted \$000
Immigration fees	83,386	109,543	109,543	116,662
Sale of publications	19	480	-	480
Miscellaneous	1,086	103	583	22
Total	84,491	110,126	110,126	117,164

Note 2 - Operating Expenses

	2006/07 Actual \$000	2007/08 Budgeted \$000	2007/08 Estimated Actual \$000	2008/09 Budgeted \$000
Included in operating expenses				
Audit fees	285	290	290	310
Consultant's fees	3,336	1,492	1,492	1,580
Domestic travel (Note 1)	4,555	3,439	3,439	3,650
Immigration services costs (Note 2)	8,303	11,512	11,512	12,200
Information Technology	14,502	15,793	15,009	16,740
Insurance	474	460	460	490
International travel (Note 3)	2,774	2,728	2,728	2,890
Professional fees	23,711	30,038	25,811	31,840
Property	24,812	27,923	27,355	29,600
Repairs and maintenance	3,696	4,488	4,488	4,750
Sundry Expenses	18,459	17,052	13,402	18,378
Total	104,907	115,215	105,986	122,428

Note 1: Domestic travel includes trans-tasman travel and local travel under taken by staff located in offshore offices.

Note 2: Immigration services costs includes costs associated with the removal of people in New Zealand illegally.

Note 3: International travel includes travel costs associated with the delivery of the refugee resettlement programme.

Note 3 - Reconciliation of Departmental Expenses and Appropriations

	2006/07 Actual \$000	2007/08 Budgeted \$000	2007/08 Estimated Actual \$000	2008/09 Budgeted \$000
Appropriation for output expenses				
Total for Vote: ACC	2,494	2,493	2,355	2,495
Total for Vote: Employment	14,931	17,698	15,341	18,923
Total for Vote: Immigration	162,119	177,135	168,424	191,389
Total for Vote: Labour	73,273	76,399	74,421	79,294
Total appropriation for output expenses	252,817	273,725	260,541	292,101
Adjustments				
Appropriation amounts unused	6,295	-	-	-
Total departmental expenses [as per statement of financial performance]	246,522	273,725	260,541	292,101

Note 4 - Reconciliation of Net Surplus to Net Cash Flows from Operating Activities

	2006/07 Actual \$000	2007/08 Budgeted \$000	2007/08 Estimated Actual \$000	2008/09 Budgeted \$000
Net surplus/ (deficit)	(966)	8,519	21,703	5,902
Add/ (less) non-cash items				
Depreciation and amortisation expense	11,390	11,707	11,707	14,951
Net foreign exchange (gains)/losses	700	-	-	-
Total non-cash items	12,090	11,707	11,707	14,951
Add/ (less) items classified as investing or financing activities				
(Gains)/ losses on disposal property, plant and equipment	292	-	-	-
Fixed asset write-offs	820	-	-	-
Inc/ (Dec) in finance lease liability	(283)	-	-	-
Total items classified as investing or financing activities	829	-	-	-
Add/ (less) movements in working capital items				
(Inc)/ Dec in debtors and other receivables	(620)	(367)	(367)	(161)
(Inc)/ Dec in prepayments	(8)	-	-	-
(Inc)/ Dec in inventories	285	(285)	(285)	-
Inc/ (Dec) in creditors and other payables	(10,439)	(1,673)	(2,607)	1,831
Inc/ (Dec) in current provisions	-	1,321	1,133	850
Inc/ (Dec) in employee entitlements	(160)	-	-	-
Net movements in working capital items	(10,942)	(1,004)	(2,126)	2,520
Net cash from operating activities	1,011	19,222	31,284	23,373