

Forecast Financial Statements

Inland Revenue Department

Statement of Forecast Comprehensive Income for the year ending 30 June 2010

	Note	2007/08	2008/09		2009/10
		Actual \$000	In 2008 Budget \$000	Estimated Actual \$000	Budgeted \$000
Income					
Crown		589,013	594,759	632,327	593,952
Department(s)		6,292	6,731	9,215	8,028
Other revenue	1	22,361	25,018	25,018	25,018
Gains		-	-	-	-
Interest		-	-	-	-
Total Income		617,666	626,508	666,560	626,998
Expenses					
Personnel		382,187	389,796	422,220	403,117
Operating	2	171,646	169,922	173,581	152,683
Depreciation and amortisation	3	45,742	51,821	50,639	54,531
Capital charge		12,001	14,964	14,964	16,667
Finance costs		-	-	-	-
Other		129	5	406	-
Total Expenses	4	611,705	626,508	661,810	626,998
Net Surplus / (Deficit)		5,961	-	4,750	-
Other comprehensive income		-	-	-	-
Total Comprehensive Income		5,961	-	4,750	-

Statement of Forecast Changes in Taxpayers' Funds for the year ending 30 June 2010

	Note	2007/08	2008/09		2009/10
		Actual \$000	In 2008 Budget \$000	Estimated Actual \$000	Budgeted \$000
Balance at 1 July					
General funds		155,195	199,521	199,521	222,419
Revaluation reserve		-	-	-	-
Other reserves		-	-	-	-
Taxpayers' Funds Opening Balance		155,195	199,521	199,521	222,419
Changes in Taxpayers' Funds					
Comprehensive income for the period		5,961	-	4,750	-
Repayment of surplus		(5,961)	-	(4,750)	-
Capital contribution		47,092	20,061	25,475	15,127
Capital withdrawal		(2,766)	-	(2,577)	(380)
Other		-	-	-	-
Total Changes in Taxpayers' Funds		44,326	20,061	22,898	14,747
Balance at 30 June					
General funds		199,521	219,582	222,419	237,166
Revaluation reserve		-	-	-	-
Other reserves		-	-	-	-
Taxpayers' Funds Closing Balance		199,521	219,582	222,419	237,166

Forecast Statement of Financial Position as at 30 June 2010

		2007/08	2008/09		2009/10
	Note	Actual \$000	In 2008 Budget \$000	Estimated Actual \$000	Budgeted \$000
Assets					
Current Assets					
Cash and cash equivalents		18,677	10,000	12,000	12,000
Debtors and other receivables	5	77,891	72,212	83,664	94,236
Prepayments		5,839	4,614	6,000	6,000
Inventories		1,792	1,250	1,400	1,800
Other current assets		-	-	-	-
Total Current Assets		104,199	88,076	103,064	114,036
Non-current Assets					
Property, plant and equipment	6	50,428	51,130	52,937	57,337
Intangible assets	7	163,475	197,470	192,401	190,837
Other non-current assets		-	-	-	-
Total Non-current Assets		213,903	248,600	245,338	248,174
Total Assets		318,102	336,676	348,402	362,210
Liabilities					
Current Liabilities					
Creditors and other payables		32,587	43,000	32,537	32,537
Repayment of surplus		5,961	-	4,750	-
Employee entitlements		36,428	34,000	40,830	43,455
Other current liabilities		260	129	181	181
Total Current Liabilities		75,236	77,129	78,298	76,173
Non-current Liabilities					
Provisions		5,468	5,170	6,990	6,990
Employee entitlements		36,548	34,149	39,548	40,734
Other non-current liabilities		1,329	646	1,147	1,147
Total Non-current Liabilities		43,345	39,965	47,685	48,871
Total Liabilities		118,581	117,094	125,983	125,044
Taxpayers' Funds					
General funds		199,521	219,582	222,419	237,166
Revaluation reserve		-	-	-	-
Other reserves		-	-	-	-
Total Taxpayers' Funds		199,521	219,582	222,419	237,166
Total Liabilities and Taxpayers' Funds		318,102	336,676	348,402	362,210

Statement of Forecast Cash Flows for the year ending 30 June 2010

	Note	2007/08	2008/09		2009/10
		Actual \$000	In 2008 Budget \$000	Estimated Actual \$000	Budgeted \$000
Cash Flows from Operating Activities					
Receipts from:					
Crown		601,310	604,638	626,577	583,380
Department(s)		5,873	6,731	9,171	8,028
Other		24,357	25,018	25,039	25,018
Interest		-	-	-	-
Payments to:					
Suppliers		(181,199)	(170,689)	(172,502)	(152,683)
Employees		(371,660)	(387,730)	(414,818)	(399,306)
Capital charge		(12,001)	(14,964)	(14,964)	(16,667)
Goods and services tax (net)		385	-	350	-
Other operating activities		-	-	-	-
Net Cash from Operating Activities	8	67,065	63,004	58,853	47,770
Cash Flow from Investing Activities					
Receipts from:					
Sale of property, plant and equipment		117	-	-	-
Sale of intangible assets		7,616	-	-	-
Sale of other non-current assets		-	-	-	-
Purchase of:					
Property, plant and equipment		(28,253)	(15,828)	(17,627)	(11,921)
Intangible assets		(82,468)	(62,145)	(64,840)	(45,846)
Other non-current assets		-	-	-	-
Net Cash from Investing Activities		(102,988)	(77,973)	(82,467)	(57,767)
Cash Flow from Financing Activities					
Capital contribution		47,092	20,061	25,475	15,127
Other financing cash inflows		-	-	-	-
Repayment of surplus		(3,260)	(7,000)	(5,961)	(4,750)
Capital withdrawal		(2,766)	-	(2,577)	(380)
Other financing cash outflows		-	-	-	-
Net Cash from Financing Activities		41,066	13,061	16,937	9,997
Net Increase / (Decrease) in Cash		5,143	(1,908)	(6,677)	-
Cash at the beginning of the year		13,534	11,908	18,677	12,000
Cash at the end of the year		18,677	10,000	12,000	12,000

Statement of Significant Assumptions

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

The main assumptions are as follows:

- there will be a significant capital injections to implement the student loans redesign initiative, which are expected over the next three years (2009/10 to 2011/12)
- staff numbers employed by Inland Revenue are forecast fall in 2009/10
- the Department's activities and performance standards will remain substantially the same as for the previous year, and
- estimated year-end information for 2008/09 is used as the opening position for the 2009/10 forecasts.

These assumptions are adopted as at 27 April 2009.

Factors that could lead to material differences between the forecast financial statements and the 2009/10 actual financial statements include:

- changes to the baseline budget through new initiatives or technical adjustments.

Statement of Entity-Specific Accounting Policies

The Inland Revenue Department 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 Inland Revenue Department, prepared in accordance with section 38 of the Public Finance Act 1989.

Inland Revenue Department is a government department as defined by section 2 of the Public Finance Act 1989. For the purposes of financial reporting Inland Revenue Department is a public benefit entity.

Specific Accounting Policies

Property, Plant and Equipment

Capitalisation thresholds applied are set out below:

- IT equipment - computers and laptops - All.
- IT equipment - other - \$2,000 and over.
- Furniture and office equipment - \$2,000 and over.
- Motor vehicles - \$2,000 and over.
- Leasehold improvements - \$20,000 and over.

Depreciation

The estimated useful lives of property, plant and equipment are set out below:

- IT equipment - 3 to 5 years.
- Furniture and office equipment - 5 to 7 years.
- Motor vehicles - 5 to 7 years.
- Leasehold improvements - 1 to 10 years.

All fixed assets other than motor vehicles are assumed to have no residual value. Motor vehicles are assumed to have 20%-30% residual value.

Intangible Assets

Capitalisation thresholds applied are:

- Software - developed - \$50,000 and over.
- Software and licenses - purchased - \$5,000 and over.
- Business process design - \$50,000 and over.

Amortisation

The estimated useful lives of intangible assets are set out below:

- Computer software - developed - 5 to 10 years.
- Computer software and licenses - purchased - 5 to 10 years.
- Business process design - 5 to 10 years.

Cost Allocation

Inland Revenue uses an integrated cost allocation process to derive the cost of its outputs. This process involves the initial costing of business processes followed by the full costing of outputs.

Business processes represent the key functional activities within the department. These business processes are used to capture direct costs.

Direct personnel costs are charged to business processes, based on actual hours and standard activity rates. Other related direct costs, including depreciation, are allocated to business processes, based on actual hours and relevant activity drivers.

Indirect project costs are assigned to specific service categories and allocated to outputs based on system usage drivers.

Other indirect costs and corporate overheads that cannot be directly attributed to a business process are apportioned to outputs, based on planned business process activity allocations to outputs.

Notes to the Financial Statements

Note 1 - Other Revenue

	2007/08	2008/09		2009/10
	Actual \$000	In 2008 Budget \$000	Estimated Actual \$000	Budgeted \$000
Accident Compensation Corporation - Agency Fees	20,500	20,500	20,500	20,500
Other	1,861	4,518	4,518	4,518
Total Other Revenue	22,361	25,018	25,018	25,018

Note 2 - Operating Expenses

	2007/08	2008/09		2009/10
	Actual \$000	In 2008 Budget \$000	Estimated Actual \$000	Budgeted \$000
Operating expenses include:				
• Consultants' fees	9,174	9,439	5,287	5,086
• Overseas travel	2,083	1,798	1,600	1,400
• Domestic travel	9,712	8,689	7,300	3,700
• Other	150,677	149,996	159,394	142,497
Total Operating Expenses	171,646	169,922	173,581	152,683

Note 3 - Depreciation and Amortisation

	2007/08	2008/09		2009/10
	Actual \$000	In 2008 Budget \$000	Estimated Actual \$000	Budgeted \$000
Depreciation and impairment	16,732	18,287	17,208	16,100
Amortisation and impairment	29,010	33,534	33,431	38,431
Total Depreciation and Amortisation	45,742	51,821	50,639	54,531

Note 4 - Reconciliation of Departmental Expenses and Appropriations

	2007/08	2008/09		2009/10
	Actual \$000	In 2008 Budget \$000	Estimated Actual \$000	Budgeted \$000
Appropriations for Output Expenses				
Total for Vote Revenue	611,705	626,508	661,810	626,998
Total Appropriations for Output Expenses	611,705	626,508	661,810	626,998
Total Departmental Expenses [as per Statement of Financial Performance]	611,705	626,508	661,810	626,998

Note 5 - Debtors and Other Receivables

	2007/08	2008/09		2009/10
	Actual \$000	In 2008 Budget \$000	Estimated Actual \$000	Budgeted \$000
Debtor Crown	73,092	67,842	78,842	89,414
Debtors Other	4,799	4,370	4,822	4,822
Total Debtors and Other Receivables	77,891	72,212	83,664	94,236

Note 6 - Property, Plant and Equipment

	Computer equipment \$000	Leasehold improvements/furniture \$000	Office equipment \$000	Motor Vehicles \$000	Total \$000
Cost or revaluation					
Balance as at 1 July 2009	73,861	80,091	18,645	5,040	177,637
Additions by purchase	6,000	8,000	-	-	14,000
Balance as at 30 June 2010	79,861	88,091	18,645	5,040	191,637
Accumulated depreciation and impairment losses					
Balance as at 1 July 2009	53,658	52,758	16,284	2,000	124,700
Depreciation expense	9,000	5,500	1,000	600	16,100
Eliminate on disposal	(5,000)	(1,000)	(500)	-	(6,500)
Balance as at 30 June 2010	57,658	57,258	16,784	2,600	134,300
Carrying amount as at 30 June 2010	22,203	30,833	1,861	2,440	57,337

Note 7 - Intangible Assets

	Acquired software \$000	Internally generated software \$000	Total \$000
Cost			
Balance as at 1 July 2009	119,330	395,245	514,575
Additions by purchase	8,549	-	8,549
Additions internally developed	-	28,318	28,318
Disposals	(1,159)	(3,841)	(5,000)
Balance as at 30 June 2010	126,720	419,722	546,442
Accumulated amortisation and impairment losses			
Balance as at 1 July 2009	74,712	247,462	322,174
Amortisation expense	8,912	29,519	38,431
Disposals	(1,159)	(3,841)	(5,000)
Impairment losses	-	-	-
Balance as at 30 June 2010	82,465	273,140	355,605
Carrying amount as at 30 June 2010	44,255	146,582	190,837

Note 8 - Reconciliation of Net Surplus to Net Cash Flows from Operating Activities for the year ending 30 June 2010

	2007/08	2008/09		2009/10
	Actual \$000	In 2008 Budget \$000	Estimated Actual \$000	Budgeted \$000
Net Surplus/(Deficit)	5,961	-	4,750	-
Add/(Less) Non-cash Items				
Depreciation and amortisation expense	45,742	51,821	50,639	54,531
Total Non-cash Items	45,742	51,821	50,639	54,531
Add/(Less) Items Classified as Investing or Financing Activities				
(Gains)/Losses on disposal property, plant and equipment	46	5	85	-
(Gains)/Losses on disposal intangible assets	5	-	-	-
Total Items Classified as Investing or Financing Activities	51	5	85	-

	2007/08	2008/09		2009/10
	Actual \$000	In 2008 Budget \$000	Estimated Actual \$000	Budgeted \$000
Add/(Less) Movements in Working Capital Items				
(Inc)/Dec in debtors and other receivables	13,874	9,879	(5,773)	(10,572)
(Inc)/Dec in prepayments	(1,831)	1	(161)	-
(Inc)/Dec in inventories	(420)	122	-	-
Inc/(Dec) in creditors and other payables	(8,406)	(682)	1,519	-
Inc/(Dec) in current provisions	341	-	(869)	-
Inc/(Dec) in employee entitlements	8,668	1,071	4,402	2,625
Inc/(Dec) in other	(5)	(79)	(79)	-
Net Movements in Working Capital Items	12,221	10,312	(961)	(7,947)
Add/(Less) Movements in Non-current Liabilities				
Inc/(Dec) in non-current provisions	36	-	1,522	-
Inc/(Dec) in employee entitlements	1,863	995	3,000	1,186
Inc/(Dec) in other	1,191	(129)	(182)	-
Net Movements in Non-Current Liabilities	3,090	866	4,340	1,186
Net Cash from Operating Activities	67,065	63,004	58,853	47,770