

Forecast Financial Statements

Ministry of Education

Statement of Forecast Comprehensive Income for the year ending 30 June 2013

		2010/11	2011/12		2012/13
	Note	Actual \$000	In 2011 Budget \$000	Estimated Actual \$000	Budgeted \$000
Income					
Crown		1,634,768	1,819,384	1,802,295	1,810,997
Department(s)		4,018	3,436	3,436	100
Other revenue	1	6,596	5,956	6,586	5,956
Gains		-	-	-	-
Interest		-	-	-	-
Total Income		1,645,382	1,828,776	1,812,317	1,817,053
Expenses					
Personnel		201,412	198,088	198,797	199,073
Operating	2	250,018	339,430	324,150	320,936
Depreciation and amortisation		429,055	464,576	464,626	466,325
Capital charge		766,823	826,682	824,204	830,719
Finance costs		-	-	-	-
Other		12,400	-	7,118	-
Total Expenses		1,659,708	1,828,776	1,818,895	1,817,053
Net Surplus / (Deficit)		(14,326)	-	(6,578)	-
Other comprehensive income		(22,531)	-	-	-
Total Comprehensive Income		(36,857)	-	(6,578)	-

Statement of Forecast Changes in Taxpayers' Funds for the year ending 30 June 2013

	Note	2010/11	2011/12		2012/13
		Actual \$000	In 2011 Budget \$000	Estimated Actual \$000	Budgeted \$000
Balance at 1 July					
General funds		4,185,979	4,367,167	4,362,013	4,396,567
Revaluation reserve		5,961,652	5,961,652	5,929,949	5,929,949
Other reserves		-	-	-	-
Taxpayers' Funds Opening Balance		10,147,631	10,328,819	10,291,962	10,326,516
Changes in Taxpayers' Funds					
Comprehensive income for the period		(36,857)	-	(6,578)	-
Repayment of surplus		-	-	-	-
Capital contribution		249,976	136,961	65,185	142,427
Capital withdrawal		(68,788)	(24,053)	(24,053)	-
Other		-	-	-	-
Total Changes in Taxpayers' Funds		144,331	112,908	34,554	142,427
Balance at 30 June					
General funds		4,362,013	4,480,075	4,396,567	4,538,994
Revaluation reserve		5,929,949	5,961,652	5,929,949	5,929,949
Other reserves		-	-	-	-
Taxpayers' Funds Closing Balance		10,291,962	10,441,727	10,326,516	10,468,943

Forecast Statement of Financial Position as at 30 June 2013

	Note	2010/11	2011/12		2012/13
		Actual \$000	In 2011 Budget \$000	Estimated Actual \$000	Budgeted \$000
Assets					
Current Assets					
Cash and cash equivalents		24,372	46,671	35,182	21,124
Debtors and other receivables	3	79,865	62,838	62,838	71,662
Prepayments		39,676	26,672	26,672	26,672
Inventories		-	-	-	-
Other current assets		-	-	-	-
Total Current Assets		143,913	136,181	124,692	119,458
Non-current Assets					
Property, plant and equipment	4	10,210,320	10,319,922	10,239,391	10,388,683
Intangible assets	5	18,399	43,938	20,747	19,116
Other non-current assets		45,910	40,715	40,715	40,715
Total Non-current Assets		10,274,629	10,404,575	10,300,853	10,448,514
Total Assets		10,418,542	10,540,756	10,425,545	10,567,972
Liabilities					
Current Liabilities					
Creditors and other payables		107,326	81,162	81,162	81,162
Repayment of surplus		-	-	-	-
Employee entitlements		12,426	12,607	12,607	12,607
Other current liabilities		-	-	-	-
Total Current Liabilities		119,752	93,769	93,769	93,769
Non-current Liabilities					
Provisions		-	-	-	-
Employee entitlements		6,828	5,260	5,260	5,260
Other non-current liabilities		-	-	-	-
Total Non-current Liabilities		6,828	5,260	5,260	5,260
Total Liabilities		126,580	99,029	99,029	99,029
Taxpayers' Funds					
General funds		4,362,013	4,480,075	4,396,567	4,538,994
Revaluation reserve		5,929,949	5,961,652	5,929,949	5,929,949
Other reserves		-	-	-	-
Total Taxpayers' Funds		10,291,962	10,441,727	10,326,516	10,468,943
Total Liabilities and Taxpayers' Funds		10,418,542	10,540,756	10,425,545	10,567,972

Statement of Forecast Cash Flows for the year ending 30 June 2013

	Note	2010/11	2011/12		2012/13
		Actual \$000	In 2011 Budget \$000	Estimated Actual \$000	Budgeted \$000
Cash Flows from Operating Activities					
Receipts from:					
Crown		1,640,041	1,778,757	1,823,138	1,802,173
Department(s)		2,939	3,436	3,699	100
Other		8,158	25,072	2,507	5,956
Interest		-	-	-	-
Payments to:					
Suppliers		(236,721)	(341,027)	(341,382)	(322,533)
Employees		(198,626)	(197,113)	(198,587)	(197,476)
Capital charge		(766,823)	(826,682)	(824,204)	(830,719)
Goods and services tax (net)		459	-	(2,230)	-
Other operating activities		-	-	-	-
Net Cash from Operating Activities	6	449,427	442,443	462,941	457,501
Cash Flow from Investing Activities					
Receipts from:					
Sale of property, plant and equipment		13,710	17,000	6,000	17,000
Sale of intangible assets		-	-	-	-
Sale of other non-current assets		-	-	-	-
Purchase of:					
Property, plant and equipment		(602,399)	(524,189)	(484,924)	(620,107)
Intangible assets		(5,118)	(23,567)	(14,339)	(10,879)
Other non-current assets		-	-	-	-
Net Cash from Investing Activities		(593,807)	(530,756)	(493,263)	(613,986)
Cash Flow from Financing Activities					
Capital contribution		249,976	136,961	65,185	142,427
Other financing cash inflows		-	-	-	-
Repayment of surplus		(12,297)	-	-	-
Capital withdrawal		(93,058)	(24,053)	(24,053)	-
Other financing cash outflows		-	-	-	-
Net Cash from Financing Activities		144,621	112,908	41,132	142,427
Net Increase / (Decrease) in Cash		241	24,595	10,810	(14,058)
Cash at the beginning of the year		24,131	22,076	24,372	35,182
Cash at the end of the year		24,372	46,671	35,182	21,124

Statement of Significant Assumptions

These prospective financial statements have been compiled on the basis of government policies and the Ministry of Education's Output Plan as agreed with the Minister of Education and the Minister for Tertiary Education, Skills and Employment at the time the statements were finalised. These prospective financial statements have been prepared on a going concern basis.

The main assumptions are as follows:

- The Ministry's activities will remain substantially the same as for the previous year.
- Operating costs are based on historical experience. The general historical pattern is expected to continue.
- Estimated year-end information for 2011/12 is used as the opening position for the 2012/13 forecasts.

These assumptions are adopted as at 13 April 2012.

In preparing these financial statements the Ministry has made estimates and assumptions concerning the future. These estimates and judgements may differ from the subsequent actual results. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Factors that could lead to material differences between the forecast financial statements and the 2012/13 actual financial statements include:

- revaluation of school sector land and buildings at the end of June 2012 may significantly alter the value on the Ministry Statement of Financial Position which would in turn change the capital charge and depreciation expense for the new financial year
- further assessment for impairment of school sector buildings that may be defective or impacted by the Canterbury earthquakes may affect the value of the portfolio and alter the value on the Ministry Statement of Financial Position, which in turn may change the depreciation expense for the year
- cost of damage to school buildings as a result of the Christchurch earthquakes is still in the process of being estimated and could affect both capital and operational expenditure
- recoveries of costs related to the restoration of defective buildings from third parties and earthquake-related costs from insurance would result in additional revenue being recorded
- implementation of a public-private partnership for building and maintaining primary and secondary schools at Hobsonville Point will result in changes to appropriations and the recognition of a fixed asset and a corresponding liability on the Ministry Statement of Financial Position
- the timing of disposal of surplus school sector property assets may affect revenue and expenditure and capital withdrawals related to the sale
- economic conditions may affect assumptions used to calculate employee entitlement provisions
- the impact of some of the new policies and savings across specific Ministry outputs may differ from the initial estimates after full details of implementation have been worked out, and
- further changes to the operating budget through additional new initiatives or technical adjustments later in the year.

Statement of Entity-Specific Accounting Policies

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

Reporting Entity

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

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

Authorisation Statement

These forecast financial statements were authorised for issue by the Secretary for Education on 13 April 2012. The Secretary for Education is responsible for the forecast financial statements presented, including the appropriateness of the assumptions underlying the forecast financial statements and all other required disclosures.

Specific Accounting Policies

These prospective financial statements of the Ministry of Education have been prepared in accordance with the requirements of the Public Finance Act 1989, which includes the requirement to comply with New Zealand generally accepted accounting practices (NZ GAAP).

These prospective financial statements of the Ministry of Education have been prepared in accordance with, and comply with, NZ IFRS as appropriate for public benefit entities.

The measurement base applied is historical cost adjusted for revaluations of assets. Revaluations are made to reflect the forecast service potential or economic benefit to be obtained through the control of assets.

Statutory Base

The prospective financial statements for the Ministry of Education are prepared pursuant to section 38 of the Public Finance Act 1989.

Property, Plant and Equipment

Property, plant and equipment are stated at the lower of cost less accumulated depreciation and net realisable value, except in the case of school buildings, which are stated at cost or valuation less accumulated depreciation.

School buildings are stated at fair value, as determined by an internal valuation process. Fair value is determined using depreciated replacement cost. Early childhood education centre buildings (playcentres and kindergartens) are valued by an independent registered valuer based on depreciated replacement cost. Valuations are conducted on an annual basis.

School land, early childhood education land, house land and houses are recorded at market value, as assessed by an independent registered valuer. Valuations are conducted on an annual basis.

Additions between valuations are recorded at cost.

The capitalisation threshold for property, plant and equipment of \$2,500.

Depreciation

Depreciation, on other than freehold land and assets under construction, is provided on a straight line basis at rates that will write off the cost or valuation of the assets, less their estimated residual values, over their estimated useful lives.

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

- Permanent school building roof, services, fitouts, lifts and boilers - 15 to 45 years.
- Relocatable classrooms - 40 years.
- Ancillary buildings, covered ways, houses, kindergartens, playcentres, site improvements, swimming pools - 30 to 50 years.
- Permanent school building fabric - 75 years.
- Computer hardware - 3 to 5 years.
- Motor vehicles - 4 years.
- Plant and equipment - 3 to 8 years.

Intangible Assets

The estimated useful lives of intangible assets are:

- Computer software - 3 to 5 years.

The capitalisation threshold for property, plant and equipment of \$2,500.

Properties Intended for Sale

Assets identified as surplus are recorded at the lower of carrying value at the date the asset is designated as surplus, and net realisable value.

Cost Allocation

All costs are charged to activities or projects. Direct costs are charged directly to non-overhead activities or projects. Indirect costs are charged to overhead activities. Costs in overhead activities are then ascribed to non-overhead activities, based on cost drivers.

Criteria for Direct and Indirect Costs - direct costs are those costs charged directly to a non-overhead activity. Indirect costs are those overhead costs that cannot be identified with a specific output in an economically feasible manner and are charged to an overhead activity.

Direct Costs Assigned to Outputs - non-overhead activities are mapped directly to outputs. Costs in these activities are therefore assigned directly to the relevant outputs. This includes costs related to the provision of school sector property.

Basis for Assigning Indirect and Corporate Costs to Outputs - indirect costs are assigned to non-overhead activities, and thereby to outputs, on the basis of direct personnel costs captured within the non-overhead activity.

Notes to the Financial Statements

Note 1 - Other Revenue

	2010/11	2011/12		2012/13
	Actual \$000	In 2011 Budget \$000	Estimated Actual \$000	Budgeted \$000
School house rentals	3,758	3,865	3,865	3,865
Sundry rentals	171	227	227	227
Sale of learning materials	108	230	230	230
Special education	552	808	808	808
Miscellaneous revenue	2,007	826	1,456	826
Total other revenue	6,596	5,956	6,586	5,956

Insurance recoveries of \$540,000 pertaining to Christchurch earthquakes is included in Miscellaneous revenue in 2011/12 Estimated Actuals.

Note 2 - Operating Expenses

	2010/11	2011/12		2012/13
	Actual \$000	In 2011 Budget \$000	Estimated Actual \$000	Budgeted \$000
Consultants' fees	3,052	3,647	3,647	3,147
Overseas travel	319	402	402	312
Domestic travel	6,369	6,675	6,675	6,075
Contracts for services	75,065	132,094	119,891	112,514
Special education payments	84,095	94,042	94,723	100,352
Operating lease rental	14,885	28,017	28,017	28,017
Maintenance of school land and buildings	40,496	40,440	36,682	36,356
Other	25,737	34,113	34,113	34,163
Total operating expenses	250,018	339,430	324,150	320,936

Note 3 - Debtors and Other Receivables

	2010/11	2011/12		2012/13
	Actual \$000	In 2011 Budget \$000	Estimated Actual \$000	Budgeted \$000
Debtor Crown	77,070	56,227	56,227	65,051
Debtors other	2,795	6,611	6,611	6,611
Total debtors and other receivables	79,865	62,838	62,838	71,662

The increased Debtor Crown is owing to uncertainty over the timing of cash drawdowns for the capital expenditure related to public-private partnerships.

Note 4 - Property, Plant and Equipment

	Land \$000	Buildings \$000	Leasehold improvements \$000	Furniture/office equipment \$000	Other \$000	Total \$000
Cost or revaluation						
Balance as at 1 July 2012	2,663,724	8,908,523	-	101,771	15,437	11,689,455
Additions by purchase	33,000	574,901	-	9,062	3,144	620,107
Additions internally developed	-	-	-	-	-	-
Revaluation increase	-	-	-	-	-	-
Transfers between classes	-	-	-	-	-	-
Disposals	(7,000)	(10,000)	-	-	-	(17,000)
Balance as at 30 June 2013	2,689,724	9,473,424	-	110,833	18,581	12,292,562
Accumulated depreciation and impairment losses						
Balance as at 1 July 2012	-	1,372,965	-	70,651	6,448	1,450,064
Depreciation expense	-	441,052	-	10,491	2,272	453,815
Eliminate on disposal	-	-	-	-	-	-
Eliminate on revaluation	-	-	-	-	-	-
Transfers between classes	-	-	-	-	-	-
Impairment losses	-	-	-	-	-	-
Balance as at 30 June 2013	-	1,814,017	-	81,142	8,720	1,903,879
Carrying amount as at 30 June 2013	2,689,724	7,659,407	-	29,691	9,861	10,388,683

Note 5 - Intangible Assets

	Acquired software \$000	Internally generated software \$000	Other \$000	Total \$000
Cost				
Balance as at 1 July 2012	-	-	94,156	94,156
Additions by purchase	-	-	-	-
Additions internally developed	-	-	10,879	10,879
Disposals	-	-	-	-
Balance as at 30 June 2012	-	-	105,035	105,035
Accumulated amortisation and impairment losses				
Balance as at 1 July 2012	-	-	73,409	73,409
Amortisation expense	-	-	12,025	12,510
Disposals	-	-	-	-
Impairment losses	-	-	-	-
Balance as at 30 June 2013	-	-	85,434	85,919
Carrying amount as at 30 June 2013	-	-	19,601	19,116

Note 6 - Reconciliation of Net Surplus to Net Cash Flows from Operating Activities

	2010/11	2011/12		2012/13
	Actual \$000	In 2011 Budget \$000	Estimated Actual \$000	Budgeted \$000
Net Surplus/(Deficit)	(14,326)	-	(6,578)	-
Add/(less) non-cash items				
Depreciation and amortisation expense	429,055	464,576	464,626	466,325
Increase in non-current employee entitlements	232	-	-	-
Total non-cash items	429,287	464,576	464,626	466,325
Add/(less) items classified as investing or financing activities				
(Gains)/losses on disposal, plant and equipment	12,309	-	7,118	-
Total items classified as investing or financing activities	12,309	-	7,118	-
Add/(less) movements in working capital items				
(Inc)/dec in debtors and other receivables	5,844	(21,511)	12,959	(8,824)
(Inc)/dec in prepayments	1,512	-	-	-
Inc/(dec) in creditors and other payables	14,341	(622)	(15,115)	-
Inc/(dec) in employee entitlements	460	-	(69)	-
Net movements in working capital items	22,159	(22,133)	(2,225)	(8,824)
Add/(less) movements in non-current liabilities				
Inc/(dec) in employee entitlements	-	-	-	-
Net cash from operating activities	449,427	442,443	462,941	457,501