

# *Forecast Financial Statements*

## *Education Review Office*

---

## Statement of Forecast Comprehensive Income for the year ending 30 June 2014

	Note	2011/12	2012/13		2013/14
		Actual \$000	In 2012 Budget \$000	Estimated Actual \$000	Budgeted \$000
<b>Income</b>					
Crown		27,833	27,398	27,398	27,415
Department(s)		956	450	393	425
Other revenue		33	27	291	61
Gains		-	-	-	-
Interest		-	-	-	-
<b>Total Income</b>		<b>28,822</b>	<b>27,875</b>	<b>28,082</b>	<b>27,901</b>
<b>Expenses</b>	1				
Personnel		19,836	20,177	20,078	20,061
Operating		7,406	6,256	6,341	6,276
Depreciation and amortisation		1,130	1,142	900	981
Capital charge		300	300	300	300
Finance costs		-	-	-	-
Other		25	-	-	-
<b>Total Expenses</b>		<b>28,697</b>	<b>27,875</b>	<b>27,619</b>	<b>27,618</b>
<b>Net Surplus / (Deficit)</b>		<b>125</b>	<b>-</b>	<b>463</b>	<b>283</b>
Other comprehensive income		-	-	-	-
<b>Total Comprehensive Income</b>		<b>125</b>	<b>-</b>	<b>463</b>	<b>283</b>

## Statement of Forecast Changes in Taxpayers' Funds for the year ending 30 June 2014

	Note	2011/12	2012/13		2013/14
		Actual \$000	In 2012 Budget \$000	Estimated Actual \$000	Budgeted \$000
<b>Balance at 1 July</b>					
General funds		3,746	3,746	3,746	3,746
Revaluation reserve		-	-	-	-
Other reserves		-	-	-	-
<b>Taxpayers' Funds Opening Balance</b>		<b>3,746</b>	<b>3,746</b>	<b>3,746</b>	<b>3,746</b>
<b>Changes in Taxpayers' Funds</b>					
Comprehensive income for the period		125	-	463	283
Repayment of surplus		(125)	-	(463)	(283)
Capital contribution		-	-	-	-
Capital withdrawal		-	-	-	-
Other		-	-	-	-
<b>Total Changes in Taxpayers' Funds</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Balance at 30 June</b>					
General funds		3,746	3,746	3,746	3,746
Revaluation reserve		-	-	-	-
Other reserves		-	-	-	-
<b>Taxpayers' Funds Closing Balance</b>		<b>3,746</b>	<b>3,746</b>	<b>3,746</b>	<b>3,746</b>

## Forecast Statement of Financial Position as at 30 June 2014

		2011/12	2012/13		2013/14
	Note	Actual \$000	In 2012 Budget \$000	Estimated Actual \$000	Budgeted \$000
<b>Assets</b>					
<b>Current Assets</b>					
Cash and cash equivalents		6,244	5,031	5,730	4,999
Debtors and other receivables		213	115	175	175
Prepayments		78	105	85	89
Inventories		-	-	-	-
Other current assets		-	-	-	-
<b>Total Current Assets</b>		<b>6,535</b>	<b>5,251</b>	<b>5,990</b>	<b>5,263</b>
<b>Non-current Assets</b>					
Property, plant and equipment		2,443	3,065	2,895	3,300
Intangible assets		514	450	629	422
Other non-current assets		-	-	-	-
<b>Total Non-current Assets</b>		<b>2,957</b>	<b>3,515</b>	<b>3,524</b>	<b>3,722</b>
<b>Total Assets</b>		<b>9,492</b>	<b>8,766</b>	<b>9,514</b>	<b>8,985</b>
<b>Liabilities</b>					
<b>Current Liabilities</b>					
Creditors and other payables		1,719	1,823	2,052	1,888
Repayment of surplus		125	-	463	283
Employee entitlements		1,958	1,464	1,864	1,648
Other current liabilities		-	-	-	-
<b>Total Current Liabilities</b>		<b>3,802</b>	<b>3,287</b>	<b>4,379</b>	<b>3,819</b>
<b>Non-current Liabilities</b>					
Provisions		802	379	666	747
Employee entitlements		1,142	1,354	723	673
Other non-current liabilities		-	-	-	-
<b>Total Non-current Liabilities</b>		<b>1,944</b>	<b>1,733</b>	<b>1,389</b>	<b>1,420</b>
<b>Total Liabilities</b>		<b>5,746</b>	<b>5,020</b>	<b>5,768</b>	<b>5,239</b>
<b>Taxpayers' Funds</b>					
General funds		3,746	3,746	3,746	3,746
Revaluation reserve		-	-	-	-
Other reserves		-	-	-	-
<b>Total Taxpayers' Funds</b>		<b>3,746</b>	<b>3,746</b>	<b>3,746</b>	<b>3,746</b>
<b>Total Liabilities and Taxpayers' Funds</b>		<b>9,492</b>	<b>8,766</b>	<b>9,514</b>	<b>8,985</b>

## Statement of Forecast Cash Flows for the year ending 30 June 2014

	Note	2011/12	2012/13		2013/14
		Actual \$000	In 2012 Budget \$000	Estimated Actual \$000	Budgeted \$000
<b>Cash Flows from Operating Activities</b>					
<b>Receipts from:</b>					
Crown		27,833	27,398	27,398	27,415
Department(s)		814	450	433	425
Other		60	27	289	61
Interest		-	-	-	-
<b>Payments to:</b>					
Suppliers		(6,712)	(6,301)	(6,151)	(6,363)
Employees		(19,630)	(20,275)	(20,591)	(20,327)
Capital charge		(300)	(300)	(300)	(300)
Goods and services tax (net)		-	-	-	-
Other operating activities		-	-	-	-
<b>Net Cash from Operating Activities</b>	2	2,065	999	1,078	911
<b>Cash Flow from Investing Activities</b>					
<b>Receipts from:</b>					
Sale of property, plant and equipment		11	124	248	128
Sale of intangible assets		-	-	-	-
Sale of other non-current assets		-	-	-	-
<b>Purchase of:</b>					
Property, plant and equipment		(543)	(949)	(1,415)	(1,297)
Intangible assets		(146)	(51)	(300)	(10)
Other non-current assets		-	-	-	-
<b>Net Cash from Investing Activities</b>		(678)	(876)	(1,467)	(1,179)
<b>Cash Flow from Financing Activities</b>					
Capital contribution		-	-	-	-
Other financing cash inflows		-	-	-	-
Repayment of surplus		(406)	(202)	(125)	(463)
Capital withdrawal		-	-	-	-
Other financing cash outflows		-	-	-	-
<b>Net Cash from Financing Activities</b>		(406)	(202)	(125)	(463)
<b>Net Increase / (Decrease) in Cash</b>		981	(79)	(514)	(731)
Cash at the beginning of the year		5,263	5,110	6,244	5,730
<b>Cash at the end of the year</b>		6,244	5,031	5,730	4,999

## 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:

- ERO's activities will remain substantially the same as for the previous year.
- Personnel costs are based on 210 full time equivalents.
- Operating costs are based on historical experience adjusted for any known expected increase in expenditure items.
- Estimated year end information for 2012/13 is used as the opening position for the 2013/14 forecasts.

These assumptions are adopted as at 4 April 2013.

Factors that could lead to material differences between the forecast financial statements and the 2012/13 actual financial statements include changes to the baseline budget through new initiatives, or technical adjustments.

## Statement of Entity-Specific Accounting Policies

The Education Review Office (ERO) 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 ERO, prepared in accordance with section 38 of the Public Finance Act 1989.

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

### Authorisation Statement

These forecast financial statements were authorised for issue by the Chief Review Officer on 4 April 2013. The Chief Review Officer is responsible for the forecast financial statements presented, including the appropriateness of the assumptions underlying the forecast financial statements and all other required disclosure.

### Specific Accounting Policies

#### *Property, Plant and Equipment*

Capitalisation thresholds applied are set out as follows:

- Computer hardware - \$1,000.
- Motor vehicles - \$500.
- Office equipment - \$1,000.
- Leasehold improvements - \$1,500.
- Furniture and fittings - \$1,500.

The estimated useful life and associated depreciation rates applied to each class of fixed assets are as follows:

- Computer hardware - 4 years, 25%.
- Motor vehicles - 4 years to 5 years, 20% to 25%.
- Office equipment - 5 years, 20%.
- Leasehold improvements - 10 years, 10%.
- Furniture and fittings - 10 years, 10%.

### *Intangible Assets*

Capitalisation thresholds applied are set out as follows:

- Computer software - \$1,000.
- Review procedures - \$20,000.

The estimated useful life and associated amortisation rates applied to intangible assets are as follows:

- Computer software - 4 years, 25%.
- Review procedures - 5 years, 20%.

### *Cost Allocation*

Direct costs are costs incurred by output delivery management units. Direct costs are attributed to outputs based on time spent on each output from ERO's time recording system.

Indirect costs are the costs of corporate management and support services which cannot be identified with a specific output in an economically feasible manner. Indirect costs are allocated to output-delivery management units (excluding Policy Services and Ministerial Services) through the most appropriate cost driver as a proxy for consumption.

The cost of Education Evaluation Reports includes a transfer of time from institutional reporting activities. This transfer represents time spent by review officers in institutions collecting overview information.

The costs of Policy Services and Ministerial Services are based on the estimated hours at the average charge-out rate.

# Notes to the Financial Statements

## Note 1 - Operating Expenses

	2011/12	2012/13		2013/14
	Actual \$000	In 2012 Budget \$000	Estimated Actual \$000	Budgeted \$000
Operating expenses include:				
Consultancy	628	350	249	390
Fees paid to Auditors for Audit of Financial Reports	53	55	55	56
Domestic Travel	1,888	2,066	1,890	1,898
International Travel	87	52	45	45
Leasing and Rental	2,027	1,679	1,812	1,693
Other	2,723	2,054	2,290	2,194
<b>Total operating expenses</b>	<b>7,406</b>	<b>6,256</b>	<b>6,341</b>	<b>6,276</b>

## Note 2 - Reconciliation of Net Surplus to Net Cash Flows from Operating Activities

	2011/12	2012/13		2013/14
	Actual \$000	In 2012 Budget \$000	Estimated Actual \$000	Budgeted \$000
<b>Net Surplus (deficit)</b>	125	-	463	283
<b>Add/(less) non-cash items</b>				
Depreciation and amortisation expense	1,130	1,142	900	981
<i>Total non-cash items</i>	1,130	1,142	900	981
<b>Add/(less) items classified as investing or financing activities</b>				
Net loss on sale of property, plant and equipment	25	-	-	-
<i>Total items classified as investing or financing activities</i>	25	-	-	-
<b>Add/less movements in working capital items</b>				
(Inc)/Dec in debtors and receivables	(115)	-	38	-
(Inc)/Dec in prepayments	24	-	(7)	(4)
Inc/(Dec) in creditors and payables	(12)	(2)	189	-
Inc/(Dec) in current provisions	647	(43)	8	(83)
Inc/(Dec) in employee entitlements	241	12	(513)	(266)
<i>Net movements in working capital items</i>	785	(33)	(285)	(353)
<b>Add/(less) movements in non-current liabilities</b>				
(Inc)/Dec in employee entitlements	-	(110)	-	-
<i>Net movements in non-current liabilities</i>	-	(110)	-	-
<b>Net cash from operating activities</b>	<b>2,065</b>	<b>999</b>	<b>1,078</b>	<b>911</b>