

Forecast Financial Statements

Ministry of Education

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
Income					
Crown		1,785,642	1,810,997	1,897,935	1,925,495
Department(s)		4,314	100	100	100
Other revenue	1	102,869	5,956	20,417	5,956
Gains		-	-	-	-
Interest		-	-	-	-
Total Income		1,892,825	1,817,053	1,918,452	1,931,551
Expenses					
Personnel		218,928	199,073	235,214	234,671
Operating	2	279,277	320,936	325,486	330,140
Depreciation and amortisation		460,183	466,325	466,325	472,021
Capital charge		823,356	830,719	868,316	881,986
Finance costs		59	-	-	2,733
Other		21,817	-	15,200	10,000
Total Expenses		1,803,620	1,817,053	1,910,541	1,931,551
Net Surplus / (Deficit)		89,205	-	7,911	-
Other comprehensive income		422,400	-	-	-
Total Comprehensive Income		511,605	-	7,911	-

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
Balance at 1 July					
General funds		4,362,013	4,396,567	4,492,350	4,605,662
Revaluation reserve		5,929,949	5,929,949	6,352,349	6,352,349
Other reserves		-	-	-	-
Taxpayers' Funds Opening Balance		10,291,962	10,326,516	10,844,699	10,958,011
Changes in Taxpayers' Funds					
Comprehensive income for the period		511,605	-	7,911	-
Repayment of surplus		-	-	-	-
Capital contribution		65,185	142,427	105,401	97,196
Capital withdrawal		(24,053)	-	-	-
Other		-	-	-	-
Total Changes in Taxpayers' Funds		552,737	142,427	113,312	97,196
Balance at 30 June					
General funds		4,492,350	4,538,994	4,605,662	4,702,858
Revaluation reserve		6,352,349	5,929,949	6,352,349	6,352,349
Other reserves		-	-	-	-
Taxpayers' Funds Closing Balance		10,844,699	10,468,943	10,958,011	11,055,207

Forecast Statement of Financial Position as at 30 June 2014

	Note	2011/12	2012/13		2013/14
		Actual \$000	In 2012 Budget \$000	Estimated Actual \$000	Budgeted \$000
Assets					
Current Assets					
Cash and cash equivalents		27,635	21,124	78,028	136,811
Debtors and other receivables	3	242,865	71,662	293,526	238,526
Prepayments		28,961	26,672	26,672	26,672
Inventories		-	-	-	-
Other current assets		88	-	-	-
Total Current Assets		299,549	119,458	398,226	402,009
Non-current Assets					
Property, plant and equipment	4	10,583,628	10,388,683	10,643,844	10,757,416
Intangible assets	5	19,005	19,116	18,755	20,868
Other non-current assets		65,258	40,715	40,715	40,715
Total Non-current Assets		10,667,891	10,448,514	10,703,314	10,818,999
Total Assets		10,967,440	10,567,972	11,101,540	11,221,008
Liabilities					
Current Liabilities					
Creditors and other payables		96,637	81,162	81,162	81,162
Repayment of surplus		(1)	-	-	-
Employee entitlements		12,030	12,607	12,607	12,607
Other current liabilities		6,060	-	-	-
Total Current Liabilities		114,726	93,769	93,769	93,769
Non-current Liabilities					
Provisions		-	-	-	-
Employee entitlements		8,015	5,260	5,260	5,260
Other non-current liabilities		-	-	44,500	66,772
Total Non-current Liabilities		8,015	5,260	49,760	72,032
Total Liabilities		122,741	99,029	143,529	165,801
Taxpayers' Funds					
General funds		4,492,350	4,538,994	4,605,662	4,702,858
Revaluation reserve		6,352,349	5,929,949	6,352,349	6,352,349
Other reserves		-	-	-	-
Total Taxpayers' Funds		10,844,699	10,468,943	10,958,011	11,055,207
Total Liabilities and Taxpayers' Funds		10,967,440	10,567,972	11,101,540	11,221,008

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
Cash Flows from Operating Activities					
Receipts from:					
Crown		1,716,583	1,802,173	1,847,935	1,940,495
Department(s)		5,362	100	(685)	100
Other		7,792	5,956	19,009	45,956
Interest		-	-	-	-
Payments to:					
Suppliers		(254,945)	(322,533)	(339,919)	(332,187)
Employees		(216,129)	(197,476)	(235,520)	(232,924)
Capital charge		(823,356)	(830,719)	(868,316)	(881,986)
Goods and services tax (net)		(4,981)	-	(7,204)	-
Other operating activities		-	-	-	-
Net Cash from Operating Activities	6	430,326	457,501	415,300	539,454
Cash Flow from Investing Activities					
Receipts from:					
Sale of property, plant and equipment		7,857	17,000	25,600	5,000
Sale of intangible assets		-	-	-	-
Sale of other non-current assets		-	-	-	-
Purchase of:					
Property, plant and equipment		(463,929)	(620,107)	(483,648)	(565,341)
Intangible assets		(12,123)	(10,879)	(12,260)	(15,093)
Other non-current assets		-	-	-	-
Net Cash from Investing Activities		(468,195)	(613,986)	(470,308)	(575,434)
Cash Flow from Financing Activities					
Capital contribution		65,185	142,427	105,401	97,196
Other financing cash inflows		-	-	-	-
Repayment of surplus		-	-	-	-
Capital withdrawal		(24,053)	-	-	-
Other financing cash outflows		-	-	-	(2,433)
Net Cash from Financing Activities		41,132	142,427	105,401	94,763
Net Increase / (Decrease) in Cash		3,263	(14,058)	50,393	58,783
Cash at the beginning of the year		24,372	35,182	27,635	78,028
Cash at the end of the year		27,635	21,124	78,028	136,811

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:

- 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 2012/13 is used as the opening position for the 2013/14 forecasts.

These assumptions are adopted as at 9 April 2013.

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 2013 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
- timing and extent of capital expenditure on school sector property assets may vary, which will alter the value on the Ministry Statement of Financial Position, which would in turn change the capital charge and depreciation expense
- the timing of disposal of surplus school sector property assets may affect revenue and expenditure related to the sale
- changes to the recoveries of costs related to the restoration of defective buildings from third parties and earthquake-related costs from insurance would result in changes to revenue being recorded
- 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 and capital expenditure 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 9 April 2013. 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

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 is \$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 intangible assets is \$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

	2011/12	2012/13		2013/14
	Actual \$000	In 2012 Budget \$000	Estimated Actual \$000	Budgeted \$000
School house rentals	3,588	3,865	3,865	3,865
Sundry rentals	183	227	227	227
Sale of learning materials	118	230	230	230
Special education	543	808	808	808
Miscellaneous revenue	98,438	826	15,287	826
Total other revenue	102,869	5,956	20,417	5,956

Recovery of legal expenditure from settlement of damages for weather-tightness issues in school buildings (\$4.260 million) and a grant for the redevelopment of Waterview School (\$10.201 million) have been included in Miscellaneous revenue for the 2012/13 Estimated Actuals.

Note 2 - Operating Expenses

	2011/12	2012/13		2013/14
	Actual \$000	In 2012 Budget \$000	Estimated Actual \$000	Budgeted \$000
Consultants' fees	4,542	3,147	5,091	5,091
Overseas travel	375	312	346	346
Domestic travel	6,834	6,075	7,399	7,399
Contracts for services	82,869	112,514	115,968	120,622
Special education payments	90,575	100,352	98,608	98,608
Operating lease rental	15,356	28,017	15,827	15,827
Maintenance of school land and buildings	55,307	36,356	56,116	56,116
Other	23,419	34,163	26,131	26,131
Total operating expenses	279,277	320,936	325,486	330,140

Note 3 - Debtors and Other Receivables

	2011/12	2012/13		2013/14
	Actual \$000	In 2012 Budget \$000	Estimated Actual \$000	Budgeted \$000
Debtor Crown	146,129	65,051	196,130	181,130
Debtors other	96,736	6,611	97,396	57,396
Total debtors and other receivables	242,865	71,662	293,526	238,526

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 2013	2,649,650	9,494,927	-	87,543	15,948	12,248,068
Additions by purchase	3,505	571,902	-	9,062	3,144	587,613
Additions internally developed	-	-	-	-	-	-
Revaluation increase	-	-	-	-	-	-
Transfers between classes	-	-	-	-	-	-
Disposals	(5,000)	(10,000)	-	-	-	(15,000)
Balance as at 30 June 2014	2,648,155	10,056,829	-	96,605	19,092	12,820,681
Accumulated depreciation and impairment losses						
Balance as at 1 July 2013	-	1,539,657	-	58,459	6,108	1,604,224
Depreciation expense	-	446,278	-	10,491	2,272	459,041
Eliminate on disposal	-	-	-	-	-	-
Eliminate on revaluation	-	-	-	-	-	-
Transfers between classes	-	-	-	-	-	-
Impairment losses	-	-	-	-	-	-
Balance as at 30 June 2014	-	1,985,935	-	68,950	8,380	2,063,265
Carrying amount as at 30 June 2014	2,648,155	8,070,894	-	27,655	10,712	10,757,416

Note 5 - Intangible Assets

	Acquired software \$000	Internally generated software \$000	Other \$000	Total \$000
Cost				
Balance as at 1 July 2013	-	-	88,400	88,400
Additions by purchase	-	-	14,138	14,138
Additions internally developed	-	-	-	-
Disposals	-	-	-	-
Balance as at 30 June 2014	-	-	102,538	102,538
Accumulated amortisation and impairment losses				
Balance as at 1 July 2013	-	-	69,645	69,645
Amortisation expense	-	-	12,025	12,025
Disposals	-	-	-	-
Impairment losses	-	-	-	-
Balance as at 30 June 2014	-	-	81,670	81,670
Carrying amount as at 30 June 2014	-	-	20,868	20,868

Note 6 - 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
Net Surplus/(Deficit)	89,205	-	7,911	-
Add/(less) non-cash items				
Depreciation and amortisation expense	460,183	466,325	466,325	472,021
Increase in non-current employee entitlements	928	-	(2,755)	-
Total non-cash items	461,111	466,325	463,570	472,021
Add/(less) items classified as investing or financing activities				
(Gains)/losses on disposal, plant and equipment	21,764	-	15,200	10,000
Total items classified as investing or financing activities	21,764	-	15,200	10,000
Add/(less) movements in working capital items				
(Inc)/dec in debtors and other receivables	(139,035)	(8,824)	(50,661)	55,000
(Inc)/dec in prepayments	(342)	-	2,289	-
Inc/(dec) in creditors and other payables	(2,240)	-	(23,586)	2,433
Inc/(dec) in employee entitlements	(137)	-	577	-
Net movements in working capital items	(141,754)	(8,824)	(71,381)	57,433
Add/(less) movements in non-current liabilities				
Inc/(dec) in employee entitlements	-	-	-	-
Net cash from operating activities	430,326	457,501	415,300	539,454