

Forecast Financial Statements

Inland Revenue Department

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		638,419	662,226	636,500	690,618
Department(s)		7,982	4,669	869	1,169
Other revenue	1	24,757	25,018	34,118	25,018
Gains		-	-	-	-
Interest		-	-	-	-
Total Income		671,158	691,913	671,487	716,805
Expenses					
Personnel		409,666	433,788	399,405	447,965
Operating	2	173,021	177,275	182,060	186,743
Depreciation and amortisation	3	60,879	59,431	57,956	59,888
Capital charge		20,939	21,328	20,796	21,628
Finance costs		-	-	150	60
Other		7,531	91	2,020	521
Total Expenses	4	672,036	691,913	662,387	716,805
Net Surplus / (Deficit)	5	(878)	-	9,100	-
Other comprehensive income		-	-	-	-
Total Comprehensive Income		(878)	-	9,100	-

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		261,737	266,606	259,951	270,346
Revaluation reserve		-	-	-	-
Other reserves		-	-	-	-
Taxpayers' Funds Opening Balance		261,737	266,606	259,951	270,346
Changes in Taxpayers' Funds					
Comprehensive income for the period		(878)	-	9,100	-
Repayment of surplus		(5,777)	-	(9,100)	-
Capital contribution		4,869	6,476	11,041	3,177
Capital withdrawal		-	-	(646)	-
Other		-	-	-	-
Total Changes in Taxpayers' Funds		(1,786)	6,476	10,395	3,177
Balance at 30 June					
General funds		259,951	273,082	270,346	273,523
Revaluation reserve		-	-	-	-
Other reserves		-	-	-	-
Taxpayers' Funds Closing Balance		259,951	273,082	270,346	273,523

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
Assets					
Current Assets					
Cash and cash equivalents		44,540	12,000	43,000	12,000
Debtors and other receivables	6	160,861	116,002	147,780	152,490
Prepayments		11,798	12,500	14,100	12,500
Inventories		1,233	1,200	1,298	1,200
Other current assets		-	-	-	-
Total Current Assets		218,432	141,702	206,178	178,190
Non-current Assets					
Property, plant and equipment	7	54,551	77,046	60,308	63,246
Intangible assets	8	124,288	166,678	128,741	143,171
Other non-current assets		1,274	268	450	136
Total Non-current Assets		180,113	243,992	189,499	206,553
Total Assets		398,545	385,694	395,677	384,743
Liabilities					
Current Liabilities					
Creditors and other payables		37,166	29,509	30,599	27,316
Repayment of surplus		5,777	-	9,100	-
Employee entitlements		50,513	43,000	44,040	43,078
Other current liabilities		2,483	168	511	364
Total Current Liabilities		95,939	72,677	84,250	70,758
Non-current Liabilities					
Provisions		2,577	2,918	1,739	1,743
Employee entitlements		38,881	36,000	38,199	37,942
Other non-current liabilities		1,197	1,017	1,143	777
Total Non-current Liabilities		42,655	39,935	41,081	40,462
Total Liabilities		138,594	112,612	125,331	111,220
Taxpayers' Funds					
General funds		259,951	273,082	270,346	273,523
Revaluation reserve		-	-	-	-
Other reserves		-	-	-	-
Total Taxpayers' Funds		259,951	273,082	270,346	273,523
Total Liabilities and Taxpayers' Funds		398,545	385,694	395,677	384,743

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		628,602	715,515	648,625	685,811
Department(s)		9,235	5,830	1,863	1,219
Other		24,644	25,045	34,080	25,065
Interest		-	-	-	-
Payments to:					
Suppliers		(165,688)	(181,624)	(192,147)	(189,171)
Employees		(397,563)	(436,746)	(406,560)	(449,184)
Capital charge		(20,939)	(21,328)	(20,796)	(21,628)
Goods and services tax (net)		867	(735)	(1,624)	449
Other operating activities		-	-	-	-
Net Cash from Operating Activities		79,158	105,957	63,441	52,561
Cash Flow from Investing Activities					
Receipts from:					
Sale of property, plant and equipment		67	-	-	-
Sale of intangible assets		-	-	-	-
Sale of other non-current assets		-	-	-	-
Purchase of:					
Property, plant and equipment		(19,513)	(37,803)	(25,833)	(21,277)
Intangible assets		(34,060)	(65,130)	(42,333)	(55,979)
Other non-current assets		-	-	-	-
Net Cash from Investing Activities		(53,506)	(102,933)	(68,166)	(77,256)
Cash Flow from Financing Activities					
Capital contribution		4,869	6,476	11,041	3,177
Other financing cash inflows		-	-	-	-
Repayment of surplus		(647)	(9,500)	(5,777)	(9,100)
Capital withdrawal		-	-	(646)	-
Other financing cash outflows		-	-	(1,433)	(382)
Net Cash from Financing Activities		4,222	(3,024)	3,185	(6,305)
Net Increase / (Decrease) in Cash		29,874	-	(1,540)	(31,000)
Cash at the beginning of the year		14,666	12,000	44,540	43,000
Cash at the end of the year		44,540	12,000	43,000	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:

- The department's main 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 8 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 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 is a Government Department as defined by section 2 of the Public Finance Act 1989. For the purposes of financial reporting Inland Revenue is a public benefit entity.

Authorisation Statement

These forecast financial statements were authorised for issue by Naomi Ferguson, Chief Executive and Giles Southwell, Chief Financial Officer on 8 April 2013. The Chief Executive and Chief Financial Officer are 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 below:

- IT equipment - desktop computers and laptops - All.
- IT equipment - other - \$2,000 and over (or \$20,000 for bulk purchases).
- Furniture and office equipment - \$2,000 and over (or \$20,000 for bulk purchases).
- 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 6 years.
- Furniture and office equipment - 5 to 7 years.
- Motor vehicles - 5 to 7 years.
- Leasehold improvements - up to 10 years.

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

Intangible Assets

Capitalisation thresholds applied are:

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

Amortisation

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

- Software - developed - 5 to 10 years.
- Software and licences - 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 planned hours and relevant activity drivers.

Premises lease costs are charged to business processes based on headcount or relevant activities.

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 allocation to outputs.

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
Accident Compensation Corporation (ACC) - agency fees	21,444	20,500	20,500	20,500
Other	3,313	4,518	13,618	4,518
Total other revenue	24,757	25,018	34,118	25,018

Note 2 - Operating Expenses

	2011/12	2012/13		2013/14
	Actual \$000	In 2012 Budget \$000	Estimated Actual \$000	Budgeted \$000
Consultants' fees	17,478	15,000	25,194	28,163
Overseas travel	1,149	1,400	1,000	1,000
Domestic travel	6,433	6,000	6,400	6,400
Other expenses	147,961	154,875	149,466	151,180
Total	173,021	177,275	182,060	186,743

Note 3 - Depreciation and Amortisation

	2011/12	2012/13		2013/14
	Actual \$000	In 2012 Budget \$000	Estimated Actual \$000	Budgeted \$000
Depreciation and impairment	16,542	19,818	19,315	18,339
Amortisation and impairment	44,337	39,613	38,641	41,549
Total	60,879	59,431	57,956	59,888

Note 4 - Reconciliation of Departmental Expenses and Appropriations

	2011/12	2012/13		2013/14
	Actual \$000	In 2012 Budget \$000	Estimated Actual \$000	Budgeted \$000
Appropriations for output expenses				
Total for Vote: Revenue	667,711	691,913	662,387	716,805
Total Appropriation for output expenses	667,711	691,913	662,387	716,805
Adjustments				
Appropriation amounts unused	-	-	-	-
Remeasurements	4,325	-	-	-
Total adjustments not appropriated	-	-	-	-
Total departmental expenses as per statement of financial performance	672,036	691,913	662,387	716,805

Note 5 - 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)	(878)	-	9,100	-
Add/(less) non-cash items				
Depreciation and amortisation expense	60,879	59,431	57,956	59,888
Total non-cash items	60,879	59,431	57,956	59,888
Add/(less) items classified as investing or financing activities				
(Gains)/losses on disposal property, plant and equipment	6,914	3	-	-
(Gains)/losses on intangible assets	15	-	-	-
Total items classified as investing or financing activities	6,929	3	-	-
Add/(less) movements in working capital items				
(Inc)/Dec in debtors and other receivables	(8,679)	54,477	13,081	(4,710)
(Inc)/Dec in prepayments	107	541	(1,478)	1,914
(Inc)/Dec in inventories	(117)	(100)	(65)	98
Inc/(Dec) in creditors and other payables	8,650	(5,549)	(6,524)	(2,337)
Inc/(Dec) in current provisions	(1,500)	229	(43)	(946)
Inc/(Dec) in employee entitlements	8,977	(4,105)	(6,473)	(962)
Inc/(Dec) other	2,302	18	(486)	(19)
Net movements in working capital items	9,740	45,511	(1,988)	(6,962)
Add/(less) movements in non-current liabilities				
Inc/(Dec) in provisions	(441)	91	(838)	4
Inc/(Dec) in employee entitlements	3,125	1,147	(682)	(257)
Inc/(Dec) other	(196)	(226)	(107)	(112)
Net movements in non-current liabilities	2,488	1,012	(1,627)	(365)
Net cash from operating activities	79,158	105,957	63,441	52,561

Note 6 - Debtors and Other Receivables

	2011/12	2012/13		2013/14
	Actual \$000	In 2012 Budget \$000	Estimated Actual \$000	Budgeted \$000
Debtor Crown	156,886	113,097	144,761	149,568
Debtors other	3,975	2,905	3,019	2,922
Total	160,861	116,002	147,780	152,490

Note 7 - Property, Plant and Equipment

	IT equipment \$000	Leasehold Improvements/ Furniture \$000	Office equipment \$000	Motor vehicles \$000	Total \$000
Cost or revaluation					
Balance as at 1 July 2013	67,233	93,003	12,365	4,903	177,504
Additions by purchase	9,100	10,227	950	1,000	21,277
Additions internally developed	-	-	-	-	-
Revaluation increase	-	-	-	-	-
Transfers between classes	-	-	-	-	-
Disposals	-	-	-	-	-
Balance as at 30 June 2014	76,333	103,230	13,315	5,903	198,781
Accumulated depreciation and impairment losses					
Balance as at 1 July 2013	55,954	50,133	9,987	1,122	117,196
Depreciation expense	8,528	8,360	809	642	18,339
Eliminate on disposal	-	-	-	-	-
Eliminate on revaluation	-	-	-	-	-
Transfers between classes	-	-	-	-	-
Impairment losses	-	-	-	-	-
Balance as at 30 June 2014	64,482	58,493	10,796	1,764	135,535
Carrying amount as at 30 June 2014	11,851	44,737	2,519	4,139	63,246

Note 8 - Intangible Assets

	Acquired software \$000	Internally generated software \$000	Other \$000	Total \$000
Cost				
Balance as at 1 July 2013	132,538	498,595	-	631,133
Additions by purchase	49,156	-	-	49,156
Additions internally developed	-	6,823	-	6,823
Disposals	-	-	-	-
Balance as at 30 June 2014	181,694	505,418	-	687,112
Accumulated amortisation and impairment losses				
Balance as at 1 July 2013	90,431	411,961	-	502,392
Amortisation expense	7,479	34,070	-	41,549
Disposals	-	-	-	-
Impairment losses	-	-	-	-
Balance as at 30 June 2014	97,910	446,031	-	543,941
Carrying amount as at 30 June 2014	83,784	59,387	-	143,171