

Forecast Financial Statements

Ministry of Justice

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		493,817	527,429	528,476	549,338
Department(s)		4,441	2,640	4,140	3,927
Other revenue	1	35,126	41,297	41,531	41,468
Gains		-	-	-	-
Interest		-	-	-	-
Total Income		533,384	571,366	574,147	594,733
Expenses					
Personnel	2	247,218	243,420	258,603	263,781
Operating	3	162,451	200,554	193,935	207,448
Depreciation and amortisation		61,617	64,412	58,313	60,231
Capital charge	4	61,256	63,011	63,231	63,296
Finance costs		-	-	-	-
Other		70	-	-	-
Total Expenses		532,612	571,397	574,082	594,756
Net Surplus / (Deficit)		772	(31)	65	(23)
Other comprehensive income		18,033	-	-	-
Total Comprehensive Income		18,805	(31)	65	(23)

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		686,375	716,205	701,578	702,461
Revaluation reserve		71,435	71,435	89,468	89,468
Other reserves		-	-	-	-
Taxpayers' Funds Opening Balance		757,810	787,640	791,046	791,929
Changes in Taxpayers' Funds					
Comprehensive income for the period		18,805	(31)	65	(23)
Repayment of surplus		(762)	-	-	-
Capital contribution		28,345	818	818	7
Capital withdrawal		(13,805)	-	-	-
Other		653	-	-	-
Total Changes in Taxpayers' Funds		33,236	787	883	(16)
Balance at 30 June					
General funds		701,578	716,992	702,461	702,445
Revaluation reserve		89,468	71,435	89,468	89,468
Other reserves		-	-	-	-
Taxpayers' Funds Closing Balance		791,046	788,427	791,929	791,913

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		50,944	61,286	60,659	60,120
Debtors and other receivables	5	131,931	103,214	104,778	64,862
Prepayments		2,853	2,713	2,934	3,019
Inventories		-	-	-	-
Other current assets		-	-	-	-
Total Current Assets		185,728	167,213	168,371	128,001
Non-current Assets					
Property, plant and equipment	6	621,544	611,139	632,521	655,085
Intangible assets		58,303	71,502	64,237	73,971
Other non-current assets		295	-	-	-
Total Non-current Assets		680,142	682,641	696,758	729,056
Total Assets		865,870	849,854	865,129	857,057
Liabilities					
Current Liabilities					
Creditors and other payables		29,213	16,931	28,022	18,622
Repayment of surplus		762	-	-	-
Employee entitlements		14,477	13,615	14,598	14,748
Other current liabilities		22,381	23,941	22,656	23,850
Total Current Liabilities		66,833	54,487	65,276	57,220
Non-current Liabilities					
Provisions		-	-	-	-
Employee entitlements		7,924	6,940	7,924	7,924
Other non-current liabilities		67	-	-	-
Total Non-current Liabilities		7,991	6,940	7,924	7,924
Total Liabilities		74,824	61,427	73,200	65,144
Taxpayers' Funds					
General funds		701,578	716,992	702,461	702,445
Revaluation reserve		89,468	71,435	89,468	89,468
Other reserves		-	-	-	-
Total Taxpayers' Funds		791,046	788,427	791,929	791,913
Total Liabilities and Taxpayers' Funds		865,870	849,854	865,129	857,057

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		407,240	538,429	555,705	589,338
Department(s)		4,646	2,178	4,217	3,385
Other		38,870	41,978	41,673	41,926
Interest		-	-	-	-
Payments to:					
Suppliers		(126,504)	(173,972)	(151,510)	(180,661)
Employees		(244,321)	(242,799)	(258,482)	(263,631)
Capital charge		(61,256)	(63,011)	(63,231)	(63,296)
Goods and services tax (net)		1,430	400	398	100
Other operating activities		(32,575)	(36,427)	(43,887)	(35,178)
Net Cash from Operating Activities	7	(12,470)	66,776	84,883	91,983
Cash Flow from Investing Activities					
Receipts from:					
Sale of property, plant and equipment		107	451	-	-
Sale of intangible assets		-	-	-	-
Sale of other non-current assets		-	-	-	-
Purchase of:					
Property, plant and equipment		(27,378)	(51,879)	(49,524)	(63,807)
Intangible assets		(21,274)	(18,051)	(25,700)	(28,722)
Other non-current assets		-	-	-	-
Net Cash from Investing Activities		(48,545)	(69,479)	(75,224)	(92,529)
Cash Flow from Financing Activities					
Capital contribution		27,201	818	818	7
Other financing cash inflows		-	-	-	-
Repayment of surplus		(16,788)	-	(762)	-
Capital withdrawal		(13,805)	-	-	-
Other financing cash outflows		-	-	-	-
Net Cash from Financing Activities		(3,392)	818	56	7
Net Increase / (Decrease) in Cash		(64,407)	(1,885)	9,715	(539)
Cash at the beginning of the year		115,351	63,171	50,944	60,659
Cash at the end of the year		50,944	61,286	60,659	60,120

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.

Statement of Entity-Specific Accounting Policies

The Ministry of Justice 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 Ministry of Justice, prepared in accordance with section 38 of the Public Finance Act 1989.

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

Authorisation Statement

These forecast financial statements were authorised for issue by the Secretary for Justice on 8 April 2013. The Secretary for Justice 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

Revenue Recognition

Revenue is measured at the fair value of consideration received or receivable.

Revenue Crown is recognised on the basis of the supply of outputs to the Crown and is recognised when earned.

Department and Other Revenue are from the supply of goods and services to other government departments and third parties.

Revenue from filing and similar fees is recognised when the obligation to pay the fee is incurred to the extent the application has been processed by the Ministry.

Rental income is recognised on a straight-line basis over the term of the lease. Lease incentives granted are recognised evenly over the term of the lease as a reduction in total rental income.

Interest income is accrued using the effective interest rate method.

Capital Charge

The capital charge is recognised as an expense in the period to which the charge relates.

Property, Plant and Equipment

Additions

The cost of an item of property, plant, and equipment is recognised as an asset if it is probable that future economic benefits or service potential associated with the item will flow to the Ministry and the cost of the item can be measured reliably.

Asset capitalisation

Property, plant and equipment are initially recorded at cost of purchase. These are capitalised:

- if purchased individually and the cost price is greater than \$3,000
- if purchased as a group and the combined value is greater than \$5,000.

Capital work in progress is recognised as costs are incurred. Depreciation is not recorded until the asset is fully acceptance tested, operational and therefore capitalised.

The carrying amounts of plant, property and equipment are reviewed at least annually to determine if there is any indication of impairment. Where an asset's recoverable amount is less than its carrying amount, it will be reported at its recoverable amount and an impairment loss will be recognised. Losses resulting from impairment are reported in the surplus or deficit, unless the asset is carried at a revalued amount, in which case any impairment loss is treated as a revaluation decrease.

Asset revaluation

Land and buildings are stated at fair value as determined by an independent registered valuer as at 30 June. Fair value is determined using market-based evidence by an independent valuer. The Ministry accounts for revaluations on a class-of-asset basis. All other asset classes are carried at depreciated historical cost.

Revaluations are performed on a rolling basis over three years. Within the three-year period, the carrying value of all land and buildings are reviewed utilising desk top valuations undertaken by a registered valuer.

The net revaluation results are credited or debited to other comprehensive income and are accumulated to an asset revaluation reserve in equity for that class of asset. Where this would result in a debit balance in the asset revaluation reserve, this balance is not recognised in other comprehensive income but is recognised in the surplus or deficit. Any subsequent increase on revaluation that reverses a previous decrease in value recognised in the surplus or deficit will be recognised first in the surplus or deficit up to the amount previously expensed, and then recognised in other comprehensive income.

Accumulated depreciation at revaluation date is eliminated against the gross carrying amount so that the carrying amount after revaluation equals the revalued amount.

Depreciation

Depreciation is provided on a straight-line basis on all property, plant, and equipment, other than land, at rates that will write-off the cost (or valuation) of the assets to their estimated residual values over their useful lives.

The useful lives and associated depreciation rates of major classes of property, plant, and equipment have been estimated as follows:

- Buildings: up to 65 years with a residual value of nil.

- Fit-out/Leasehold improvements: up to 25 years with a residual value of nil.
- Computer equipment: 4 - 7 years with a residual value of nil.
- Furniture and fittings, office equipment: 5 years with a residual value of nil.
- Motor vehicles: 5 years with a residual cost of 30% of cost or fair value.

Leasehold improvements are depreciated over the unexpired period of the lease or the estimated remaining useful lives of the improvements, whichever is the shorter.

The residual value and useful life of an asset is reviewed, and adjusted if applicable, at each financial year end.

Disposal of Property, Plant and Equipment

Gains and losses on disposals are determined by comparing the disposal proceeds with the carrying amount of the asset. Gains and losses on disposals are included in the surplus or deficit. When a revalued asset is sold, the amount included in the property revaluation reserve in respect of the disposed asset is transferred to general funds.

Subsequent costs

Costs incurred subsequent to initial acquisition are capitalised only when it is probable that future economic benefits or service potential associated with the item will flow to the Ministry and the cost of the item can be measured reliably.

Non-current assets held for sale

Non-current assets held for sale are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. Non-current assets held for sale are measured at the lower of their carrying amount and fair value less costs to sell.

Any impairment losses for write-downs of non-current assets held for sale are recognised in the surplus or deficit.

Any increases in fair value (less costs to sell) are recognised up to the level of any impairment losses that have been previously recognised.

Non-current assets held for sale are not depreciated or amortised while they are classified as held for sale.

Intangible Assets

Intangible assets are initially recorded at cost. The cost of an internally generated intangible asset represents expenditure incurred in the development phase of the asset only.

Intangible assets with finite lives are subsequently recorded at cost less any amortisation and impairment losses. Amortisation is charged to the surplus or deficit on a straight-line basis over the useful life of the asset. Estimated useful lives are:

- Acquired software: four to seven years.
- Internally generated software: four to seven years.

Cost Allocation

The Ministry derives the costs of outputs using a cost allocation system outlined below.

Cost allocation policy

Direct costs are charged to output classes as and when they occur. Indirect costs are accumulated and allocated to output classes based on cost drivers such as assessment of personnel time, building area occupied, or asset utilisation, which reflect an appropriate measure of resource consumption usage.

Costs identified to overhead areas are accumulated and allocated to output classes based on resource consumption usage where possible (such as full time equivalent staff numbers) or in proportion to the direct and indirect charges made to the output class.

Criteria for direct and indirect costs

Direct costs are those costs that can be directly attributable to an output. Indirect costs are those that cannot be identified in an economically feasible manner to a specific output.

Equity

Equity is the Crown's investment in the Ministry and is measured as the difference between total assets and total liabilities. Equity is disaggregated and classified as general funds, memorandum accounts and property revaluation reserves.

Memorandum accounts

Memorandum accounts reflect the cumulative surplus/(deficit) on those departmental services provided that are intended to be fully cost recovered from third parties through fees, levies, or charges. The balance of each memorandum account is expected to trend toward zero over time.

Property revaluation reserves

These reserves relate to the revaluation of land and buildings to fair value.

Taxpayers' Funds

Taxpayers' funds represent the Crown's net investment in the Ministry. Taxpayers' funds is disaggregated and classified as general funds and property, plant and equipment revaluation reserves.

Notes to the Financial Statements

Note 1 - Revenue Other

	2011/12	2012/13		2013/14
	Actual \$000	In 2012 Budget \$000	Estimated Actual \$000	Budgeted \$000
Filing fees	27,811	34,845	28,329	28,329
Other	6,585	5,623	12,373	12,310
Rent received	161	161	161	161
Interest	569	668	668	668
Total	35,126	41,297	41,531	41,468

Note 2 - Personnel Costs

	2011/12	2012/13		2013/14
	Actual \$000	In 2012 Budget \$000	Estimated Actual \$000	Budgeted \$000
Wage and salary	212,978	225,992	234,105	245,000
Employer contributions to defined contribution plans	4,939	4,686	6,604	5,920
Other	29,301	12,742	17,894	12,861
Total	247,218	243,420	258,603	263,781

Note 3 - Operating Expenses

	2011/12	2012/13		2013/14
	Actual \$000	In 2012 Budget \$000	Estimated Actual \$000	Budgeted \$000
Audit fees	419	400	420	420
Consultant expenses/Professional services	33,487	32,027	43,467	34,758
Rental and leasing costs	18,853	27,583	24,260	26,894
Other operating costs	109,692	140,544	125,788	145,376
Total	162,451	200,554	193,935	207,448

Note 4 - Capital Charge

The Ministry pays a Capital Charge to the Crown on its taxpayers' funds as at 30 June and 31 December each year. The capital charge rate for the year ended 30 June 2013 is 8.0% (2012 8.0%).

Note 5 - Debtors and Receivables

	2011/12	2012/13		2013/14
	Actual \$000	In 2012 Budget \$000	Estimated Actual \$000	Budgeted \$000
Sundry debtors	4,702	7,638	4,778	4,862
Debtor Crown	127,229	95,576	100,000	60,000
Total	131,931	103,214	104,778	64,862

Note 6 - Property, Plant and Equipment

	2011/12	2012/13		2013/14
	Actual \$000	In 2012 Budget \$000	Estimated Actual \$000	Budgeted \$000
Land (at valuation)	151,534	154,631	151,534	152,034
Buildings (at valuation)	422,253	404,787	423,674	434,869
Plant and equipment	4,003	4,670	3,944	4,843
Other	43,754	47,051	53,369	63,339
Total	621,544	611,139	632,521	655,085

Note 7 - 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)	772	(31)	65	(23)
Add / (less) non-cash items				
Depreciation and amortisation expense Impairment	61,616	64,412	58,313	60,231
Total non-cash items	61,616	64,412	58,313	60,231
Add / (less) movements in working capital items				
Movement in debtors and other receivables	(83,583)	11,138	27,367	29,831
Movement in creditors and payables	8,725	(8,743)	(862)	1,944
Net movements in working capital items	(74,858)	2,395	26,505	31,775
Net cash from operating activities	(12,470)	66,776	84,883	91,983