

Forecast Financial Statements

New Zealand Police

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		1,450,253	1,469,189	1,461,694	1,470,496
Department(s)		16,576	8,600	13,731	8,830
Other revenue		8,164	8,543	8,543	8,543
Gains		-	-	-	-
Interest		3	-	-	-
Total Income		1,474,996	1,486,332	1,483,968	1,487,869
Expenses					
Personnel		1,058,198	1,060,580	1,063,840	1,055,443
Operating	1	264,617	273,808	274,235	294,331
Depreciation and amortisation		77,897	81,159	77,229	84,494
Capital charge		70,301	70,775	64,984	53,423
Finance costs		-	-	-	-
Other		419	10	266	-
Total Expenses		1,471,432	1,486,332	1,480,554	1,487,691
Net Surplus / (Deficit)		3,564	-	3,414	178
Other comprehensive income		(64,327)	-	(663)	-
Total Comprehensive Income		(60,763)	-	2,751	178

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		512,549	511,681	532,306	534,260
Revaluation reserve		366,804	366,503	281,852	281,189
Other reserves		-	-	-	-
Taxpayers' Funds Opening Balance		879,353	878,184	814,158	815,449
Changes in Taxpayers' Funds					
Comprehensive income for the period		(60,763)	-	2,751	178
Repayment of surplus		(3,564)	-	(3,414)	(178)
Capital contribution		1,932	1,954	1,954	-
Capital withdrawal		(2,800)	-	-	-
Other		-	-	-	-
Total Changes in Taxpayers' Funds		(65,195)	1,954	1,291	-
Balance at 30 June					
General funds		532,306	513,635	534,260	534,260
Revaluation reserve		281,852	366,503	281,189	281,189
Other reserves		-	-	-	-
Taxpayers' Funds Closing Balance		814,158	880,138	815,449	815,449

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		35,073	30,000	30,000	30,000
Debtors and other receivables		282,213	245,882	259,098	260,482
Prepayments		6,911	8,450	9,611	9,611
Inventories		51	536	51	51
Other current assets		-	-	-	-
Total Current Assets		324,248	284,868	298,760	300,144
Non-current Assets					
Property, plant and equipment	2	844,823	972,065	892,644	903,548
Intangible assets		33,786	30,834	33,375	32,917
Other non-current assets		-	-	-	-
Total Non-current Assets		878,609	1,002,899	926,019	936,465
Total Assets		1,202,857	1,287,767	1,224,779	1,236,609
Liabilities					
Current Liabilities					
Creditors and other payables		103,851	109,269	111,329	113,343
Repayment of surplus		3,564	-	3,414	178
Employee entitlements		144,827	164,860	145,566	168,518
Other current liabilities		-	-	-	-
Total Current Liabilities		252,242	274,129	260,309	282,039
Non-current Liabilities					
Provisions		712	-	-	-
Employee entitlements		135,745	133,500	149,021	139,121
Other non-current liabilities		-	-	-	-
Total Non-current Liabilities		136,457	133,500	149,021	139,121
Total Liabilities		388,699	407,629	409,330	421,160
Taxpayers' Funds					
General funds		532,306	513,635	534,260	534,260
Revaluation reserve		281,852	366,503	281,189	281,189
Other reserves		-	-	-	-
Total Taxpayers' Funds		814,158	880,138	815,449	815,449
Total Liabilities and Taxpayers' Funds		1,202,857	1,287,767	1,224,779	1,236,609

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		1,443,737	1,512,980	1,481,231	1,468,750
Department(s)		17,896	9,900	16,533	8,783
Other		7,546	8,463	8,949	8,979
Interest		3	-	-	-
Payments to:					
Suppliers		(272,871)	(280,902)	(277,531)	(300,473)
Employees		(1,038,560)	(1,046,266)	(1,045,582)	(1,034,911)
Capital charge		(70,301)	(70,775)	(64,984)	(53,423)
Goods and services tax (net)		(4,735)	35	2,832	649
Other operating activities		-	-	-	-
Net Cash from Operating Activities	3	82,715	133,435	121,448	98,354
Cash Flow from Investing Activities					
Receipts from:					
Sale of property, plant and equipment		7,882	3,161	12,492	2,760
Sale of intangible assets		-	-	-	-
Sale of other non-current assets		-	-	-	-
Purchase of:					
Property, plant and equipment		(71,132)	(118,558)	(123,861)	(84,158)
Intangible assets		(14,973)	(13,542)	(13,542)	(13,542)
Other non-current assets		-	-	-	-
Net Cash from Investing Activities		(78,223)	(128,939)	(124,911)	(94,940)
Cash Flow from Financing Activities					
Capital contribution		1,932	1,954	1,954	-
Other financing cash inflows		-	-	-	-
Repayment of surplus		(12,676)	(6,450)	(3,564)	(3,414)
Capital withdrawal		(2,800)	-	-	-
Other financing cash outflows		-	-	-	-
Net Cash from Financing Activities		(13,544)	(4,496)	(1,610)	(3,414)
Net Increase / (Decrease) in Cash		(9,052)	-	(5,073)	-
Cash at the beginning of the year		44,125	30,000	35,073	30,000
Cash at the end of the year		35,073	30,000	30,000	30,000

Statement of Significant Assumptions

The preparation of financial statements in conformity with NZ IFRS requires judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are:

- Long service leave and sick leave: An independent actuarial valuation is undertaken by Aon Consulting New Zealand Ltd to estimate the value of long service leave at the year end. The value of long service leave obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. Two key assumptions used in calculating these liabilities are the discount rate and the salary inflation factor. Any changes in these assumptions will impact on the carrying amount of the liability. The interest rates on NZ Government bonds with terms of maturity that match closely to the estimated future cash outflows are considered in determining the discount rate. Historical salary patterns are considered in determining the salary inflation factor after obtaining advice from an independent actuary.
- Property, Plant and Equipment: Critical judgements in determining the remaining life of buildings and plant are made by New Zealand Police and certified by Beca Valuation Ltd as part of the property revaluation.

Statement of Entity-Specific Accounting Policies

The New Zealand Police 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 New Zealand Police, prepared in accordance with section 38 of the Public Finance Act 1989.

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

Authorisation Statement

These forecast financial statements were authorised for issue by Viv Rickard, Acting Commissioner of Police on 4 April 2013. New Zealand Police 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

Land and buildings are recorded at fair value. Fair value is determined by New Zealand Police and certified by an independent valuer using market-based evidence, unless insufficient market-based evidence exists, in which case they are valued at optimised depreciated replacement cost.

Land and buildings are revalued at least every five years. Additions between revaluations are recorded at cost.

Land and buildings were revalued as at 30 June 2012.

Any revaluation surplus arising on the revaluation of a class of asset is transferred directly to the asset revaluation reserve. A revaluation deficit in excess of the asset revaluation reserve balance for the class of fixed asset is recognised in the Statement of Financial Performance in the period in which it arises.

Capital work in progress is valued at historical cost and on completion will be transferred to the appropriate asset category.

Other property, plant and equipment is initially recorded at cost.

Individual items of equipment costing less than \$5,000 are expensed in the year that they are purchased, with the exception of desktop computer equipment. All desktop computer equipment is capitalised.

Provision is made for any permanent impairment in the value of non-current assets.

Artefacts and relics held in the Police Museum are recorded at nil value.

Depreciation is charged on a straight-line basis at the following rates:

Class of Asset	Depreciation rate
Freehold land	Not depreciated
Buildings	1-10%
Plant and equipment	10 -25%
Vessels	6.5-25%
Furniture/fitings	10%
Motor vehicles	8-17%
Communication and computer assets	8-25%

Depreciation commences in the month of acquisition and is not charged in the month of sale.

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

Monetary assets and liabilities held or owing in foreign currency are translated to New Zealand dollars at the closing exchange rate. The resulting unrealised exchange gains or losses are recognised in the Statement of Financial Performance.

New Zealand Police derives revenue through the provision of outputs to the Crown, and for services to third parties. Such revenue is recognised when earned and is reported in the financial period to which it relates.

Cash is defined as including petty cash holdings and bank accounts.

Foreign currency transactions are converted to New Zealand dollars using the exchange rate at the date of the transaction. Where a forward exchange contract has been used to establish the price of a transaction, the forward exchange rate specified in that foreign exchange contract is used to convert that transaction to New Zealand dollars. Consequently, no exchange gain or loss resulting from the difference between the forward exchange contract rate and the spot exchange rate on the date of settlement is recognised.

Monetary assets and liabilities held or owing in foreign currency are translated to New Zealand dollars at the closing exchange rate. The resulting unrealised exchange gains or losses are recognised in the Statement of Financial Performance.

New Zealand Police is party to financial instruments as part of its normal operations. Financial instruments used by New Zealand Police consist of bank accounts, Crown receivables, accounts receivable, accounts payable and foreign currency forward contracts. New Zealand Police enters into the foreign currency forward contracts to hedge currency transactions. Apart from foreign currency forward contracts, all financial instruments are recognised in the Statement of Financial Position. Revenue and expenses in relation to all financial instruments are recognised in the Statement of Financial Performance.

Costs are allocated to output expenses based upon activity profiles assigned to staff positions. For support services which do not directly deliver outputs, the allocation of cost is based on an assessed consumption of that service. Actual salary rates are used for costing.

Provision is made in respect of New Zealand Police's liability for annual leave, shift workers' leave, long service leave, retirement leave and time off in lieu. Provisions for annual leave, shift workers' leave and time off in lieu have been measured on nominal values on an actual entitlement basis using current rates of pay.

Provisions for long service leave and retirement leave have been measured on an actuarial basis based on the present value of expected future entitlements.

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:				
Consultants/Contractors' fees	12,264	5,209	3,896	2,633
Overseas travel	3,781	4,421	3,545	3,697
Domestic travel	13,153	13,635	10,471	11,254
Other	235,837	250,543	256,323	276,747
Total	265,035	273,808	274,235	294,331

Note 2 - Property, Plant and Equipment

	Land \$000	Buildings \$000	Plant and Equipment \$000	Vehicles \$000	Furniture and Fittings \$000	Total \$000
2013/14						
Cost or revaluation						
Balance at the beginning of the year	159,665	584,412	335,813	143,000	22,168	1,245,058
Additions	-	38,800	23,858	21,000	500	84,158
Disposals	-	-	-	(19,718)	-	(19,718)
Balance as at 30 June 2014	159,665	623,212	359,671	144,282	22,668	1,309,498
Accumulated depreciation and impairment losses						
Balance at the beginning of the year	-	27,172	236,536	71,968	16,738	352,414
Depreciation expense	-	27,829	23,900	17,565	1,200	70,494
Depreciation on disposals	-	-	-	(16,958)	-	(16,958)
Balance as at 30 June 2014	-	55,001	260,436	72,575	17,938	405,950
Carrying amount as at 30 June 2014	159,665	568,211	99,235	71,707	4,730	903,548
2012/13						
Cost or revaluation						
Balance at the beginning of the year	168,224	507,453	311,955	141,718	21,668	1,151,018
Additions	-	78,500	23,858	21,000	500	123,858
Disposals	(8,559)	(1,541)	-	19,718	-	(29,818)
Balance as at 30 June 2013	159,665	584,412	335,813	143,000	22,168	1,245,058
Accumulated depreciation and impairment losses						
Balance at the beginning of the year	-	4,007	213,445	73,206	15,537	306,195
Depreciation expense	-	23,264	23,091	15,720	1,201	63,276
Depreciation on disposals	-	(99)	-	(16,958)	-	(17,057)
Balance as at 30 June 2013	-	27,172	236,536	71,968	16,738	352,414
Carrying amount as at 30 June 2013	159,665	557,240	99,277	71,032	5,430	892,644

Note 3 - 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	3,564	-	3,414	178
Add (less) non-cash items:				
Depreciation and amortisation expense	77,897	81,159	77,229	84,494
Fixed assets write off	31	-	-	-
Total non-cash items	77,928	81,159	77,229	84,494
Add (less) items classified as investing or financial activities:				
Gain (loss) on disposal of property	415	-	269	-
Interest	(3)	-	-	-
Net Investing and Financing Activities	412	-	269	-
Add (less) movements in working capital items:				
Inc/(Dec) in accounts payable	3,633	78	2,340	1,020
Inc/(Dec) in accounts receivable	576	1,220	3,578	362
Inc/(Dec) in employee entitlements	4,005	7,107	14,015	13,052
Inc/(Dec) in debtors Crown	(6,516)	43,791	19,537	(1,746)
Inc/(Dec) in inventories	171	-	(2,700)	-
Inc/(Dec) in prepayments	1,121	-	934	-
Inc/(Dec) in accrued expenses	(2,183)	80	-	345
Net working capital movements	807	52,276	37,704	13,033
Net cash flows from operating activities	82,711	133,435	118,616	97,705