

Forecast Financial Statements

Department of Labour

Statement of Forecast Comprehensive Income for the year ending 30 June 2013

		2010/11	2011/12		2012/13
	Note	Actual \$000	In 2011 Budget \$000	Estimated Actual \$000	Budgeted \$000
Income					
Crown		170,730	167,409	166,917	167,926
Department(s)		5,144	4,606	5,566	3,049
Other revenue	1	111,470	134,813	114,897	134,332
Gains		-	-	-	-
Interest		76	335	38	335
Total Income		287,420	307,163	287,418	305,642
Expenses					
Personnel		159,752	151,941	160,299	160,369
Operating	2	122,336	124,392	118,203	120,687
Depreciation and amortisation		15,073	24,383	17,738	22,050
Capital charge		4,906	5,957	4,594	8,009
Finance costs		-	-	-	-
Other		1,288	-	187	-
Total Expenses	3	303,355	306,673	301,021	311,115
Net Surplus / (Deficit)	4	(15,935)	490	(13,603)	(5,473)
Other comprehensive income		-	-	-	-
Total Comprehensive Income		(15,935)	490	(13,603)	(5,473)

Statement of Forecast Changes in Taxpayers' Funds for the year ending 30 June 2013

	Note	2010/11	2011/12		2012/13
		Actual \$000	In 2011 Budget \$000	Estimated Actual \$000	Budgeted \$000
Balance at 1 July					
General funds		61,288	69,253	52,920	46,414
Revaluation reserve		4,919	4,919	4,919	4,919
Other reserves		-	-	-	-
Taxpayers' Funds Opening Balance		66,207	74,172	57,839	51,333
Changes in Taxpayers' Funds					
Comprehensive income for the period		(15,935)	490	(13,603)	(5,473)
Repayment of surplus		-	(490)	-	-
Capital contribution		7,567	323	7,097	28,660
Capital withdrawal		-	-	-	-
Other		-	-	-	-
Total Changes in Taxpayers' Funds		(8,368)	323	(6,506)	23,187
Balance at 30 June					
General funds		52,920	69,576	46,414	69,601
Revaluation reserve		4,919	4,919	4,919	4,919
Other reserves		-	-	-	-
Taxpayers' Funds Closing Balance		57,839	74,495	51,333	74,520

Forecast Statement of Financial Position as at 30 June 2013

	Note	2010/11	2011/12		2012/13
		Actual \$'000	In 2011 Budget \$'000	Estimated Actual \$'000	Budgeted \$'000
Assets					
Current Assets					
Cash and cash equivalents		40,961	48,045	27,833	24,363
Debtors and other receivables		4,522	3,036	3,931	3,718
Prepayments		1,461	1,706	1,461	1,461
Inventories		342	411	342	342
Other current assets		-	-	-	-
Total Current Assets		47,286	53,198	33,567	29,884
Non-current Assets					
Property, plant and equipment		38,022	34,996	35,769	36,597
Intangible assets		27,484	39,013	37,592	63,721
Other non-current assets		-	-	-	-
Total Non-current Assets		65,506	74,009	73,361	100,318
Total Assets		112,792	127,207	106,928	130,202
Liabilities					
Current Liabilities					
Creditors and other payables		25,268	18,649	27,935	28,407
Repayment of surplus		-	490	-	-
Employee entitlements		13,029	14,616	12,262	11,877
Other current liabilities		13,922	14,448	12,664	12,664
Total Current Liabilities		52,219	48,203	52,861	52,948
Non-current Liabilities					
Provisions		-	-	-	-
Employee entitlements		2,709	4,473	2,709	2,709
Other non-current liabilities		25	36	25	25
Total Non-current Liabilities		2,734	4,509	2,734	2,734
Total Liabilities		54,953	52,712	55,595	55,682
Taxpayers' Funds					
General funds		52,920	69,576	46,414	69,601
Revaluation reserve		4,919	4,919	4,919	4,919
Other reserves		-	-	-	-
Total Taxpayers' Funds		57,839	74,495	51,333	74,520
Total Liabilities and Taxpayers' Funds		112,792	127,207	106,928	130,202

Statement of Forecast Cash Flows for the year ending 30 June 2013

	Note	2010/11	2011/12		2012/13
		Actual \$000	In 2011 Budget \$000	Estimated Actual \$000	Budgeted \$000
Cash Flows from Operating Activities					
Receipts from:					
Crown		172,408	167,409	165,239	167,926
Department(s)		5,144	4,606	5,566	3,049
Other		109,129	135,024	116,004	134,545
Interest		76	335	38	335
Payments to:					
Suppliers		(118,604)	(126,211)	(119,596)	(121,313)
Employees		(161,285)	(150,156)	(159,996)	(159,880)
Capital charge		(4,906)	(5,957)	(4,594)	(8,009)
Goods and services tax (net)		8	276	2,894	224
Other operating activities		(526)	-	(187)	-
Net Cash from Operating Activities		1,444	25,326	5,368	16,877
Cash Flow from Investing Activities					
Receipts from:					
Sale of property, plant and equipment		110	-	-	-
Sale of intangible assets		-	-	-	-
Sale of other non-current assets		-	-	-	-
Purchase of:					
Property, plant and equipment		(14,174)	(12,324)	(9,994)	(14,385)
Intangible assets		(9,753)	(19,520)	(15,599)	(34,622)
Other non-current assets		-	-	-	-
Net Cash from Investing Activities		(23,817)	(31,844)	(25,593)	(49,007)
Cash Flow from Financing Activities					
Capital contribution		7,567	323	7,097	28,660
Other financing cash inflows		-	-	-	-
Repayment of surplus		-	(490)	-	-
Capital withdrawal		-	-	-	-
Other financing cash outflows		-	-	-	-
Net Cash from Financing Activities		7,567	(167)	7,097	28,660
Net Increase / (Decrease) in Cash		(14,806)	(6,685)	(13,128)	(3,470)
Cash at the beginning of the year		55,767	54,730	40,961	27,833
Cash at the end of the year		40,961	48,045	27,833	24,363

Statement of Significant Assumptions

The Department of Labour has complied with FRS 42 in the preparation of these prospective financial statements, and they have been prepared pursuant to the requirements of the Public Finance Act 1989.

These forecast financial statements have been prepared 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 activities will remain substantially the same as for the previous year.
- Personnel costs are based on 2,283 staff positions (2,175 full time equivalents), including offshore staff.
- Operating costs are based on historical experience. The general historical pattern is expected to continue.

Estimated year end information for 2011/12 is used as the opening position for the 2012/13 forecasts.

The Government is committed to merging the Department of Labour into the Ministry of Business, Innovation and Employment. The forecast consolidated financial statements for the new Ministry have yet to be prepared as a number of decisions are still pending. As a result there will likely be material differences between the forecast financial statements that are outlined and the 2012/13 actual financial statements.

Statement of Entity-Specific Accounting Policies

The Department of Labour 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 the Department of Labour, prepared in accordance with section 38 of the Public Finance Act 1989.

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

Authorisation Statement

These forecast financial statements were authorised for issue by the Secretary of Labour on 13 April 2012. The Secretary of Labour 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

Measurement System

The measurement base applied to the financial statements is historical cost modified by the revaluation of certain items of property, plant and equipment and the revaluation of forward exchange contracts.

Budget Figures

The Budget figures are those presented in the Main Estimates and those amended by the Supplementary Estimates and any transfer made by Order in Council under the Public Finance Act 1989.

Cost Accounting Policies

The Department's accounting systems record costs by outputs. The costs may be direct or indirect. Costs that can be causally linked and assigned to an output economically are direct costs. Costs incurred to produce more than one output and that are shared across several work groups such as corporate costs are indirect costs. Indirect costs are allocated to outputs according to staff numbers, the amount of resource consumption or use.

Property, Plant and Equipment

Items of property, plant and equipment are initially recorded at cost. Cost includes expenditure that is directly attributable to the acquisition of the item. Any borrowing costs, incurred during the period required to complete and prepare the asset for its intended use, are expensed. Subsequent to acquisition, items of property, plant and equipment (excluding land and buildings) are stated at cost less accumulated depreciation and impairment.

Subsequent to acquisition, land and buildings are measured at fair value less depreciation accumulated since the assets were last revalued. The fair value of land and buildings is based on an independent valuation prepared by external valuation experts. Land and buildings are valued at least every three years or whenever the carrying amount differs materially to fair value. Unrealised gains and losses arising from changes in the fair value of land and buildings are recognised at the balance date. To the extent that a gain reverses a loss previously charged to the Statement of Financial Performance for the asset class, the gain is credited to the Statement of Financial Performance. Otherwise, gains are credited to an asset revaluation reserve for that class of asset. To the extent that there is a balance in the asset revaluation reserve for the asset class, any loss is debited to the reserve. Otherwise, losses are reported in the Statement of Financial Performance.

The carrying amounts of property, plant and equipment are reviewed at least annually to determine if there is any indication of impairment. Where an item'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 Statement of Financial Performance, unless the item is land and buildings, in which case any impairment loss is treated as a revaluation decrease.

Depreciation is charged on a straight-line basis at rates calculated to allocate the cost or valuation of an item of property, plant and equipment, less any estimated residual value, over its estimated useful life. Typically, the estimated useful lives of different classes of property, plant and equipment are as follows:

- Buildings - 15 to 40 years.
- Leasehold improvements - one to ten years.
- Motor vehicles - six years.
- Furniture and fittings:
 - Fixtures and fittings - one to ten years.
 - Carpets and drapes - four to seven years.
 - Office equipment - four years.
 - Specialised equipment - eight years.

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

Realised gains and losses arising from the disposal of property, plant and equipment are recognised in the Statement of Financial Performance in the period in which the transaction occurs. Any balance attributable to the disposed asset in the asset revaluation reserve is transferred to Taxpayer's Funds.

Intangible Assets

Computer software is initially recorded at cost. The cost of internally generated computer software represents expenditure incurred in the development phase of the software only. The development phase occurs after the following can be demonstrated: technical feasibility; ability to complete the asset; intention and ability to sell or use the asset; and development expenditure can be reliably measured. Expenditure incurred on research of an internally generated intangible asset is expensed when it is incurred. Where the research phase cannot be distinguished from the development phase, the expenditure is expensed when it is incurred.

Subsequent to acquisition, all computer software is recorded at cost less any amortisation and impairment losses. Amortisation is charged to the Statement of Financial Performance over the useful life of the asset (not more than seven years).

Computer software is reviewed annually to determine if there is any indication of impairment. Where the software'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 Statement of Financial Performance.

Foreign Currency

Transactions in foreign currencies are translated to New Zealand dollars at the average rates for the month of the transaction, approximating the exchange rate at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies at balance date are translated to New Zealand dollars at the foreign exchange rate at balance date. Foreign exchange gains or losses arising from translation of monetary assets and liabilities are recognised in the Statement of Financial Performance.

Insurance Contracts - ACC Partnership Programme

Obligations for managing workplace injury claims under the ACC Partnership Programme are recognised as a liability in the Statement of Financial Position. The liability is revalued annually based on an actuarial valuation. Movements in the liability are recognised in the Statement of Financial Performance.

Restructuring Provisions

A provision for restructuring is recognised when the Department has developed a detailed formal plan for the restructuring. It has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement the plan, or announcing its main features to those affected by it.

Financial Instruments

The Department is party to financial instruments as part of its normal operations. These financial instruments include bank accounts, short-term deposits, debtors, creditors and foreign currency forward contracts. All revenues and expenses in relation to financial instruments are recognised in the Statement of Financial Performance.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, cash in transit, bank accounts and deposits with a maturity of no more than three months from the date of acquisition.

Debtors and other receivables

Receivables are recognised initially at fair value and subsequently measured at amortised cost. Allowances for estimated irrecoverable amounts are recognised when there is objective evidence that the receivable is impaired. Impairment losses are recognised in the Statement of Financial Performance.

Creditors and other payables

Creditors and other payables represent liabilities for goods and services provided to the Department prior to the end of the financial year, which are unpaid. These are initially measured at fair value and subsequently measured at amortised cost using the effective interest rate method.

Except for those items covered by a separate accounting policy, all financial instruments are shown at their estimated fair value.

Notes to the Financial Statements

Note 1 - Other Revenue

	2010/11	2011/12		2012/13
	Actual \$000	In 2011 Budget \$000	Estimated Actual \$000	Budgeted \$000
Immigration fees	108,304	134,068	114,039	133,587
Immigration Advisers Authority	372	745	508	745
Other	2,794	-	350	-
Total	111,470	134,813	114,897	134,332

Note 2 - Operating Expenses

	2010/11	2011/12		2012/13
	Actual \$000	In 2011 Budget \$000	Estimated Actual \$000	Budgeted \$000
Included in operating expenses				
Audit fees	286	330	330	330
Consultant's fees	8,080	4,973	5,818	5,935
Domestic travel	4,940	4,460	4,157	4,240
Immigration services costs	11,080	11,889	10,404	10,613
Information technology	19,678	19,587	17,419	17,768
Insurance	1,194	528	1,440	1,589
Overseas travel	4,007	3,695	4,251	4,336
Professional fees	24,548	25,021	25,715	26,231
Property	31,470	33,149	29,215	29,801
Repairs and maintenance	1,730	2,114	1,733	1,768
Sundry Expenses	15,323	18,646	17,721	18,076
Total	122,336	124,392	118,203	120,687

Note 3 - Reconciliation of Departmental and Appropriations

	2010/11	2011/12		2012/13
	Actual \$000	In 2011 Budget \$000	Estimated Actual \$000	Budgeted \$000
Appropriations for output expenses				
Total for Vote: ACC	4,367	2,862	5,179	3,751
Total for Vote: Employment	12,715	13,885	8,624	9,325
Total for Vote: Immigration	206,883	208,814	208,077	209,214
Total for Vote: Labour	77,516	81,112	78,954	88,825
Total appropriation for output expenses	301,481	306,673	300,834	311,115

	2010/11	2011/12		2012/13
	Actual \$000	In 2011 Budget \$000	Estimated Actual \$000	Budgeted \$000
Adjustments				
Remeasurements	769	-	187	-
Other Adjustment - Recovery from Christchurch Earthquake	1,105	-	-	-
Total departmental expenses (as per statement of forecast comprehensive income)	303,355	306,673	301,021	311,115

Note 4 - Reconciliation of Net Surplus to Net Cash Flows from Operating Activities

	2010/11	2011/12		2012/13
	Actual \$000	In 2011 Budget \$000	Estimated Actual \$000	Budgeted \$000
Net surplus/(deficit)	(15,935)	490	(13,603)	(5,473)
Add/(less) non-cash items				
Depreciation and amortisation expense	15,073	24,383	17,738	22,050
Revaluation loss	737	-	-	-
Total non-cash items	15,810	24,383	17,738	22,050
Add/(less) items classified as investing or financing activities				
(Gains)/losses on disposal property plant and equipment	3	-	-	-
Goods and services tax (net)	8	276	2,894	224
Total items classified as investing or financing activities	11	276	2,894	224
Add/(less) movements in working capital items				
(Inc)/Dec in debtors and other receivables	226	211	591	213
(Inc)/Dec in inventories	69	-	-	-
(Inc)/Dec in creditors and other payables	1,067	(956)	2,506	248
(Inc)/Dec in current provisions	196	922	(4,758)	(385)
Net Movement in working capital items	1,558	177	(1,661)	76
Net cash from operating activities	1,444	25,326	5,368	16,877