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Treasury Circular 2009/10

Unrestricted Distribution

Chief Executive Officers
Chief Financial Officers
Directors of Finance

Contact for Enquiries: Ken Warren (04) 917 6128 (ken.warren@treasury.govt.nz)

CLARIFICATION OF RETURN OF SURPLUS CALCULATION

1. This circular sets out an amendment to section 4.4.3 of the 2009 Treasury Instructions (provision for return of operating surplus).
2. The 2009 Treasury Instructions included an amended calculation of the provision for the operating surplus to be paid to the Crown to exclude unrealised remeasurements from the return of surplus calculation. We have become aware that this amendment may have caused some confusion.
3. We did not intend for the change to result in any reclassification of expenditure currently accounted for in the appropriation framework to a remeasurement. However, by setting out the exclusion in broad terms, the amendment has led to uncertainty as to the types of transactions intended to be excluded.
4. As a result, the calculation has been amended to specify the types of transactions that should be excluded from the provision for operating surplus. The new calculation is specified as:

The calculation of the provision for the operating surplus to be paid to the Crown is:

	Net surplus before "other expenses "
Plus	Sum of all deficits incurred from providing goods and services under section 21 of the Act in that year
Plus (Minus)	Any unrealised losses (gains) in relation to forward foreign exchange contracts or other derivative transactions recognised in the statement of financial performance in that year
Plus (Minus)	Any decrease (increase) in an item of property, plant and equipment's carrying amount that is recognised in the Statement of Financial Performance as a result of a revaluation of an asset or class of assets in that year

5. This calculation should be used to calculate the provision for surplus for the year ended 30 June 2009.

6. The amended Treasury Instructions can be found at:
<http://www.treasury.govt.nz/publications/guidance/instructions/2009>

Hugh Packer
for Secretary to the Treasury