

# *Vote Finance*

---

APPROPRIATION MINISTER(S): Minister of Finance (M31), Minister for State Owned Enterprises (M65), Minister of Science and Innovation (M84)

APPROPRIATION ADMINISTRATOR: The Treasury

RESPONSIBLE MINISTER FOR THE TREASURY: Minister of Finance

# Summary of the Vote

## Overview

The Minister of Finance is responsible for appropriations in Vote Finance for the 2014/15 financial year which cover the following:

- a total of over \$38 million for the provision of services which support the performance of the State sector including fiscal reporting, forecasting and monitoring, provision of Export Credit, managing, administering and monitoring Crown Guarantee Schemes, and Crown Borrowing and Investment
- a total of nearly \$35 million for the provision of economic, financial and regulatory policy advice to support decision-making by Ministers on government policy matters
- a total of over \$10 million for the provision of shared services to other entities and agencies
- a total of nearly \$5 million for departmental capital expenditure
- a total of over \$3,622 million for the payment of interest and other costs relating to the Crown's debt
- a total of over \$789 million for superannuation costs, primarily the Government Superannuation Fund
- a total of over \$30 million for capital payments to International Financial Institutions
- a total of nearly \$15 million for costs of administering New Zealand House, London
- a total of nearly \$2 million for providing and administering grants and loans to Taitokerau Forests Limited
- a total of over \$5 million for unclaimed money, managing the Crown's residual liabilities, meeting costs relating to the Landcorp Protected Land Agreement, and provisions for meeting liabilities associated with Geothermal Wells
- a total of over \$13 million for the unwind of Crown Support Deed interest expense, and
- a total of over \$5 million for inquiries and research into productivity-related matters.

The Minister of Finance is also responsible for Crown revenue and receipts in the Vote for the 2014/15 financial year which account for nearly \$3,084 million in non-tax revenue for return on investments, including capital charge, dividends, and interest on securities and deposits.

The Minister for State Owned Enterprises is responsible for one appropriation in Vote Finance for the 2014/15 financial year which covers over \$4 million for Crown company monitoring, governance, and ownership advice.

The Minister of Science and Innovation is responsible for one appropriation in Vote Finance for the 2014/15 financial year which covers nearly \$500,000 for Crown Research Institutes governance and ownership advice.

Details of these appropriations are set out in Parts 2-4.

# Estimates of Appropriations

## Details of Appropriations and Capital Injections

### Annual and Permanent Appropriations

Titles and Scopes of Appropriations by Appropriation Type	2013/14		2014/15
	Budgeted \$000	Estimated Actual \$000	Budget \$000
<b>Departmental Output Expenses</b>			
<b>Administration of Crown Borrowing, Securities, Derivative Transactions and Investment PLA (M31)</b> This appropriation is limited to expenses incurred in connection with administering borrowing, securities, derivative transactions and investment by the Crown, as authorised by section 65ZH of the Public Finance Act 1989.	-	-	8,917
<b>Administration of Guarantees and Indemnities given by the Crown PLA (M31)</b> This appropriation is limited to expenses incurred in connection with administering of guarantees and indemnities given by the Crown, as authorised by section 65ZG of the Public Finance Act 1989.	418	418	110
<b>Crown Company Monitoring Advice to the Minister for State-Owned Enterprises and Other Responsible Ministers (M65)</b> This appropriation is limited to the provision of ownership, performance monitoring and governance advice to the Minister for State Owned Enterprises and other responsible Ministers in respect of the Ministers' shareholding responsibilities or as responsible Ministers for the New Zealand Lotteries Commission and Public Trust.	5,506	5,479	4,508
<b>Crown Company Monitoring Advice to the Minister of Science and Innovation and the Minister for Economic Development (M84)</b> This appropriation is limited to the provision of ownership, performance monitoring, and governance advice to the Minister of Science and Innovation and other responsible Ministers in respect of the Ministers' shareholding responsibilities.	483	480	484
<b>Policy Advice - Finance (M31)</b> This appropriation is limited to the provision of advice (including second opinion advice and contributions to policy advice led by other agencies) to support decision-making by Ministers on government policy matters relating to Finance.	34,898	32,655	34,704
<b>Provision of Financial Operations Services and Operational Advice (M31)</b> This appropriation is limited to the provision of services which support the performance of the State sector, including fiscal reporting, forecasting and monitoring; provision of Export Credit; and the management, administration and monitoring of Crown Guarantee Schemes, Crown Lending, Crown Investments and Crown Bank Accounts.	33,186	32,323	29,251
<b>Provision of Financial Services to the New Zealand Local Government Funding Agency RDA (M31)</b> This appropriation is limited to expenses incurred in connection with the provision of financial services on a commercial basis to the New Zealand Local Government Funding Agency (LGFA).	165	165	165
<b>Shared Support Services (M31)</b> This appropriation is limited to provision of support services to other agencies.	9,654	9,654	10,400
<b>Administration of Crown Borrowing PLA (M31)</b> This appropriation is limited to expenses incurred in connection with administering borrowing by the Crown, as authorised by section 61(1) of the Public Finance Act 1989.	5,421	5,371	-
<b>Administration of Derivative Transactions PLA (M31)</b> This appropriation is limited to expenses incurred in connection with administering derivative transactions of the Crown, as authorised by section 65H(2) of the Public Finance Act 1989.	983	973	-
<b>Administration of Investment of Public Money PLA (M31)</b> This appropriation is limited to expenses incurred in connection with administering the investment of public money, as authorised by section 65J(1) of the Public Finance Act 1989.	712	702	-
<b>Total Departmental Output Expenses</b>	<b>91,426</b>	<b>88,220</b>	<b>88,539</b>

Titles and Scopes of Appropriations by Appropriation Type	2013/14		2014/15
	Budgeted \$000	Estimated Actual \$000	Budget \$000
<b>Departmental Capital Expenditure</b>			
<b>The Treasury - Capital Expenditure PLA (M31)</b>	6,121	6,121	4,833
This appropriation is limited to the purchase or development of assets by and for the use of the Treasury, as authorised by section 24(1) of the Public Finance Act 1989.			
<b>Total Departmental Capital Expenditure</b>	6,121	6,121	4,833
<b>Non-Departmental Output Expenses</b>			
<b>Management of New Zealand House, London (M31)</b>	1,000	300	1,000
This appropriation is limited to the property management services in respect of New Zealand House, London.			
<b>Management of the Crown's Obligations for Geothermal Wells (M31)</b>	295	145	151
This appropriation is limited to the management and maintenance relating to geothermal wells and associated sites and structures for which the Crown accepts responsibility.			
<b>Management of the New Zealand Superannuation Fund (M31)</b>	528	408	528
This appropriation is limited to managing the New Zealand Superannuation Fund on behalf of the Crown.			
<b>Inquiries and Research into Productivity Related Matters MCOA (M31)</b>	5,030	5,030	-
<i>Inquiries into Productivity - Related Matters</i>	4,527	4,527	-
This output class is limited to inquiries undertaken by the New Zealand Productivity Commission in accordance with the New Zealand Productivity Commission Act 2010.			
<i>Research into and Promotion of Productivity - Related Matters</i>	503	503	-
This output class is limited to the New Zealand Productivity Commission undertaking research into and promoting public understanding of productivity related matters in accordance with the New Zealand Productivity Commission Act 2010.			
<b>Total Non-Departmental Output Expenses</b>	6,853	5,883	1,679
<b>Non-Departmental Borrowing Expenses</b>			
<b>Debt Servicing PLA (M31)</b>	3,554,913	3,554,913	3,622,323
This appropriation is limited to the payment of borrowing expenses for the Crown's New Zealand-dollar and foreign-currency debt, authorised by section 60(1)b of the Public Finance Act 1989.			
<b>Total Non-Departmental Borrowing Expenses</b>	3,554,913	3,554,913	3,622,323
<b>Non-Departmental Other Expenses</b>			
<b>Crown Residual Liabilities (M31)</b>	455	55	230
Residual obligations arising from administration of the Crown's sale and purchase agreements with SOEs and Crown entities and from the sale of Crown investments, and for the settlement of claims against the Crown arising from exposure to asbestos.			
<b>Geothermal Wells Fund (M31)</b>	500	-	500
This appropriation is limited to meeting the costs of one-off unforeseen events relating to those geothermal wells for which the Crown accepts responsibility.			
<b>Government Superannuation Appeals Board (M31)</b>	50	50	50
This appropriation is limited to the expenses of the Government Superannuation Appeals Board in performing its functions under the Government Superannuation Fund Act 1956.			
<b>Government Superannuation Fund Authority - Crown's Share of Expenses PLA (M31)</b>	27,856	27,856	28,523
This appropriation is limited to the Crown's share of the expenses of the Government Superannuation Fund Authority relating to the management and administration of the Government Superannuation Fund and the schemes, authorised by sections 15E and 95 of the Government Superannuation Act 1956.			

	2013/14		2014/15
	Budgeted \$000	Estimated Actual \$000	Budget \$000
<b>Titles and Scopes of Appropriations by Appropriation Type</b>			
<b>Government Superannuation Fund Unfunded Liability PLA (M31)</b> This appropriation is limited to the net increase (excluding actuarial gains and losses) in the Crown's liability to the Government Superannuation Fund and the specified superannuation contribution withholding tax on employer contributions by the Crown, authorised by section 95AA of the Government Superannuation Act 1956.	619,174	619,174	735,397
<b>Impairment of Loans to Taitokerau Forest Limited (M31)</b> This appropriation is limited to the expense incurred on the impairment of new loans to Taitokerau Forests Limited.	200	-	200
<b>Landcorp Protected Land Agreement - Operating (M31)</b> This appropriation is limited to providing for operating costs incurred under the Landcorp Protected Land Agreement.	4,857	1,857	2,000
<b>National Provident Fund Schemes - Liability Under Crown Guarantee PLA (M31)</b> This appropriation is limited to the net increase (excluding actuarial gains and losses) in the Crown's liability for benefits payable to members of National Provident Fund schemes under the Crown guarantee in section 60 of the National Provident Fund Restructuring Act 1990. This appropriation is authorised by section 66 of the National Provident Fund Restructuring Act 1990.	26,000	26,000	25,000
<b>New Zealand House - Renegotiation of Lease Arrangements (M31)</b> This appropriation is limited to activities to re-gear the lease on New Zealand House in London (including The Royal Opera Arcade and Her Majesty's Theatre).	200	200	1,000
<b>New Zealand House, London (M31)</b> This appropriation is limited to the operational costs of New Zealand House, London.	12,800	11,800	12,000
<b>Taitokerau Forests Limited Grant (M31)</b> This appropriation is limited to grants to Taitokerau Forests Limited for on-payment to forest owners, payable upon harvest of the forests.	244	244	200
<b>Unclaimed Money PLA (M31)</b> This appropriation is limited to the repayment of money authorised by section 74(5) of the Public Finance Act 1989.	250	150	250
<b>Unclaimed Trust Money PLA (M31)</b> This appropriation is limited to the repayment of money authorised by section 70(2) of the Public Finance Act 1989.	250	50	250
<b>Unwind of Discount Rate used in the Present Value Calculation of Payment under Crown Deed of Support with AMI (M31)</b> This appropriation is limited to the expense incurred in unwinding the discount rate used in the present value calculation of the liability as the liability nears settlement.	15,295	15,295	13,497
<b>Impairment of Learning Media Funding Facility (M31)</b> This appropriation is limited to impairment of a funding arrangement in Learning Media.	7,700	4,100	-
<b>New Zealand Aluminium Smelters - Electricity Agreement Incentive Payment (M31)</b> This appropriation is limited to the provision of an incentive payment to New Zealand Aluminium Smelters on the execution of a revised electricity agreement with Meridian Energy Limited	30,000	30,000	-
<b>Payment in respect of Export Credit Office Guarantees and Indemnities PLA (M31)</b> This appropriation is limited to payments by the Crown under export credit guarantees or indemnities given under Section 65ZD of the Public Finance Act 1989, as authorised by section 65ZG of that Act.	527	527	-
<b>Payments in respect of Guarantees and Indemnities PLA (M31)</b> This appropriation is limited to payments by the Crown under a guarantee or indemnity given under section 65ZD of the Public Finance Act 1989, as authorised by section 65ZG of that Act.	83	83	-
<b>Solid Energy New Zealand Limited - Redeemable Preference Shares Impairment (M31)</b> This appropriation is limited to the impairment of investment in the redeemable preference shares in Solid Energy New Zealand Limited.	25,000	25,000	-
<b>Total Non-Departmental Other Expenses</b>	<b>771,441</b>	<b>762,441</b>	<b>819,097</b>

Titles and Scopes of Appropriations by Appropriation Type	2013/14		2014/15
	Budgeted \$000	Estimated Actual \$000	Budget \$000
<b>Non-Departmental Capital Expenditure</b>			
<b>International Financial Institutions PLA (M31)</b> This appropriation is limited to capital expenditure for shares subscribed to by New Zealand as a member of International Financial Institutions, authorised by section 5 of the International Finance Agreements Act 1961.	212,000	212,000	30,500
<b>Landcorp Protected Land Agreement - Capital (M31)</b> This appropriation is limited to providing for capital investments incurred under the Landcorp Protected Land Agreement.	4,409	4,409	2,000
<b>New Zealand House, London, capital (M31)</b> This appropriation is limited to capital expenditure in relation to New Zealand House, London.	750	750	750
<b>Taitokerau Forests (M31)</b> This appropriation is limited to the provision of loans to Taitokerau Forests Ltd for forest management and development.	1,700	1,700	1,300
<b>Crown Asset Management Limited (CAML) Equity Injection (M31)</b> This appropriation is limited to the capital injection for CAML to purchase and manage assets of receiverships under the Deposit Guarantee Scheme and other residual Crown assets.	10,000	10,000	-
<b>Learning Media Funding Facility (M31)</b> This appropriation is limited to provision of a funding arrangement to address the liquidity of Learning Media.	7,700	4,100	-
<b>Solid Energy New Zealand Limited - Loan Facilities (M31)</b> This appropriation is limited to the provision of a loan facility and a stand-by facility to Solid Energy New Zealand Limited.	130,000	130,000	-
<b>Solid Energy New Zealand Limited - Redeemable Preference Shares (M31)</b> This appropriation is limited to the subscription of redeemable preference shares in Solid Energy New Zealand Limited by the Crown.	25,000	25,000	-
<b>Total Non-Departmental Capital Expenditure</b>	391,559	387,959	34,550
<b>Multi-Category Expenses and Capital Expenditure</b>			
<b>Inquiries and Research into Productivity Related Matters MCA (M31)</b> The overarching purpose of this appropriation is to provide for inquiries into, and research and promotion of, productivity related matters.	-	-	5,030
<i>Non-Departmental Output Expenses</i>			
<i>Inquiries into Productivity - Related Matters</i> This category is limited to inquiries undertaken by the New Zealand Productivity Commission in accordance with the New Zealand Productivity Commission Act 2010.	-	-	4,527
<i>Research into and Promotion of Productivity - Related Matters</i> This category is limited to the New Zealand Productivity Commission undertaking research into and promoting public understanding of productivity related matters in accordance with the New Zealand Productivity Commission Act 2010.	-	-	503
<b>Total Multi-Category Expenses and Capital Expenditure</b>	-	-	5,030
<b>Total Annual and Permanent Appropriations</b>	4,822,313	4,805,537	4,576,051

## Multi-Year Appropriations

Type, Title, Scope and Period of Appropriations	Appropriations, Adjustments and Use	\$000
<b>Departmental Output Expenses</b>		
<b>Implementation of Mixed Ownership Model (M31)</b> This appropriation is limited to the policy, operational, and transactional work to implement the Mixed Ownership Model. Commences: 15 December 2011 Expires: 30 June 2015	Original Appropriation Adjustments to 2012/13 Adjustments for 2013/14 Adjusted Appropriation Actual to 2012/13 Year End Estimated Actual for 2013/14 Estimated Actual for 2014/15 Estimated Appropriation Remaining	46,802 - (17,485) 29,317 16,984 10,160 - 2,173
<b>Non-Departmental Other Expenses</b>		
<b>Direct Sale costs for Implementing the Mixed Ownership Model (M31)</b> This appropriation is limited to the direct sales costs of implementing the Mixed Ownership Model. Commences: 15 December 2011 Expires: 30 June 2015	Original Appropriation Adjustments to 2012/13 Adjustments for 2013/14 Adjusted Appropriation Actual to 2012/13 Year End Estimated Actual for 2013/14 Estimated Actual for 2014/15 Estimated Appropriation Remaining	56,000 - 6,485 62,485 21,511 38,974 - 2,000
<b>Loyalty Bonus Scheme Related to Initial Public Offers (M31)</b> This appropriation is limited to expenses incurred by allocating shares under a loyalty bonus scheme to eligible investors in initial public offers. Commences: 01 March 2013 Expires: 30 June 2016	Original Appropriation Adjustments to 2012/13 Adjustments for 2013/14 Adjusted Appropriation Actual to 2012/13 Year End Estimated Actual for 2013/14 Estimated Actual for 2014/15 Estimated Appropriation Remaining	40,000 - 12,100 52,100 24,677 22,000 - 5,423

## Capital Injection Authorisations

	2013/14		2014/15
	Budgeted \$000	Estimated Actual \$000	Budget \$000
The Treasury - Capital Injection (M31)	4,392	4,105	700

# Supporting Information

## Part 1 - Vote as a Whole

### 1.1 - New Policy Initiatives

Policy Initiative	Appropriation	2013/14 Budgeted \$000	2014/15 Budget \$000	2015/16 Estimated \$000	2016/17 Estimated \$000	2017/18 Estimated \$000
Analysis for Outcomes: Better use of the Data to Improve Outcomes	Provision of Financial Operations Services and Operational Advice Output Expenses	2,080	2,380	2,380	2,380	2,319
Transitional support services costs associated with the transfer of emergency management functions to The Department of the Prime Minister and Cabinet	Departmental Capital Injection	1,072	-	-	-	-
Financial implications for support services associated with the transfer of emergency management functions to The Department of the Prime Minister and Cabinet	Departmental Capital Injection	167	-	-	-	-
Learning Media Funding Facility	Learning Media Funding Capital Expenditure	7,700	-	-	-	-
	Impairment of Learning Media Funding Facility Other Expenses	7,700	-	-	-	-
Solid Energy NZ Ltd Funding	Solid Energy NZ Ltd Loan Facility Capital Expenditure	130,000	-	-	-	-
	Solid Energy NZ Ltd Redeemable Preference Shares Capital Expenditure	25,000	-	-	-	-
	Impairment of Redeemable Preference Shares Other Expenses	25,000	-	-	-	-
Electricity Incentive Payment	NZ Aluminium Smelters Electricity Agreed Incentive Payment Other Expenses	30,000	-	-	-	-
Additional Resource for Social Housing Work	Policy Advice - Finance Output Expenses	1,942	2,817	-	-	-
<b>Total Initiatives</b>		<b>230,661</b>	<b>5,197</b>	<b>2,380</b>	<b>2,380</b>	<b>2,319</b>



## 1.2 - Trends in the Vote

### Summary of Financial Activity

	2009/10	2010/11	2011/12	2012/13	2013/14		2014/15			2015/16	2016/17	2017/18
	Actual \$000	Actual \$000	Actual \$000	Actual \$000	Budgeted \$000	Estimated Actual \$000	Departmental Transactions Budget \$000	Non- Departmental Transactions Budget \$000	Total Budget \$000	Estimated \$000	Estimated \$000	Estimated \$000
<b>Appropriations</b>												
Output Expenses	66,104	66,600	78,918	84,742	105,252	105,068	88,539	1,679	90,218	87,735	84,694	84,710
Benefits or Related Expenses	-	-	-	-	-	-	N/A	-	-	-	-	-
Borrowing Expenses	2,284,955	3,040,302	3,441,282	3,662,184	3,554,913	3,554,913	-	3,622,323	3,622,323	3,714,666	4,084,040	4,149,060
Other Expenses	687,060	2,436,638	703,691	745,918	839,838	865,007	-	819,097	819,097	851,062	884,449	919,167
Capital Expenditure	306,508	943,443	264,849	96,923	397,680	445,467	4,833	34,550	39,383	48,985	29,885	29,885
Intelligence and Security Department Expenses and Capital Expenditure	-	-	-	-	-	-	-	N/A	-	-	-	-
Multi-Category Expenses and Capital Expenditure (MCA)												
<i>Output Expenses</i>	-	1,210	4,691	5,028	5,030	5,030	-	5,030	5,030	5,030	5,030	5,030
<i>Other Expenses</i>	-	-	-	-	-	-	-	-	-	-	-	-
<i>Capital Expenditure</i>	-	-	-	-	-	-	N/A	-	-	-	-	-
<b>Total Appropriations</b>	<b>3,344,627</b>	<b>6,488,193</b>	<b>4,493,431</b>	<b>4,594,795</b>	<b>4,902,713</b>	<b>4,975,485</b>	<b>93,372</b>	<b>4,482,679</b>	<b>4,576,051</b>	<b>4,707,478</b>	<b>5,088,098</b>	<b>5,187,852</b>
<b>Crown Revenue and Capital Receipts</b>												
Tax Revenue	-	-	-	-	-	-	N/A	-	-	-	-	-
Non-Tax Revenue	3,679,686	3,527,438	3,552,646	3,318,217	3,240,590	3,240,590	N/A	3,062,556	3,062,556	3,224,839	3,412,331	3,461,893
Capital Receipts	22,667	176,205	947	130,941	38,698	38,698	N/A	21,169	21,169	-	602	198,602
<b>Total Crown Revenue and Capital Receipts</b>	<b>3,702,353</b>	<b>3,703,643</b>	<b>3,553,593</b>	<b>3,449,158</b>	<b>3,279,288</b>	<b>3,279,288</b>	<b>N/A</b>	<b>3,083,725</b>	<b>3,083,725</b>	<b>3,224,839</b>	<b>3,412,933</b>	<b>3,660,495</b>

Note - where restructuring of the vote has occurred then, to the extent practicable, prior years information has been restated as if the restructuring had occurred before the beginning of the period covered.

## Adjustments to the Summary of Financial Activity Table due to Vote Restructuring

	2009/10 Adjustments \$000	2010/11 Adjustments \$000	2011/12 Adjustments \$000	2012/13 Adjustments \$000	2013/14 Budgeted Adjustments \$000	2013/14 Estimated Actual Adjustments \$000
<b>Appropriations</b>						
Output Expenses	-	(1,210)	(4,691)	(5,028)	(5,030)	(5,030)
Benefits or Related Expenses	-	-	-	-	-	-
Borrowing Expenses	-	-	-	-	-	-
Other Expenses	-	-	-	-	-	-
Capital Expenditure	-	-	-	-	-	-
Intelligence and Security Department Expenses and Capital Expenditure	-	-	-	-	-	-
Multi-Category Expenses and Capital Expenditure (MCA)						
<i>Output Expenses</i>	-	1,210	4,691	5,028	5,030	5,030
<i>Other Expenses</i>	-	-	-	-	-	-
<i>Capital Expenditure</i>	-	-	-	-	-	-
<b>Total Appropriations</b>	-	-	-	-	-	-
<b>Crown Revenue and Capital Receipts</b>						
Tax Revenue	-	-	-	-	-	-
Non-Tax Revenue	-	-	-	-	-	-
Capital Receipts	-	-	-	-	-	-
<b>Total Crown Revenue and Capital Receipts</b>	-	-	-	-	-	-

The prior year information in the Summary of Financial Activity table has been restated to reflect the current Vote structure. Funding for this activity started in 2010/11.

### 1.3 - Analysis of Significant Trends

#### Analysis of Significant Trends

##### *Total Vote: All Appropriations*

The movements in Departmental and Non-Departmental appropriations in Vote Finance, which are detailed in the Summary of Financial Activity table above, are largely due to movements in capital expenditure and debt servicing costs.

Significant movements within each appropriation category are shown below.

##### *Output Expenses*

The forecasted reduction from 2014/15 reflects the completion of the Mixed Ownership Model programme. The programme has covered 3 financial years: \$6.600 million in 2011/12, \$10.300 million in 2012/13 and \$12.300 million is budgeted in 2013/14.

In 2014/15 output expenses will increase by \$2 million for the Financial Operation's Business Information Hub change programme. This will be the first full year of operations of the Analysis for Outcomes programme, and the Gateway and Major Project Monitoring activities that transferred from State Services Commission from 1 December 2013.

In 2011/12 an increase of \$4 million was primarily due to the costs of the New Zealand Productivity Commission which was operating for its first full financial year.

The increase between 2010/11 and 2011/12 was due to an increase in funding of nearly \$6 million for establishment of the Mixed Ownership Model programme and \$5 million transferred from Vote State Owned Enterprises and Vote Crown Research Institutes. These increases were partially offset by the decreased administration costs in relation to the Crown Deposit Guarantee Scheme of nearly \$5 million.

### *Non-Departmental Borrowing Expenses*

Debt servicing costs trend upwards between 2008/09 and 2013/14. These costs are expected to increase due to the interest rates and the amount of debt outstanding.

### *Non-Departmental Other Expenses*

The most significant fluctuations in this category relates to the valuation of the Crown's unfunded liability under the Government Superannuation Scheme which is expected to rise in 2013/14 by \$9 million and \$118 million in 2014/15. The valuation decreased in 2011/12 by \$134 million.

Expenditure increased in 2013/14 only due to the new appropriations for the New Zealand Aluminium Smelter Electricity Agreement Incentive payment of \$30 million and for the impairment of Solid Energy Redeemable Preference Shares of \$25 million.

The 2010/11 year includes \$1,186 million for payments in respect of guarantees and indemnities, \$150 million for other costs associated with the Deposit Guarantee Scheme, \$335 million for impairment of Crown's interest in AML and nearly \$44 million for payments to the Earthquake Commission as a result of the September 2010 Canterbury Earthquake.

### *Departmental Capital Expenditure*

The Departmental capital expenditure increased by over \$2 million in 2013/14 for central agencies shared services within the Treasury to support the transition of emergency management functions to the Department of the Prime Minister and Cabinet from 1 April 2014.

There is an increase of \$700,000 in each of 2013/14 and 2014/15 for the Financial Operation's Business Information Hub, the replacement system for the operation of the debt funding and investment portfolio activities.

In 2011/12 departmental IT assets were transferred from the State Service Commission and the Department of the Prime Minister and Cabinet with the introduction of shared services across the three agencies.

### *Non-Departmental Capital Expenditure*

This appropriation category comprises purchases of debt and equity by the Crown in various Crown entities, and capital additions to the Crown's physical assets.

In 2013/14 capital budget is available for a Solid Energy loan facility and preference shares totalling \$155 million and \$7.700 million for Learning Media Limited.

Contributions to the International Monetary Fund have fluctuated between \$212 million in 2013/14, \$157 million in 2011/12 and \$183 million in 2010/11.

There was a one-off increase of \$500 million in 2010/11 for the establishment of Capital Asset Management Limited and a capital increase in the Asian Development Bank of \$65 million.

In 2009/10 there was a contribution to the New Zealand Superannuation Fund of \$250 million.

### *Crown Revenue*

Non-tax Crown Revenue largely comprises capital charge, interest from securities and deposits, and dividends from State-Owned Enterprises and Crown Entities, and are broadly stable. These are removed when consolidated into the Financial Statements of Government.

### *Crown Capital Receipts*

Variances in Crown Capital Receipts are largely due to International Monetary Fund capital returns, repayment of loans, and capital withdrawals from Crown companies.

## 1.4 - Reconciliation of Changes in Appropriation Structure

2013/14 Appropriations in the 2013/14 Structure	2013/14 (Current) \$000	Old Structure		New Structure		
		Appropriations to which Expenses (or Capital Expenditure) have been Moved from or to	Amount Moved \$000	2013/14 Appropriations in the 2014/15 Structure	2013/14 (Restated) \$000	2014/15 \$000
<b>Departmental Output Expenses</b>						
Administration of Crown Borrowing PLA	5,421	Merged into Administration of Crown Borrowing, Securities, Derivative Transactions and Investment PLA	5,421	Administration of Crown Borrowing, Securities, Derivative Transactions and Investment PLA	7,116	8,917
Administration of Derivative Transactions PLA	983	Merged into Administration of Crown Borrowing, Securities, Derivative Transactions and Investment PLA	983		-	-
Administration of Investment of Public Money PLA	712	Merged into Administration of Crown Borrowing, Securities, Derivative Transactions and Investment PLA	712		-	-
Inquiries and Research into Productivity Related Matters MCOA	5,030	Inquiries and Research into Productivity Related Matters MCA	5,030	Inquiries and Research into Productivity Related Matters MCA	5,030	5,030
<b>Total</b>	<b>12,146</b>		<b>12,146</b>		<b>12,146</b>	<b>13,947</b>

Explanations of the reasons for changing the appropriation structure are noted in the details of each appropriation in Parts 2-4.

## Part 2 - Details of Departmental Appropriations

### 2.1 - Departmental Output Expenses

#### Administration of Crown Borrowing, Securities, Derivative Transactions and Investment PLA (M31)

##### *Scope of Appropriation*

This appropriation is limited to expenses incurred in connection with administering borrowing, securities, derivative transactions and investment by the Crown, as authorised by section 65ZH of the Public Finance Act 1989.

##### *Expenses and Revenue*

	2013/14		2014/15
	Budgeted \$000	Estimated Actual \$000	Budget \$000
Total Appropriation	-	-	8,917
Revenue from the Crown	-	-	8,914
Revenue from Others	-	-	3

##### *Comparators for Restructured Appropriation*

Vote, Type and Title of Appropriation	2013/14		2014/15
	Budgeted \$000	Estimated Actual \$000	Budget \$000
Vote Finance			
Departmental Output Expenses			
Administration of Crown Borrowing PLA	5,421	5,421	6624
Administration of Derivative Transactions PLA	983	983	1442
Administration of Investment of Public Money PLA	712	712	851
Total	7,116	7,116	8,917

##### *What is Intended to be Achieved with this Appropriation*

This appropriation is intended to achieve the administration of the Crown's financing requirements so as to raise sufficient funds to finance the Crown's cash deficit while minimising the cost to the Crown of such borrowing.

## How Performance will be Assessed and End of Year Reporting Requirements

Assessment of Performance	2013/14		2014/15
	Budgeted Standard	Estimated Actual Standard	Budget Standard
<b>Existing measures</b>			
New core borrowing is achieved at an acceptable cost relative to a dynamic benchmark, as defined within the Portfolio Management Policy.	New core borrowing cost is less than 25 basis points over the benchmark	New core borrowing cost is less than 25 basis points over the benchmark	New core borrowing cost is less than 25 basis points over the benchmark
Compliance with risk management policies and parameters for portfolio management and debt issuance.	No more than four breaches	No more than four breaches	No more than four breaches
Number of settlement errors, and financial value of losses arising from settlement errors.	No more than six errors; losses do not exceed \$10,000	No more than six errors; losses do not exceed \$10,000	No more than six errors; losses do not exceed \$10,000
<b>Expiring measures</b>			
Tender efficiency: Average domestic bond tender cover ratio.	Average tender cover ratio is greater than 2	Average tender cover ratio is greater than 2	Expired measure
Tender efficiency: Average range of successful bids in domestic bond tenders.	Average range of successful bids is less than 5 basis points	Average range of successful bids 6 or 7 basis points	Expired measure
Tender efficiency: The tender process is successful.	Less than 10% of tenders result in an under allocation of volume, due to insufficient bids or unacceptable bid levels	Less than 10% of tenders result in an under allocation of volume, due to insufficient bids or unacceptable bid levels	Expired measure
Losses incurred from the credit-related sale of securities, or from default by a counter-party have been actioned in line with the operating guidelines prescribed by the Portfolio Management Policy.	No losses	No losses	Expired measure
Borrowing programme is spread across the year.	Cumulative borrowing volume YTD is within 10% of the projected timing profile	Cumulative borrowing volume YTD is within 10% of the projected timing profile	Expired measure
<b>Replacement measure</b>			
Borrowing programme is spread across the year.	N/A	N/A	Issued bonds volume variance to average requirement does not fall more than 10% behind the full year programme volume

Note - In 2013/14 and prior years this set of measures has been used to report on the performance of three separate PLAs: Administration of Crown Borrowing, Administration of Derivative Transactions, and the Administration of Investment of Public Money. As of 1 July 2014 these have been merged into one PLA intended for the same purposes.

### End of Year Performance Reporting

Performance information for this appropriation will be reported by the Treasury in its 2014/15 Annual Report.

### Current and Past Policy Initiatives

Policy Initiative	Year of First Impact	2013/14 Budgeted \$000	2014/15 Budget \$000	2015/16 Estimated \$000	2016/17 Estimated \$000	2017/18 Estimated \$000
SSRSS and KiwiSaver funding removal	2012/13	(121)	(121)	(121)	(121)	(121)
Efficiency savings	2012/13	(73)	(68)	(66)	(66)	(66)

Note - Combination of previous three PLAs.

### Reasons for Change in Appropriation

This new appropriation is the result of merging three permanent legislative authority appropriations into one from 1 July 2014 following amendments to the Public Finance Act 1989. The increase in appropriation reflects the increase in funding to implement and operate the new Business Information Hub system which will assist in the management of debt and investments.

### Conditions on Use of Appropriation

Reference	Conditions
Section 65ZH of the Public Finance Act	Any expenses incurred in connection with any of the following matters may be incurred without further appropriation, and must be paid without further authority, than this section: (a) negotiating the borrowing of money by the Crown: (b) undertaking, managing, servicing, converting, or repaying borrowing described in paragraph (a): (c) issuing a public security in respect of the Crown: (d) executing, redeeming, or varying a public security described in paragraph (c): (e) negotiating a derivative transaction of the Crown: (f) managing, servicing, or making payments under a derivative transaction described in paragraph (e): (g) negotiating an investment referred to in section 65I: (h) placing, managing, servicing, or converting an investment referred to in section 65I.

### Administration of Guarantees and Indemnities given by the Crown PLA (M31)

#### Scope of Appropriation

This appropriation is limited to expenses incurred in connection with administering of guarantees and indemnities given by the Crown, as authorised by section 65ZG of the Public Finance Act 1989.

#### Expenses and Revenue

	2013/14		2014/15
	Budgeted \$000	Estimated Actual \$000	Budget \$000
Total Appropriation	418	418	110
Revenue from the Crown	418	418	110
Revenue from Others	-	-	-



### *What is Intended to be Achieved with this Appropriation*

This appropriation is intended to achieve efficient and effective administration of the Crown's Guarantees and Indemnities, including the Wholesale and Retail Deposit Guarantee Schemes.

### *How Performance will be Assessed and End of Year Reporting Requirements*

	2013/14		2014/15
	Budgeted Standard	Estimated Actual Standard	Budget Standard
Assessment of Performance			
Meet our legal obligations under the Wholesale Guarantee Funding Facility and Retail Deposit Guarantee Scheme.	Achieved	Achieved	Achieved

### *End of Year Performance Reporting*

Performance information for this appropriation will be reported by the Treasury in its 2014/15 Annual Report.

### *Current and Past Policy Initiatives*

Policy Initiative	Year of First Impact	2013/14 Budgeted \$000	2014/15 Budget \$000	2015/16 Estimated \$000	2016/17 Estimated \$000	2017/18 Estimated \$000
SSRSS and KiwiSaver funding removal	2012/13	(22)	(22)	(22)	(22)	(22)
Efficiency savings	2012/13	(9)	(9)	(9)	(9)	(9)

### *Reasons for Change in Appropriation*

The decrease reflects the reduction in residual litigation costs.

### *Conditions on Use of Appropriation*

Reference	Conditions
Section 65ZG of the Public Finance Act	Any money paid by the Crown under a guarantee or indemnity given under section 65ZD and any expenses incurred by the Crown in relation to the guarantee or indemnity may be incurred without further appropriation, and must be paid without further authority, than this section.

## Crown Company Monitoring Advice to the Minister for State-Owned Enterprises and Other Responsible Ministers (M65)

### *Scope of Appropriation*

This appropriation is limited to the provision of ownership, performance monitoring and governance advice to the Minister for State Owned Enterprises and other responsible Ministers in respect of the Ministers' shareholding responsibilities or as responsible Ministers for the New Zealand Lotteries Commission and Public Trust.

### *Expenses and Revenue*

	2013/14		2014/15
	Budgeted \$000	Estimated Actual \$000	Budget \$000
Total Appropriation	5,506	5,479	4,508
Revenue from the Crown	5,506	5,479	4,508
Revenue from Others	-	-	-

### *What is Intended to be Achieved with this Appropriation*

This appropriation is intended to ensure appropriate financial and social returns, and long-term value is achieved from the State-owned enterprises, Crown entity companies (CECs) and Crown entities monitored under this appropriation.

### *How Performance will be Assessed and End of Year Reporting Requirements*

	2013/14		2014/15
	Budgeted Standard	Estimated Actual Standard	Budget Standard
Assessment of Performance			
Board appointments completed for State-Owned Enterprises' directors and directors for other entities.	53 State-Owned Enterprises' directors and 52 directors/board members for other entities	64 State-Owned Enterprises' directors and 64 directors/board members for other entities	38 State-Owned Enterprises' directors and 29 directors/board members for other entities
Technical quality of operational advice papers regarding ownership, performance monitoring and governance as assessed through the general Treasury policy advice quality assessment process.	At least an average of 70%	66%	At least an average of 70%
Annual Portfolio Report produced, which enables assessment of Crown company and Crown Financial Institution performance.	Achieved	Achieved	Achieved

### *End of Year Performance Reporting*

Performance information for this appropriation will be reported by the Treasury in its 2014/15 Annual Report.

### *Statement of Estimated and Forecast Net Worth of Entities Owned*

The Minister for State Owned Enterprises is the responsible Minister for the Government's ownership interests in SOEs (the Minister of Finance is the other shareholding Minister). Other Ministers are responsible for the Government's ownership interest in Crown entity companies (CECs) and Crown

entities (in most cases the Minister of Finance is the other shareholding Minister). The estimated net worth (total assets less total liabilities) of SOEs, CECs and Crown entities that are monitored under this appropriation are listed in the table below.

Changes in net worth result from the net effects of profit (after tax), dividends paid, and capital injections or withdrawals. The data for these organisations are based on forecasts provided for inclusion in the 2014 Budget.

The figures below are the best available at present.

Entities	Balance Date	2013 Actual Net Worth \$000	2014 Estimated Net Worth \$000	2015 Estimated Net Worth \$000
<b>State-Owned Enterprises</b>				
Airways Corporation of New Zealand Ltd	30 June	67,705	77,925	90,389
Animal Control Products Ltd	30 June	5,478	5,501	5,536
AsureQuality Ltd	30 June	37,290	35,394	36,336
Kordia Group Ltd	30 June	93,425	90,676	93,777
Landcorp Farming Ltd	30 June	1,317,327	1,355,522	1,365,580
Meteorological Service of New Zealand Ltd	30 June	16,906	16,179	18,219
New Zealand Post Ltd	30 June	942,332	1,034,561	1,153,920
KiwiRail Holdings	30 June	1,226,798	1,260,099	1,121,231
New Zealand Railways Corporation Ltd (KiwiRail Group)	30 June	3,273,450	3,266,398	3,244,946
Quotable Value New Zealand Ltd	30 June	17,905	22,945	16,545
Solid Energy New Zealand Ltd	30 June	91,539	111,876	53,272
Transpower New Zealand Ltd	30 June	1,437,178	1,423,389	1,475,302
<b>Crown Entity Companies</b>				
Southern Response Earthquake Services Ltd	30 June	5,051	(30,871)	45,566
Crown Asset Management Ltd	30 June	116,786	35,171	22,388
Radio New Zealand Ltd	30 June	49,370	49,735	49,758
Television New Zealand Ltd	30 June	185,910	199,156	223,128
Crown Fibre Holdings Ltd	30 June	240,837	328,739	458,383
Health Benefits Ltd	30 June	38,218	38,140	59,430
Crown Irrigation Investments Ltd	30 June	Not Available - Established 1 July 2013	583	583
The Network for Learning Ltd	30 June	1,878	3,260	560
<b>Crown Entities</b>				
Accident Compensation Corporation	30 June	(2,253,162)	237,070	1,111,978
Housing New Zealand Corporation	30 June	13,324,116	13,401,497	13,475,106
New Zealand Lotteries Commission	30 June	28,475	27,485	27,485
Public Trust	30 June	37,626	39,358	39,591
Earthquake Commission	30 June	(1,370,430)	(1,022,830)	(988,217)
New Zealand Superannuation Fund	30 June	22,548,170	25,156,934	27,033,893
Fairway Resolution Services	30 June	3,816	4,441	4,158

Entities	Balance Date	2013 Actual Net Worth \$000	2014 Estimated Net Worth \$000	2015 Estimated Net Worth \$000
<b>Crown's share of the Crown Companies reported at value calculated by the equity method</b>		<b>100% of Equity</b>	<b>100% of Equity</b>	<b>100% of Equity</b>
Christchurch International Airport Ltd (25% share)	30 June	668,430	630,594	644,708
Dunedin International Airport Ltd (50% share)	30 June	44,332	44,606	46,080
Hawkes Bay Airport Ltd (50% share)	30 June	13,789	17,049	17,895
<b>Mixed Ownership Model companies</b>				
Mighty River Power (51.76% share)	30 June	3,181,748	Not Available	Not Available
Genesis Power Ltd (52.50% share)	30 June	1,949,710	Not Available	Not Available
Meridian Energy Ltd (51.02% share)	30 June	4,688,000	Not Available	Not Available
Air New Zealand Ltd (52.80% share)	30 June	1,816,000	Not Available	Not Available
<b>Entities the Crown has a partial interest in</b>				
Tāmaki Redevelopment Company Ltd	30 June	5,165	Not Available	Not Available

### *Current and Past Policy Initiatives*

Policy Initiative	Year of First Impact	2013/14 Budgeted \$000	2014/15 Budget \$000	2015/16 Estimated \$000	2016/17 Estimated \$000	2017/18 Estimated \$000
Monitoring of ACC and Housing NZ Corporation	2012/13	1,361	1,361	1,361	1,361	1,361
SSRSS and KiwiSaver funding removal	2012/13	(34)	(34)	(34)	(34)	(34)
Efficiency Savings	2012/13	(50)	(50)	(50)	(50)	(50)

### *Reasons for Change in Appropriation*

A one-off transfer into 2013/14 for increased monitoring resources ceases in 2014/15.

### *Conditions on Use of Appropriation*

Reference	Conditions
Operational Advice to Government	The Treasury applies a random sampling approach to assess the technical quality of operational and policy advice. This process will ensure that at least one stream of operational advice from the Crown Ownership Monitoring Unit is selected.

## Crown Company Monitoring Advice to the Minister of Science and Innovation and the Minister for Economic Development (M84)

### *Scope of Appropriation*

This appropriation is limited to the provision of ownership, performance monitoring, and governance advice to the Minister of Science and Innovation and other responsible Ministers in respect of the Ministers' shareholding responsibilities.

### *Expenses and Revenue*

	2013/14		2014/15
	Budgeted \$000	Estimated Actual \$000	Budget \$000
Total Appropriation	483	480	484
Revenue from the Crown	483	480	484
Revenue from Others	-	-	-

### *What is Intended to be Achieved with this Appropriation*

This appropriation is intended to ensure appropriate financial and social returns, and long-term value is achieved from Crown research institutes and Crown entities monitored under this appropriation.

### *How Performance will be Assessed and End of Year Reporting Requirements*

	2013/14		2014/15
	Budgeted Standard	Estimated Actual Standard	Budget Standard
Assessment of Performance			
Board appointments completed for Crown Research Institutes and other entities.	23 directors	20 directors	25 directors
Technical quality of operational advice papers regarding ownership, performance monitoring and governance as assessed through the general Treasury policy advice quality assessment process.	At least an average of 70%	66%	At least an average of 70%

### *End of Year Performance Reporting*

Performance information for this appropriation will be reported by the Treasury in its 2014/15 Annual Report.

### *Statement of Estimated and Forecast Net Worth of Entities Owned*

The Minister of Science and Innovation and the Minister of Economic Development are responsible Ministers for the Government's ownership interests in CRIs and some Crown entities (the Minister of Finance is the other shareholding Minister). The estimated net worth (total assets less total liabilities) for CRIs and the larger Crown entities, which are monitored under this appropriation, are listed in the table below.

Changes in net worth result from the net effects of profit (after tax), dividends paid, and capital injections or withdrawals. The data for these organisations are based on forecasts provided for inclusion in the 2014 Budget.

	Balance date	2013 Actual Net Worth \$000	2014 Estimated Net Worth \$000	2015 Forecasted Net Worth \$000
<b>Entities for which we undertake a secondary monitoring role with the Ministry of Business, Innovation and Employment</b>				
AgResearch Ltd	30 June	213,193	211,139	218,949
Institute of Environmental Science & Research Ltd	30 June	39,118	39,118	39,118
Institute of Geological & Nuclear Sciences Ltd	30 June	27,746	27,746	27,746
Landcare Research New Zealand Ltd	30 June	27,774	27,774	27,774
National Institute of Water & Atmospheric Research Ltd	30 June	100,436	100,436	100,436
Scion	30 June	29,222	29,222	29,222
The New Zealand Institute for Plant & Food Research Ltd	30 June	71,821	71,821	71,821
Research & Education Advanced Network NZ Ltd	30 June	23,166	23,166	23,166
New Zealand Venture Investment Fund Ltd	30 June	95,900	95,900	95,900

### *Current and Past Policy Initiatives*

Policy Initiative	Year of First Impact	2013/14 Budgeted \$000	2014/15 Budget \$000	2015/16 Estimated \$000	2016/17 Estimated \$000	2017/18 Estimated \$000
SSRSS and KiwiSaver	2012/13	(11)	(11)	(11)	(11)	(11)
Efficiency savings	2012/13	(10)	(9)	(9)	(9)	(9)

### *Conditions on Use of Appropriation*

Reference	Conditions
Operational advice to Government	The Treasury applies a random sampling approach to assess the technical quality of operational and policy advice. This process will ensure that at least one stream of operational advice from the Crown Ownership Monitoring Unit is selected.

## **Implementation of Mixed Ownership Model (M31)**

### *Scope of Appropriation and Expenses*

Type, Title, Scope and Period of Appropriations	Appropriations, Adjustments and Use	\$000
<b>Implementation of Mixed Ownership Model (M31)</b>	Original Appropriation	46,802
This appropriation is limited to the policy, operational, and transactional work to implement the Mixed Ownership Model.	Adjustments to 2012/13	-
Commences: 15 December 2011	Adjustments for 2013/14	(17,485)
Expires: 30 June 2015	Adjusted Appropriation	29,317
	Actual to 2012/13 Year End	16,984
	Estimated Actual for 2013/14	10,160
	Estimated Actual for 2014/15	-
	Estimated Appropriation Remaining	2,173

*Revenue*

	Budget \$000
Revenue from the Crown to end of 2014/15	26,970
Revenue from Others to end of 2014/15	174
Total Revenue	27,144

*What is Intended to be Achieved with this Appropriation*

This appropriation is intended to achieve a deepening of capital markets, an enhancement of capital market disciplines and reduced pressure on the Crown to borrow for capital projects.

*How Performance will be Assessed and End of Year Reporting Requirements*

Assessment of Performance	2013/14		2014/15
	Budgeted Standard	Estimated Actual Standard	Budget Standard
Technical quality of operational advice papers regarding ownership, performance monitoring and governance as assessed through the general Treasury policy advice quality assessment process.	At least an average of 70%	At least an average of 70%	At least an average of 70%
Sufficient domestic demand is created such that 85 - 90% of shares are held by New Zealanders.	Achieved	Achieved	Achieved
The process for each Initial Public Offering exceeds an agreed reserve value.	Achieved	Achieved	Achieved
The costs of the sale programme do not exceed 2% of the sale proceeds.	Achieved	Achieved	Achieved

*End of Year Performance Reporting*

Performance information for this appropriation will be reported by the Treasury in its 2014/15 Annual Report.

*Current and Past Policy Initiatives*

Policy Initiative	Year of First Impact	2013/14 Budgeted \$000	2014/15 Budget \$000	2015/16 Estimated \$000	2016/17 Estimated \$000	2017/18 Estimated \$000
Setting up the Implementation of Mixed Ownership Model	2011/12	15,313	1,000	-	-	-

*Reasons for Change in Appropriation*

Changes in the appropriation reflect the timing of the partial asset sale programme and the attributions of costs across the related appropriations.

## Policy Advice - Finance (M31)

### *Scope of Appropriation*

This appropriation is limited to the provision of advice (including second opinion advice and contributions to policy advice led by other agencies) to support decision-making by Ministers on government policy matters relating to Finance.

### *Expenses and Revenue*

	2013/14		2014/15
	Budgeted \$000	Estimated Actual \$000	Budget \$000
Total Appropriation	34,898	32,655	34,704
Revenue from the Crown	34,866	32,623	34,692
Revenue from Others	32	32	12

### *What is Intended to be Achieved with this Appropriation*

This appropriation is intended to enable and facilitate Ministerial decision-making that achieves for New Zealand improved economic performance; a high performing State sector; and a stable and sustainable macroeconomic environment.

### *How Performance will be Assessed and End of Year Reporting Requirements*

	2013/14		2014/15
	Budgeted Standard	Estimated Actual Standard	Budget Standard
Assessment of Performance			
<b>Existing measures</b>			
Technical quality of policy advice papers assessed by a survey with a methodical robustness of 90% (see Note 1).	At least an average of 70%	At least an average of 70%	At least an average of 70%
The satisfaction of the Minister of Finance with the policy advice service, as per the common satisfaction survey.	At least 70%	At least 70%	At least 70%
The total cost per hour of producing outputs.	\$159	\$158	\$159
The welfare system operates further in line with the investment approach, based on the external valuation (see Note 2).	Achieved	Achieved	Achieved
Budget decisions are in line with short-term fiscal intentions in the Budget Policy Statement (BPS).	Achieved	Achieved	Achieved
Significant Regulatory Impact Statements meet most or all of Regulatory Impact Analysis Requirements.	90%	85%	90%
Tax revenue forecast error on one-year-ahead forecasts.	Less than +/- 3%	Less than +/- 3%	Less than +/- 3%
Production of advice that provides options which allow the Government to deliver a credible fiscal strategy consistent with the fiscal prudence provisions of the Public Finance Act 1989. Where this advice is underpinned by modelling, major models are externally Quality Assured and, where appropriate, assumptions are tested with suitably qualified external experts.	Achieved	Achieved	Achieved



Assessment of Performance	2013/14		2014/15
	Budgeted Standard	Estimated Actual Standard	Budget Standard
<b>Expiring measures</b>			
The percentage of agencies who receive "strong" or "well-placed" PIF ratings for Working for Others.	55%	50% of all reviewed agencies in the consolidated report.	Expired measure
The long-term fiscal statement (published in July 2013) is credible and robust.	Achieved	Achieved	Expired measure
The Treasury remains amongst the top two forecasters of the New Zealand economy in forecasting GDP and CPI over a rolling 10-year period.	Achieved	Achieved	Expired measure

Note 1 - The higher the robustness score, the stronger the methodological quality of the completed assessment.

Note 2 - Through its Vote role and role as the external monitor of Work and Income (a division of the Ministry of Social Development), the Treasury will help to ensure:

- a plan for implementing the Investment Approach has been fully developed
- ongoing valuations of the benefit system are completed, and
- progress is made on providing the Ministry of Social Development with flexibility over funding to enable it to allocate resource in accordance with the valuation.

## Standards of Policy Advice

Reference	Conditions
Quality Standards for Policy Advice	<p>This Quality Standard for Policy Advice sets out the characteristics or dimensions of policy advice that will best enable it to promote well-informed, high-quality decision-making by Ministers. However, the quality dimensions below are not a checklist and not all dimensions will be equally important in every case - judgements are required at the outset about how to apply and balance the quality dimensions to ensure a particular piece of advice is fit for purpose in achieving the result sought.</p> <p>When undertaking a piece of work, explicit consideration needs to be given to the following:</p> <ul style="list-style-type: none"> <li>• What point are Ministers at in their decision-making process?</li> <li>• Can the Treasury add value?</li> <li>• What are our opportunities to have an impact?</li> <li>• What result are we seeking by providing a piece of advice?</li> <li>• How should the quality dimensions below be applied and balanced to achieve this result?</li> <li>• What is the relative priority of this piece of work?</li> <li>• • What level of investment is warranted?</li> </ul>

## Dimensions of Policy Advice

<p>Advice Analytically Rigorous (Analysis):</p>	<p>Set in a Wider Strategic Context (Applied Analysis):</p>	<p>Customer-focused and Persuasive (Advice):</p>
<p><b>Relevant frameworks</b></p> <ul style="list-style-type: none"> <li>• Appropriate analytical frameworks are used.</li> <li>• Appropriate microeconomic, macroeconomic, mathematical and econometric tools are used.</li> <li>• Knowledge is up-to-date and informed by recent thinking and literature in the field.</li> <li>• Assumptions behind the frameworks used are explicit and consideration has been given to how they will be expected to play out in the real world (a world which includes information and transaction costs, bounded rationality, market failure, government failure, etc).</li> <li>• Consideration has been given to less traditional frameworks and whether they would add innovative or useful perspectives.</li> </ul>	<p><b>Strategic</b></p> <ul style="list-style-type: none"> <li>• Advice is set in the context of the Living Standards framework, the Treasury's outcomes and the Government's broader objectives.</li> <li>• We are explicit about the relative importance and materiality of the issue, in fiscal, economic and strategic terms.</li> <li>• Connections across policy issues are made, ensuring that Ministers receive a whole-of-government perspective.</li> <li>• Advice includes consideration of the long-term implications of decisions.</li> <li>• We frame issues and help set the agenda.</li> </ul>	<p><b>Clear and well-written</b></p> <p>Advice is compellingly presented. It is:</p> <ul style="list-style-type: none"> <li>• brief and concise - key messages should be readily apparent to the reader</li> <li>• easy to read - has a clear and logical structure, avoids technical jargon and uses visual devices such as charts and tables where possible</li> <li>• pitched to suit the audience - uses appropriate language, style and level of detail</li> <li>• framed in terms of how it fits with previous advice and communications with the 'customer' (often this is the Minister), and</li> <li>• free from errors (including data errors).</li> </ul>
<p><b>Robust reasoning and logic</b></p> <p>Advice has a clear purpose, problem definition, evaluation of options against criteria, and assessment of risks and opportunities. We come to a conclusion and give action-oriented recommendations.</p>	<p><b>Practical</b></p> <ul style="list-style-type: none"> <li>• Advice is strongly focused on achieving results. The results associated with achieving success are clearly articulated. A good understanding is conveyed of what will be required for policy success.</li> <li>• Advice considers opportunities, risks, and management of uncertainty and change.</li> <li>• Issues of implementation, technical feasibility, practicality and timing are considered.</li> <li>• Advice accurately identifies compliance, transitional, legislative, revenue and administrative implications and costs.</li> <li>• Advice identifies measurable indicators of success and sets out a plan for monitoring and evaluation where appropriate.</li> </ul>	<p><b>Timely</b></p> <p>Advice is timed for when it can have the greatest influence and for when it best helps in the decision-making process (even if it means, at times, that advice is not fully developed). It should indicate when a decision is required (unless there is no deadline).</p>
<p><b>Evidence-based</b></p> <p>Analysis is supported by relevant evidence:</p> <ul style="list-style-type: none"> <li>• empirical methods are sound, data gaps are identified and the level of confidence/certainty in our empirical base is explicit</li> <li>• we draw on New Zealand's experience of current and past policy interventions and, where relevant, the experience of other countries, and</li> <li>• we give our best judgement despite data imperfections; we acknowledge information limitations and advise within them.</li> </ul>	<p><b>Public sector consultation</b></p> <p>Ministers receive advice that enables them to engage with their colleagues on a fully informed basis because:</p> <ul style="list-style-type: none"> <li>• thorough and timely consultation with other government departments has occurred and points of difference, and the reasons for these, are set out, and</li> <li>• where possible, advice is developed in conjunction with relevant government agencies.</li> </ul>	<p><b>Politically aware advice</b></p> <p>Advice:</p> <ul style="list-style-type: none"> <li>• demonstrates awareness of the wider environment and political situation</li> <li>• relates to the perspectives of Ministers, even if suggesting something that tests those perspectives, and</li> <li>• recognises choices and constraints Ministers face, and includes a range of options to address these.</li> </ul>

Advice Analytically Rigorous (Analysis):	Set in a Wider Strategic Context (Applied Analysis):	Customer-focused and Persuasive (Advice):
<b>Free and frank</b> Our advice is honest, impartial and politically neutral - we have a duty to alert Ministers to the possible consequences of following particular policies, whether or not such advice accords with Ministers' views. Good free and frank advice is offered with an understanding of its political context and the constraints within which the Minister is operating.	<b>Perspectives of wider stakeholders</b> <ul style="list-style-type: none"> <li>Where possible, policy advice should be informed by the practical experiences of key stakeholders and by understandings of sector performance.</li> <li>We understand and advise Ministers on the perspective of groups outside the public sector, consult with key stakeholders, and provide advice on communications where appropriate.</li> </ul>	<b>Solution-focused</b> We are proactive, anticipating, as well as responding to, Ministers' needs. Advice is action-oriented and suggests a clear way forward ("Here is what you can do" as well as "Here is a problem") and includes a range of practical options (first best advice, but also second and third).
		<b>Effective communication</b> <ul style="list-style-type: none"> <li>We communicate our advice based on how to most effectively engage with the customer, including: the mode of communication (ie, verbal or written), and</li> <li>the form of advice (eg, written paper or A3).</li> </ul>

### *End of Year Performance Reporting*

Performance information for this appropriation will be reported by the Treasury in its 2014/15 Annual Report.

### *Current and Past Policy Initiatives*

Policy Initiative	Year of First Impact	2013/14 Budgeted \$000	2014/15 Budget \$000	2015/16 Estimated \$000	2016/17 Estimated \$000	2017/18 Estimated \$000
Social Housing work	2013/14	1,942	2,817	-	-	-
Monitoring of Phase 2 of Welfare Reforms	2013/14	750	750	-	-	-
SSRSS and KiwiSaver funding removal	2012/13	(916)	(916)	(916)	(916)	(916)
Efficiency Savings	2012/13	(585)	(522)	(522)	(522)	(512)

### *Reasons for Change in Appropriation*

The decrease relates to the cessation of one-off transfers into 2013/14 for project work. This was partially offset by savings in 2013/14 associated with the monitoring of phase 2 of Welfare Reforms.

## Provision of Financial Operations Services and Operational Advice (M31)

### *Scope of Appropriation*

This appropriation is limited to the provision of services which support the performance of the State sector, including fiscal reporting, forecasting and monitoring; provision of Export Credit; and the management, administration and monitoring of Crown Guarantee Schemes, Crown Lending, Crown Investments and Crown Bank Accounts.

### *Expenses and Revenue*

	2013/14		2014/15
	Budgeted \$000	Estimated Actual \$000	Budget \$000
Total Appropriation	33,186	32,323	29,251
Revenue from the Crown	29,772	28,909	27,050
Revenue from Others	3,012	3,012	2,201

### *What is Intended to be Achieved with this Appropriation*

This appropriation is intended to improve economic performance and financial stewardship across the State Sector, export and financial markets, through provision of relevant and timely operational support, services and advice.

### *How Performance will be Assessed and End of Year Reporting Requirements*

	2013/14		2014/15
	Budgeted Standard	Estimated Actual Standard	Budget Standard
Assessment of Performance			
<b>Existing measures</b>			
Management of liabilities and investigation of mechanisms to discharge the Crown's obligations in a timely manner ensuring any costs from the materialisation of liabilities are contained (see Measurement Standards).	Achieved	Achieved	Achieved
Agencies comply with Cabinet's capital approval requirements and the Better Business Cases standard.	100%	100%	100%
All new significant operating expenditure proposals received during the budget process are subject to cost benefit analysis (or similar) (see Measurement Standards).	100%	100%	100%
Improvement in Benchmarking Administrative and Support Services effectiveness and efficiency indicators.	Achieved	Achieved	Achieved
Audit opinion issued by the Controller and Auditor-General on the Financial Statements of Government.	Unqualified	Unqualified	Unqualified
Two Economic and Fiscal Updates produced, clearly explained and with conclusions tested with external panels.	Achieved	Achieved	Achieved
Monthly Financial Statements of Government produced in accordance with the PFA requirements and free from material errors.	Achieved	Achieved	Achieved
Compliance with risk management policies and parameters for management of Crown lending and Crown bank accounts.	No breaches	No breaches	No breaches

	2013/14		2014/15
Assessment of Performance	Budgeted Standard	Estimated Actual Standard	Budget Standard
Provide advice to Ministers on the risk status of major monitored projects and options for mitigation of those risks, through the tri-annual reporting process for all monitored projects and through interim briefings as required.	100% of advice and reports are provided	Achieved	100% of advice and reports are provided
Maintain Gateway as the essential assurance methodology for major capital investments in the system.	Complete at least 13 Gateway reviews in 2013/14, and 85% of Senior Responsible Owners agree "Review was beneficial and will impact positively on the outcome of the programme/project" and "Report's recommendations will enable me to achieve improvements in the project's outcomes."	17 Reviews completed between December 2013 and June 2014 and at least 85% of Senior Responsible Owners agree "Review was beneficial and will impact positively on the outcome of the programme/project" and "Report's recommendations will enable me to achieve improvements in the project's outcomes."	Complete at least 24 reviews and 85% of Senior Responsible Owners agree "Review was beneficial and will impact positively on the outcome of the programme/project" and "Report's recommendations will enable me to achieve improvements in the project's outcomes."
<b>Expired measures</b>			
Agencies' or Sectors' Four-year Plans outline a credible medium-term plan for living within baselines and delivering the Government's priorities.	100%	40%	Expired measure
Asset performance indicators developed for key social assets.	Key indicators agreed, collected, and used in analysis	Achieved	Expired measure
Infrastructure State of the Nation report produced by 30 June.	Achieved	Achieved	Expired measure
<b>New measures</b>			
National Infrastructure Plan 2015 produced by 30 June 2015.	N/A	N/A	Achieved
<b>Replacement measures</b>			
Enhance the collection and use of agreed asset based performance information.	N/A	N/A	Achieved
Percentage of Four-year Plans submitted by agencies that meet the criteria expected of a credible medium term strategic plan.	N/A	N/A	60% target
<b>New Zealand Export Credit Office</b>			
<b>Existing measures</b>			
New export credit policies underwritten.	82	70	80
New exports supported.	\$305 million	\$275 million	\$300 million
New exposure of export credit policies.	\$125 million	\$110 million	\$120 million
Compliance with International Guidelines (OECD and WTO) and Delegated Mandate.	100%	100%	100%
Forecast total external engagements in 2011/12.	370	380	420
<b>Expiring measures</b>			
Operating Expense/Earned Premium plus Application Fees ratio.	Maintained or declining	Declining (65%)	Expired measure
Complaints received regarding delivery of services or complaints are due to issues outside of NZECO's mandate.	None	None	Expired measure
Claims and Provisions/Total exposure and undrawn commitments ratio.	Lower than or comparable to other ECA long-run ratios of between 4% - 9%	Not achieved	Expired measure

Assessment of Performance	2013/14		2014/15
	Budgeted Standard	Estimated Actual Standard	Budget Standard
<b>New measures</b>			
Five-year Loss Ratio (Claims Paid & Reserved / Premium Earned).	N/A	N/A	lower than 35%
Since inception Loss Ratio (Total Claims Paid & Reserved /Total Premium Earned).	N/A	N/A	lower than 35%

Note - The Gateway function was transferred to the Treasury from the State Services Commission from 1 December 2013. 2013/14 numbers represent performance from that date.

## Measurement Standards

Reference	Conditions
Management of liabilities and investigation of mechanisms to discharge the Crown's obligations in a timely manner ensuring any costs from the materialisation of liabilities are contained.	The output class covers the management and resolution of contingent or actual liabilities associated with various Crown commitments and assets - for instance, gas and geothermal reserves, Treaty settlements and New Zealand House. In some cases, the Treasury is a provider of second-opinion advice rather than a lead agency on these matters.
All new significant operating expenditure proposals are subject to cost benefit analysis (or similar).	The analysis should cover: <ul style="list-style-type: none"> <li>• problem definition</li> <li>• intervention logic</li> <li>• options analysis</li> <li>• evaluation of the initiative's contribution to your agency's/sector's outcomes and result areas</li> <li>• how the new initiative will be implemented and evaluated, and</li> <li>• options for scaling the initiative.</li> </ul>

## End of Year Performance Reporting

Performance information for this appropriation will be reported by the Treasury in its 2014/15 Annual Report.

## Current and Past Policy Initiatives

Policy Initiative	Year of First Impact	2013/14 Budgeted \$000	2014/15 Budget \$000	2015/16 Estimated \$000	2016/17 Estimated \$000	2017/18 Estimated \$000
Optimise Finance Initiative	2012/13	1,036	-	-	-	-
SSRSS and KiwiSaver funding removal	2012/13	(123)	(123)	(123)	(123)	(123)
Efficiency Savings	2012/13	(36)	(33)	(33)	(33)	(33)
Analysis for Outcomes: Better use of the Data to Improve Outcomes	2013/14	2,080	2,380	2,380	2,303	2,319

## Reasons for Change in Appropriation

The decrease in this appropriation for 2014/15 is mainly due to the removal of one-off funding in 2013/14 for the Optimise Finance project of \$1.600 million, recoverable expenditure of \$1.500 million and expense transfers for a range of projects of \$2.200 million. These are partially offset by increases for the full year operation of Analysis for Outcomes, and Gateway and Major Project Monitoring activities that transferred from the State Services Commission from 1 December 2013.

## Provision of Financial Services to the New Zealand Local Government Funding Agency RDA (M31)

### *Scope of Appropriation*

This appropriation is limited to expenses incurred in connection with the provision of financial services on a commercial basis to the New Zealand Local Government Funding Agency (LGFA).

### *Expenses and Revenue*

	2013/14		2014/15
	Budgeted \$000	Estimated Actual \$000	Budget \$000
Total Appropriation	165	165	165
Revenue from the Crown	-	-	-
Revenue from Others	165	165	165

### *What is Intended to be Achieved with this Appropriation*

This appropriation is intended to deliver high quality administrative services to the New Zealand Local Government Funding Agency to enable them to optimise the debt funding terms and conditions for participating Local Authorities.

### *How Performance will be Assessed and End of Year Reporting Requirements*

	2013/14		2014/15
	Budgeted Standard	Estimated Actual Standard	Budget Standard
Assessment of Performance			
Agreed service level standards are met.	Achieved	Achieved	Achieved

### *End of Year Performance Reporting*

Performance information for this appropriation will be reported by the Treasury in its 2014/15 Annual Report.

## Shared Support Services (M31)

### *Scope of Appropriation*

This appropriation is limited to provision of support services to other agencies.

### *Expenses and Revenue*

	2013/14		2014/15
	Budgeted \$000	Estimated Actual \$000	Budget \$000
Total Appropriation	9,654	9,654	10,400
Revenue from the Crown	-	-	-
Revenue from Others	9,654	9,654	10,400

*What is Intended to be Achieved with this Appropriation*

This appropriation is intended to achieve quality, efficient support services for other agencies.

*How Performance will be Assessed and End of Year Reporting Requirements*

	2013/14		2014/15
	Budgeted Standard	Estimated Actual Standard	Budget Standard
Assessment of Performance			
Service level standards are met to the standards and timeframes agreed with the three central agencies.	Achieved	Achieved	Achieved

*End of Year Performance Reporting*

Performance information for this appropriation will be reported by the Treasury in its 2014/15 Annual Report.

*Reasons for Change in Appropriation*

The increase in this appropriation for 2014/15 is due to the shared support services provided through the Treasury for emergency management functions that became part of the Department of Prime Minister and Cabinet from 1 April 2014.

## 2.3 - Departmental Capital Expenditure and Capital Injections

### The Treasury - Capital Expenditure PLA (M31)

*Scope of Appropriation*

This appropriation is limited to the purchase or development of assets by and for the use of the Treasury, as authorised by section 24(1) of the Public Finance Act 1989.

*Capital Expenditure*

	2013/14		2014/15
	Budgeted \$000	Estimated Actual \$000	Budget \$000
Forests/Agricultural	-	-	-
Land	-	-	-
Property, Plant and Equipment	1,946	1,946	2,593
Intangibles	4,175	4,175	2,240
Other	-	-	-
<b>Total Appropriation</b>	<b>6,121</b>	<b>6,121</b>	<b>4,833</b>

*What is Intended to be Achieved with this Appropriation*

This appropriation is intended to achieve the renewal, upgrade or redesign of assets in support of the delivery of Treasury services.



*How Performance will be Assessed and End of Year Reporting Requirements*

Expenditure is in accordance with the Treasury capital asset management plan.

*End of Year Performance Reporting*

Performance information for this appropriation will be reported by the Treasury in its 2014/15 Annual Report.

*Capital Injections and Movements in Departmental Net Assets***The Treasury**

Details of Net Asset Schedule	2013/14 Estimated Actual \$000	2014/15 Projected \$000	Explanation of Projected Movements in 2014/15
Opening Balance	8,957	12,660	
Capital Injections	4,105	700	Ongoing development of the Business Information Hub system which will assist in the management of debt and investments.
Capital Withdrawals	-	-	
Surplus to be Retained (Deficit Incurred)	(402)	-	
Other Movements	402	-	
<b>Closing Balance</b>	<b>13,062</b>	<b>13,360</b>	

## Part 3 - Details of Non-Departmental Appropriations

### 3.1 - Non-Departmental Output Expenses

#### Management of New Zealand House, London (M31)

##### *Scope of Appropriation*

This appropriation is limited to the property management services in respect of New Zealand House, London.

##### *Expenses*

	2013/14		2014/15
	Budgeted \$000	Estimated Actual \$000	Budget \$000
Total Appropriation	1,000	300	1,000

##### *What is Intended to be Achieved with this Appropriation*

The appropriation is intended to achieve property management services in respect of New Zealand House, London.

##### *End of Year Performance Reporting*

An exemption was granted under s15D(2)(b)(iii) of the PFA as the amount of this annual appropriation for non-departmental output expense is less than \$5 million.

##### *Service Providers*

Services are provided through Jones Lang International Property Consultants, London.

#### Management of the Crown's Obligations for Geothermal Wells (M31)

##### *Scope of Appropriation*

This appropriation is limited to the management and maintenance relating to geothermal wells and associated sites and structures for which the Crown accepts responsibility.

##### *Expenses*

	2013/14		2014/15
	Budgeted \$000	Estimated Actual \$000	Budget \$000
Total Appropriation	295	145	151

*What is Intended to be Achieved with this Appropriation*

The appropriation is intended to achieve management and maintenance relating to geothermal wells and associated sites and structures for which the Crown accepts responsibility.

*End of Year Performance Reporting*

An exemption was granted under s15D(2)(b)(iii) of the PFA as the amount of this annual appropriation for non-departmental output expense is less than \$5 million.

*Service Providers*

Services will be provided by Aurecon Limited and other providers if required.

*Reasons for Change in Appropriation*

The reduction in 2014/15 reflects the cessation of a short term increase in 2013/14 due to an expense transfer from 2012/13 for remedial work on redundant geothermal assets at Wairakei.

**Management of the New Zealand Superannuation Fund (M31)***Scope of Appropriation*

This appropriation is limited to managing the New Zealand Superannuation Fund on behalf of the Crown.

*Expenses*

	2013/14		2014/15
	Budgeted \$000	Estimated Actual \$000	Budget \$000
Total Appropriation	528	408	528

*What is Intended to be Achieved with this Appropriation*

The appropriation is intended to achieve the management and administration of the Guardians of New Zealand Superannuation Fund.

*How Performance will be Assessed and End of Year Reporting Requirements*

	2013/14		2014/15
	Budgeted Standard	Estimated Actual Standard	Budget Standard
Assessment of Performance			
The Guardians of New Zealand Superannuation manage and administer the Fund in accordance with their Statement of Intent.	Achieved	Achieved	Achieved

*End of Year Performance Reporting*

Performance information for this appropriation will be reported by the Government Superannuation Fund Authority in their 2014/15 Annual Report to be tabled in the House.

### 3.3 - Non-Departmental Borrowing Expenses

#### Debt Servicing PLA (M31)

##### *Scope of Appropriation*

This appropriation is limited to the payment of borrowing expenses for the Crown's New Zealand-dollar and foreign-currency debt, authorised by section 60(1)b of the Public Finance Act 1989.

##### *Expenses*

	2013/14		2014/15
	Budgeted \$000	Estimated Actual \$000	Budget \$000
Total Appropriation	3,554,913	3,554,913	3,622,323

##### *What is Intended to be Achieved with this Appropriation*

The appropriation is intended to achieve the payment of borrowing expenses for the Crown's New Zealand-dollar and foreign-currency debt, authorised by section 60(1)b of the Public Finance Act 1989.

##### *Reasons for Change in Appropriation*

The change reflects forecast interest rate movements and the amount of debt outstanding.

### 3.4 - Non-Departmental Other Expenses

#### Crown Residual Liabilities (M31)

##### *Scope of Appropriation*

Residual obligations arising from administration of the Crown's sale and purchase agreements with SOEs and Crown entities and from the sale of Crown investments, and for the settlement of claims against the Crown arising from exposure to asbestos.

##### *Expenses*

	2013/14		2014/15
	Budgeted \$000	Estimated Actual \$000	Budget \$000
Total Appropriation	455	55	230

##### *What is Intended to be Achieved with this Appropriation*

The appropriation is intended to achieve the administration of residual obligations arising from the Crown's sale and purchase agreements with SOEs and Crown entities and from the sale of Crown investments, and for the settlement of claims against the Crown arising from exposure to asbestos.

### *End of Year Performance Reporting*

An exemption was granted under s15D(2)(b)(iii) of the PFA as the amount of this annual appropriation for non-departmental other expense is less than \$5 million.

### *Reasons for Change in Appropriation*

An expense transfer of \$225,000 was approved from 2012/13 to reflect the uncertain nature of expenditure in addressing the obligations associated with residual Crown liabilities.

## **Direct Sale costs for Implementing the Mixed Ownership Model (M31)**

### *Scope of Appropriation and Expenses*

Type, Title, Scope and Period of Appropriations	Appropriations, Adjustments and Use	\$000
<b>Direct Sale costs for Implementing the Mixed Ownership Model (M31)</b>	Original Appropriation	56,000
This appropriation is limited to the direct sales costs of implementing the Mixed Ownership Model.	Adjustments to 2012/13	-
	Adjustments for 2013/14	6,485
Commences: 15 December 2011	Adjusted Appropriation	62,485
Expires: 30 June 2015	Actual to 2012/13 Year End	21,511
	Estimated Actual for 2013/14	38,974
	Estimated Actual for 2014/15	-
	Estimated Appropriation Remaining	2,000

### *What is Intended to be Achieved with this Appropriation*

This appropriation is intended to achieve a deepening of capital markets, an enhancement of capital market disciplines and reduced pressure on the Crown to borrow for capital projects.

### *How Performance will be Assessed and End of Year Reporting Requirements*

Assessment of Performance	2013/14		2014/15
	Budgeted Standard	Estimated Actual Standard	Budget Standard
Sufficient domestic demand is created such that 85 - 90% of shares are held by New Zealanders.	Achieved	Achieved	Achieved
The process for each initial Public Offering exceeds an agreed reserve value.	Achieved	Achieved	Achieved
The costs of the sale programme do not exceed 2% of the sale proceeds.	Achieved	Achieved	Achieved

### *End of Year Performance Reporting*

Performance information for this appropriation will be reported by the Minister of Finance in the Treasury's 2014/15 Annual Report.

*Current and Past Policy Initiatives*

Policy Initiative	Year of First Impact	2013/14 Budgeted \$000	2014/15 Budget \$000	2015/16 Estimated \$000	2016/17 Estimated \$000	2017/18 Estimated \$000
Direct Sale costs for Implementing the Mixed Ownership Model	2011/2012	6,000	-	-	-	-

*Reasons for Change in Appropriation*

Direct sale costs of implementing the Mixed Ownership Model have been aligned with the timing of partial asset sales.

**Geothermal Wells Fund (M31)***Scope of Appropriation*

This appropriation is limited to meeting the costs of one-off unforeseen events relating to those geothermal wells for which the Crown accepts responsibility.

*Expenses*

	2013/14		2014/15
	Budgeted \$000	Estimated Actual \$000	Budget \$000
Total Appropriation	500	-	500

*What is Intended to be Achieved with this Appropriation*

The appropriation is intended to achieve meeting the costs of one-off unforeseen events relating to those geothermal wells for which the Crown accepts responsibility.

*How Performance will be Assessed and End of Year Reporting Requirements*

An exemption was granted under s15D(2)(b)(iii) of the PFA as the amount of this annual appropriation for non-departmental output expense is less than \$5 million.

**Government Superannuation Appeals Board (M31)***Scope of Appropriation*

This appropriation is limited to the expenses of the Government Superannuation Appeals Board in performing its functions under the Government Superannuation Fund Act 1956.

*Expenses*

	2013/14		2014/15
	Budgeted \$000	Estimated Actual \$000	Budget \$000
Total Appropriation	50	50	50

*What is Intended to be Achieved with this Appropriation*

The appropriation is intended to achieve the on-going operations of the Government Superannuation Appeals Board.

*How Performance will be Assessed and End of Year Reporting Requirements*

An exemption was granted under s15D(2)(b)(ii) of the PFA, as additional information is unlikely to be informative because this appropriation is solely for payments of board fees, disbursements and allowances. Performance information relating to the administration of the payment is provided under the Provision of Financial Operations Services and Operational Advice appropriation.

**Government Superannuation Fund Authority - Crown's Share of Expenses PLA (M31)***Scope of Appropriation*

This appropriation is limited to the Crown's share of the expenses of the Government Superannuation Fund Authority relating to the management and administration of the Government Superannuation Fund and the schemes, authorised by sections 15E and 95 of the Government Superannuation Act 1956.

*Expenses*

	2013/14		2014/15
	Budgeted \$000	Estimated Actual \$000	Budget \$000
Total Appropriation	27,856	27,856	28,523

*What is Intended to be Achieved with this Appropriation*

The appropriation is intended to achieve the management and administration of the Government Superannuation Fund and the schemes, authorised by sections 15E and 95 of the Government Superannuation Act 1956 through payment of the Crown's share of the expenses of the Government Superannuation Fund Authority.

*How Performance will be Assessed and End of Year Reporting Requirements*

Performance information for this appropriation will be reported by the Government Superannuation Fund Authority in the Government Superannuation Fund Authority in their 2014/15 Annual Report to be tabled in the House.

*Reasons for Change in Appropriation*

The Crown's share of expenses for the management and administration of the Government Superannuation Fund Unfunded Liability was increased to reflect the latest forecast of expenses following the 28 February 2014 Government Superannuation Fund revaluation.

## Government Superannuation Fund Unfunded Liability PLA (M31)

### *Scope of Appropriation*

This appropriation is limited to the net increase (excluding actuarial gains and losses) in the Crown's liability to the Government Superannuation Fund and the specified superannuation contribution withholding tax on employer contributions by the Crown, authorised by section 95AA of the Government Superannuation Act 1956.

### *Expenses*

	2013/14		2014/15
	Budgeted \$000	Estimated Actual \$000	Budget \$000
Total Appropriation	619,174	619,174	735,397

### *What is Intended to be Achieved with this Appropriation*

The appropriation is intended to recognise the Crown's liability to the Government Superannuation Fund and the specified superannuation contribution withholding tax on employer contributions by the Crown as authorised by section 95AA of the Government Superannuation Act 1956 in accordance with generally accepted accounting practice.

### *How Performance will be Assessed and End of Year Reporting Requirements*

An exemption was granted under s15D(2)(b)(ii) of the PFA, as additional information is unlikely to be informative because this appropriation is solely for technical accounting treatment of the Crown's liability.

### *Current and Past Policy Initiatives*

Policy Initiative	Year of First Impact	2013/14 Budgeted \$000	2014/15 Budget \$000	2015/16 Estimated \$000	2016/17 Estimated \$000	2017/18 Estimated \$000
Budget 2010 Tax Package	2011/12	17,000	-	-	-	-

### *Reasons for Change in Appropriation*

The increase in this appropriation for 2014/15 reflects the valuation of the liability based on the 28 February 2014 Government Superannuation Fund revaluation.



## Impairment of Loans to Taitokerau Forest Limited (M31)

### *Scope of Appropriation*

This appropriation is limited to the expense incurred on the impairment of new loans to Taitokerau Forests Limited.

### *Expenses*

	2013/14		2014/15
	Budgeted \$000	Estimated Actual \$000	Budget \$000
Total Appropriation	200	-	200

### *What is Intended to be Achieved with this Appropriation*

The appropriation is intended to provide for the impairment of new loans to Taitokerau Forests Limited in accordance with generally accepted accounting practice.

### *How Performance will be Assessed and End of Year Reporting Requirements*

An exemption was granted under s15D(2)(b)(ii) of the PFA, as additional information is unlikely to be informative because this appropriation is solely for the technical accounting treatment under the loan agreement with Taitokerau Forests Limited.

## Landcorp Protected Land Agreement - Operating (M31)

### *Scope of Appropriation*

This appropriation is limited to providing for operating costs incurred under the Landcorp Protected Land Agreement.

### *Expenses*

	2013/14		2014/15
	Budgeted \$000	Estimated Actual \$000	Budget \$000
Total Appropriation	4,857	1,857	2,000

### *What is Intended to be Achieved with this Appropriation*

The appropriation is intended to achieve providing for operating costs incurred under the Landcorp Protected Land Agreement.

### *How Performance will be Assessed and End of Year Reporting Requirements*

An exemption was granted under s15D(2)(b)(iii) of the PFA as the amount of this annual appropriation for non-departmental other expense is less than \$5 million.

### *Reasons for Change in Appropriation*

The decrease in appropriation reflects an expense transfer into 2013/14 from 2012/13 to address additional costs and lower offsetting revenue associated with the drought in February 2013.

### **Loyalty Bonus Scheme Related to Initial Public Offers (M31)**

#### *Scope of Appropriation and Expenses*

Type, Title, Scope and Period of Appropriations	Appropriations, Adjustments and Use	\$000
<b>Loyalty Bonus Scheme Related to Initial Public Offers (M31)</b> This appropriation is limited to expenses incurred by allocating shares under a loyalty bonus scheme to eligible investors in initial public offers.  Commences: 01 March 2013  Expires: 30 June 2016	Original Appropriation	40,000
	Adjustments to 2012/13	-
	Adjustments for 2013/14	12,100
	Adjusted Appropriation	52,100
	Actual to 2012/13 Year End	24,677
	Estimated Actual for 2013/14	22,000
	Estimated Actual for 2014/15	-
	Estimated Appropriation Remaining	5,423

#### *What is Intended to be Achieved with this Appropriation*

This appropriation is intended to achieve the implementation of a Loyalty Bonus Share Issue from Initial Public Offers.

#### *How Performance will be Assessed and End of Year Reporting Requirements*

	2013/14		2014/15
	Budgeted Standard	Estimated Actual Standard	Budget Standard
Assessment of Performance			
Sufficient domestic demand is created such that 85 - 90% of shares are held by New Zealanders.	Achieved	Achieved	Achieved
The process for each Initial Public Offering exceeds an agreed reserve value.	Achieved	Achieved	Achieved
The costs of the sale programme do not exceed 2% of the sale proceeds.	Achieved	Achieved	Achieved

#### *End of Year Performance Reporting*

Performance information for this appropriation will be reported by the Minister of Finance in the Treasury's 2014/15 Annual Report.

#### *Current and Past Policy Initiatives*

Policy Initiative	Year of First Impact	2013/14 Budgeted \$000	2014/15 Budget \$000	2015/16 Estimated \$000	2016/17 Estimated \$000	2017/18 Estimated \$000
Loyalty Bonus Scheme Related to Initial Public Offers - Genesis	2013/14	1,100	-	-	-	-

### *Reasons for Change in Appropriation*

This appropriation was established to cover the costs of running a Loyalty Bonus Share Issue from Initial Public Offers as part of the partial asset sale programme. It has been used in the Mighty River Power in 2012/13 and Genesis Initial Public Offers in 2013/14.

### **National Provident Fund Schemes - Liability Under Crown Guarantee PLA (M31)**

#### *Scope of Appropriation*

This appropriation is limited to the net increase (excluding actuarial gains and losses) in the Crown's liability for benefits payable to members of National Provident Fund schemes under the Crown guarantee in section 60 of the National Provident Fund Restructuring Act 1990. This appropriation is authorised by section 66 of the National Provident Fund Restructuring Act 1990.

#### *Expenses*

	2013/14		2014/15
	Budgeted \$000	Estimated Actual \$000	Budget \$000
Total Appropriation	26,000	26,000	25,000

#### *What is Intended to be Achieved with this Appropriation*

The appropriation is intended to achieve the recognition of the net increase (excluding actuarial gains and losses) in the Crown's liability for benefits payable to members of National Provident Fund schemes under the Crown guarantee in section 60 of the National Provident Fund Restructuring Act 1990. This appropriation is authorised by section 66 of the National Provident Fund Restructuring Act 1990.

#### *How Performance will be Assessed and End of Year Reporting Requirements*

An exemption was granted under s15D(2)(b)(ii) of the PFA, as additional information is unlikely to be informative because this appropriation is solely for costs payable to the National Provident Fund Scheme. Further information about the performance of the Scheme can be found in the National Provident Fund's annual report.

#### *Reasons for Change in Appropriation*

The decrease reflects a revised forecast for the expected interest costs in relation to the National Provident Fund liability.

## New Zealand House - Renegotiation of Lease Arrangements (M31)

### Scope of Appropriation

This appropriation is limited to activities to re-gear the lease on New Zealand House in London (including The Royal Opera Arcade and Her Majesty's Theatre).

### Expenses

	2013/14		2014/15
	Budgeted \$000	Estimated Actual \$000	Budget \$000
Total Appropriation	200	200	1,000

### What is Intended to be Achieved with this Appropriation

The appropriation is intended to provide for activities necessary to re-gear the lease on New Zealand House.

### How Performance will be Assessed and End of Year Reporting Requirements

	2013/14		2014/15
	Budgeted Standard	Estimated Actual Standard	Budget Standard
Assessment of Performance			
Activities undertaken in accordance with Ministerial expectations.	N/A	Achieved	Achieved

### End of Year Performance Reporting

Performance information for this appropriation will be reported by the Minister of Finance in the Treasury's 2014/15 Annual Report.

### Reasons for Change in Appropriation

The increase in funding reflects the timing of expenditure necessary to be incurred in the lease negotiations of New Zealand House.

## New Zealand House, London (M31)

### Scope of Appropriation

This appropriation is limited to the operational costs of New Zealand House, London.

### Expenses

	2013/14		2014/15
	Budgeted \$000	Estimated Actual \$000	Budget \$000
Total Appropriation	12,800	11,800	12,000

*What is Intended to be Achieved with this Appropriation*

The appropriation is intended to achieve the correct payment of operational costs to maintain and manage New Zealand House, London.

*How Performance will be Assessed and End of Year Reporting Requirements*

An exemption was granted under s15D(2)(b)(ii) of the PFA, as additional information is unlikely to be informative because this appropriation is solely for costs payable to the New Zealand Government Property Corporation to fund the operations of New Zealand House in London. Performance information related to the administration of the payment is provided in the Treasury's annual report.

*Service Providers*

Services are provided by the New Zealand Government Property Corporation.

*Reasons for Change in Appropriation*

The decrease reflects the anticipated impact of exchange rate movements, maintenance costs and a transfer of funding to support the renegotiation of lease arrangements for New Zealand House.

**Taitokerau Forests Limited Grant (M31)***Scope of Appropriation*

This appropriation is limited to grants to Taitokerau Forests Limited for on-payment to forest owners, payable upon harvest of the forests.

*Expenses*

	2013/14		2014/15
	Budgeted \$000	Estimated Actual \$000	Budget \$000
Total Appropriation	244	244	200

*What is Intended to be Achieved with this Appropriation*

The appropriation is intended to achieve grants to Taitokerau Forests Limited for on-payment to forest owners, payable upon harvest of the forests.

*How Performance will be Assessed and End of Year Reporting Requirements*

An exemption was granted under s15D(2)(b)(iii) of the PFA as the amount of this annual appropriation for non-departmental other expenses is less than \$5 million.

*Reasons for Change in Appropriation*

In 2013/14, an expense transfer of \$44,000 was approved from 2012/13 to address the uncertain timing of grant payments as it is related to timing of forest harvests.

## Unclaimed Money PLA (M31)

### *Scope of Appropriation*

This appropriation is limited to the repayment of money authorised by section 74(5) of the Public Finance Act 1989.

### *Expenses*

	2013/14		2014/15
	Budgeted \$000	Estimated Actual \$000	Budget \$000
Total Appropriation	250	150	250

### *What is Intended to be Achieved with this Appropriation*

The appropriation is intended to achieve the repayment of money authorised by section 74(5) of the Public Finance Act 1989.

### *How Performance will be Assessed and End of Year Reporting Requirements*

An exemption was granted under s15D(2)(b)(ii) of the PFA, as additional information is unlikely to be informative because this appropriation is solely for the repayment of unclaimed money to claimants and is performed in accordance with section 74(5) of the Public Finance Act 1989.

## Unclaimed Trust Money PLA (M31)

### *Scope of Appropriation*

This appropriation is limited to the repayment of money authorised by section 70(2) of the Public Finance Act 1989.

### *Expenses*

	2013/14		2014/15
	Budgeted \$000	Estimated Actual \$000	Budget \$000
Total Appropriation	250	50	250

### *What is Intended to be Achieved with this Appropriation*

The appropriation is intended to achieve the repayment of money authorised by section 70(2) of the Public Finance Act 1989.

### *How Performance will be Assessed and End of Year Reporting Requirements*

An exemption was granted under s15D(2)(b)(ii) of the PFA, as additional information is unlikely to be informative because this appropriation is solely for the repayment of unclaimed money to claimants and is performed in accordance with section 70(2) of the Public Finance Act 1989.

## Unwind of Discount Rate used in the Present Value Calculation of Payment under Crown Deed of Support with AMI (M31)

### *Scope of Appropriation*

This appropriation is limited to the expense incurred in unwinding the discount rate used in the present value calculation of the liability as the liability nears settlement.

### *Expenses*

	2013/14		2014/15
	Budgeted \$000	Estimated Actual \$000	Budget \$000
Total Appropriation	15,295	15,295	13,497

### *What is Intended to be Achieved with this Appropriation*

The appropriation is intended to achieve the recognition of the expense incurred in unwinding the discount rate used in the present value calculation of the liability as the liability nears settlement.

### *How Performance will be Assessed and End of Year Reporting Requirements*

An exemption was granted under s15D(2)(b)(ii) of the PFA, as additional information is unlikely to be informative because this appropriation is solely for technical accounting treatment under the Crown Deed of Support with AMI.

### *Reasons for Change in Appropriation*

The movement reflects a revised forecast for the expected unwind of the discount rate in relation to the Crown Support Deed.

## 3.5 - Non-Departmental Capital Expenditure

### International Financial Institutions PLA (M31)

#### *Scope of Appropriation*

This appropriation is limited to capital expenditure for shares subscribed to by New Zealand as a member of International Financial Institutions, authorised by section 5 of the International Finance Agreements Act 1961.

#### *Capital Expenditure*

	2013/14		2014/15
	Budgeted \$000	Estimated Actual \$000	Budget \$000
Total Appropriation	212,000	212,000	30,500

*What is Intended to be Achieved with this Appropriation*

The appropriation is intended to provide for the capital expenditure for shares subscribed to by New Zealand as a member of International Financial Institutions, as authorised by section 5 of the International Finance Agreements Act 1961.

*How Performance will be Assessed and End of Year Reporting Requirements*

An exemption was granted under s15D(2)(b)(ii) of the PFA, as additional information is unlikely to be informative because this appropriation is solely for payments of share subscriptions as a member of International Financial Institutions. Performance information relating to the administration of the payment is provided under the Policy Advice - Finance appropriation.

*Reasons for Change in Appropriation*

Forecasts have been aligned to latest information provided by International Financial Institutions on anticipated requests for additional capital.

**Landcorp Protected Land Agreement - Capital (M31)***Scope of Appropriation*

This appropriation is limited to providing for capital investments incurred under the Landcorp Protected Land Agreement.

*Capital Expenditure*

	2013/14		2014/15
	Budgeted \$000	Estimated Actual \$000	Budget \$000
Total Appropriation	4,409	4,409	2,000

*What is Intended to be Achieved with this Appropriation*

The appropriation is intended to provide for capital investments incurred under the Landcorp Protected Land Agreement.

*How Performance will be Assessed and End of Year Reporting Requirements*

An exemption was granted under s15D(2)(b)(iii) of the PFA as the amount of this annual appropriation for non-departmental capital expenditure is less than \$15 million.

*Reasons for Change in Appropriation*

The decrease in appropriation reflects an expense transfer into 2013/14 from 2012/13 to address additional costs and lower offsetting revenue associated with the drought in February 2013.



## New Zealand House, London, capital (M31)

### *Scope of Appropriation*

This appropriation is limited to capital expenditure in relation to New Zealand House, London.

### *Capital Expenditure*

	2013/14		2014/15
	Budgeted \$000	Estimated Actual \$000	Budget \$000
Total Appropriation	750	750	750

### *What is Intended to be Achieved with this Appropriation*

The appropriation is intended to provide for capital expenditure in relation to New Zealand House, London.

### *How Performance will be Assessed and End of Year Reporting Requirements*

An exemption was granted under s15D(2)(b)(iii) of the PFA as the amount of this annual appropriation for non-departmental capital expenditure is less than \$15 million.

## Taitokerau Forests (M31)

### *Scope of Appropriation*

This appropriation is limited to the provision of loans to Taitokerau Forests Ltd for forest management and development.

### *Capital Expenditure*

	2013/14		2014/15
	Budgeted \$000	Estimated Actual \$000	Budget \$000
Total Appropriation	1,700	1,700	1,300

### *What is Intended to be Achieved with this Appropriation*

The appropriation is intended to provide for loans to Taitokerau Forests Ltd for forest management and development.

### *How Performance will be Assessed and End of Year Reporting Requirements*

An exemption was granted under s15D(2)(b)(iii) of the PFA as the amount of this annual appropriation for non-departmental capital expenditure is less than \$15 million.

### *Reasons for Change in Appropriation*

The decrease reflects the variable nature in the timing of draw-downs of the Taitokerau Forests Limited loan facility.

## Part 4 - Details of Multi-Category Expenses and Capital Expenditure

### Multi-Category Expenses and Capital Expenditure

#### Inquiries and Research into Productivity Related Matters (M31)

##### *Overarching Purpose Statement*

The overarching purpose of this appropriation is to provide for inquiries into, and research and promotion of, productivity related matters.

##### *Scope of Appropriation*

###### **Non-Departmental Output Expenses**

###### *Inquiries into Productivity - Related Matters*

This category is limited to inquiries undertaken by the New Zealand Productivity Commission in accordance with the New Zealand Productivity Commission Act 2010.

###### *Research into and Promotion of Productivity - Related Matters*

This category is limited to the New Zealand Productivity Commission undertaking research into and promoting public understanding of productivity related matters in accordance with the New Zealand Productivity Commission Act 2010.

##### *Expenses, Revenue and Capital Expenditure*

	2013/14		2014/15
	Budgeted \$000	Estimated Actual \$000	Budget \$000
<b>Total Appropriation</b>	-	-	5,030
<b>Non-Departmental Output Expenses</b>			
Inquiries into Productivity - Related Matters	-	-	4,527
Research into and Promotion of Productivity - Related Matters	-	-	503

##### *Comparators for Restructured Appropriation*

The previous MCOA 'Inquiries and Research into Productivity Related Matters MCOA' has been converted into a MCA.

Vote, Type and Title of Appropriation	2013/14		2014/15
	Budgeted \$000	Estimated Actual \$000	Budget \$000
<b>Vote Finance</b>			
<b>Non-Departmental Output Expenses</b>			
Inquiries into Productivity - Related Matters	4,527	4,527	-
Research into and Promotion of Productivity - Related Matters	503	503	-
<b>Total</b>	<b>5,030</b>	<b>5,030</b>	<b>5,030</b>

### *What is Intended to be Achieved with this Appropriation*

The appropriation is intended to achieve:

- inquires in accordance with the New Zealand Productivity Commission Act 2010, and
- research in accordance with the New Zealand Productivity Commission Act 2010.

### *How Performance will be Assessed for this Appropriation*

Assessment of Performance	2013/14		2014/15
	Budgeted Standard	Estimated Actual Standard	Budget Standard
<b>Inquiries and Research into Productivity Related Matters</b>			
The Board of the New Zealand Productivity Commission will meet to manage and administer in accordance with their Statement of Intent.	Achieved	Achieved	Achieved

### *What is Intended to be Achieved with each Category and How Performance will be Assessed*

Assessment of Performance	2013/14		2014/15
	Budgeted Standard	Estimated Actual Standard	Budget Standard
<b>Inquiries and Research into Productivity Related Matters</b>			
<b>Non-Departmental Output Expenses</b>			
<i>Inquiries into Productivity - Related Matters</i>			
This category is intended to achieve the delivery of inquiries by the New Zealand Productivity Commission, in accordance with the Terms of Reference issued by referring Ministers.			
The Commission's recommendations are agreed and implemented - as a result of their recommendations (typically through inquiry work), better decisions are made that lead to improved productivity.	Achieved	Achieved	Achieved
Improved productivity analysis and advice in New Zealand - scarce resources for productivity work are better coordinated, leading to more influential and effective research outcomes.	Achieved	Achieved	Achieved
Improved public understanding of productivity issues - people and organisations gain a better understanding of what productivity is and why it is important, increasing the likelihood that productivity improvements are made.	Achieved	Achieved	Achieved
<i>Research into and Promotion of Productivity - Related Matters</i>			
This category is intended to achieve the delivery of research activity and outputs as determined by the New Zealand Productivity Commission.			
Define and undertake research on, and promote understanding of, productivity-related matters. The Commission will publish research papers and further the development of collaborative research partnerships. As part of their collaboration, they will work with other government agencies and the wider research community through chairing the 'Productivity Hub'.	Achieved	Achieved	Achieved

*End of Year Performance Reporting*

Performance information for this appropriation will be reported by the Treasury in its 2014/15 Annual Report.

*Current and Past Policy Initiatives*

Policy Initiative	Year of First Impact	2013/14 Budgeted \$000	2014/15 Budget \$000	2015/16 Estimated \$000	2016/17 Estimated \$000	2017/18 Estimated \$000
Inquiries , Reviews and Research into Productivity - Related Matters	2010/11	5,030	5,030	5,030	5,030	5,030