

# *Performance Information for Appropriations*

## *Vote Finance*

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MINISTER(S) RESPONSIBLE FOR APPROPRIATIONS: Minister of Finance (M31), Minister for Infrastructure (M80), Minister for Regulatory Reform (M81)

ADMINISTERING DEPARTMENT: The Treasury

MINISTER RESPONSIBLE FOR THE TREASURY: Minister of Finance

## Part 1 - Summary of the Vote

### Part 1.1 - Overview of the Vote

The Minister of Finance is responsible for appropriations in Vote Finance for the 2010/11 financial year which covers the following:

- Nearly \$29 million for policy advice on lifting New Zealand's overall economic performance and state sector performance.
- Nearly \$15 million for macroeconomic policy and management which includes advice on fiscal policy and strategy; fiscal management, macroeconomic, tax and fiscal forecasting and fiscal reporting.
- Over \$3,066 million for the payment of interest and other costs relating to the Crown's debt.
- Over \$778 million for superannuation costs.
- \$71 million for a capital payment to the Asian Development Bank.
- Over \$17 million for capital investment in Landcorp Farming Limited.
- Over \$17 million for New Zealand House, London costs.
- Over \$2 million for the establishment of the New Zealand Productivity Commission.
- Nearly \$12 million for the Crowns guarantees and indemnities.
- Nearly \$2 million for Taitokerau Forests Limited.
- Over \$1 million for Treasury capital expenditure.
- Over \$3 million for unclaimed money and various Crown liabilities.

The Minister of Finance is also responsible for Crown revenue and receipts in the Vote for the 2010/11 financial year, which covers the following:

- A forecast of over \$3,219 million in non-tax revenue.
- A forecast of \$746,000 in capital receipts.

The Minister for Infrastructure is responsible for one appropriation in Vote Finance for the 2010/11 financial year which covers the following:

- Almost \$5 million for policy advice and co-ordination of the Government's infrastructure activities.

Details of these appropriations are set out in Parts 2-6 below.

## Part 1.2 - High-Level Objectives of the Vote

### Government Priorities and Outcomes - Links to Appropriations

| Government Priorities   | Government Outcomes   | Appropriations   |
|---|---|--|
| Improving and enduring economic growth by increasing New Zealand's productivity growth, maintaining high levels of employment and reducing New Zealand's vulnerability to adverse events. | Lifting the longer term economic performance of New Zealand.  | Policy Advice: Economic Performance<br>Administration of Crown Borrowing<br>Administration of Derivative Transactions<br>Administration of Investment of Public Money<br>Administration of Guarantee and Indemnities given by the Crown<br>Crown Guarantee Scheme<br>Economic and Tax Forecasting<br>Fiscal Management<br>Fiscal Reporting<br>Management of Crown Lending and Crown Bank Accounts<br>Policy Advice: Fiscal and Macroeconomic |
|   | Lifting the performance of the New Zealand economy by supporting business innovation and trade.   | New Zealand Export Credit Office   |
|   | Improving the quality of regulation by progressing the Productivity Commission and Regulatory Responsibility Bill as well as a wide ranging programme of regulatory reform.   | 2025 Productivity Taskforce<br>Establishment of New Zealand Productivity Commission<br>Enquiries, Reviews and Research Into Productivity Related Matters<br>New Zealand Productivity Commission Capital Costs  |
|   | Lifting Public Sector performance on infrastructure by building on the first draft of the National Infrastructure Plan and progressing opportunities for greater private sector involvement in infrastructure development.        | Infrastructure Advice and Coordination   |
|   | Continue to develop innovative ways of driving better value for money and higher quality services, for a better performing State Sector while ensuring that government expenditure grows at a slower rate than in previous years. | Policy Advice - State Sector Performance   |

| Government Priorities   | Government Outcomes  | Appropriations   |
|---|--|--|
| Improving and enduring economic growth by increasing New Zealand's productivity growth, maintaining high levels of employment and reducing New Zealand's vulnerability to adverse events - cont'd | To meet Crown liabilities and manage Crown assets efficiently. | Asian Development Bank<br>Crown Residual Liabilities<br>Debt Servicing<br>Geothermal Wells Fund<br>Government Superannuation Appeals Board<br>Government Superannuation Fund Authority - Crown's Share of Expenses<br>Government Superannuation Fund Unfunded Liability<br>GST Compensation for Government Superannuation Fund and National Provident Fund recipients<br>Impairment of Loans to Taitokerau Forest Limited<br>International Financial Institutions<br>Landcorp Protected Land Agreement<br>Management of Liabilities, Claims Against the Crown and Crown Properties<br>Management of the Crown's Obligations for Geothermal Wells<br>Management of New Zealand House, London<br>Management of New Zealand Superannuation Fund<br>National Provident Fund Schemes - Liability Under Crown Guarantee<br>New Zealand House, London<br>Taitokerau Forests Limited Grant<br>Taitokerau Forests Loans<br>Unclaimed Money<br>Unclaimed Trust Money |

## Part 1.3 - Trends in the Vote

### Summary of Financial Activity

|  | 2005/06          | 2006/07          | 2007/08          | 2008/09          | 2009/10           |                              | 2010/11   |   |                          | 2011/12            | 2012/13            | 2013/14            |
|--|------------------|------------------|------------------|------------------|-------------------|------------------------------|---|---|--------------------------|--------------------|--------------------|--------------------|
|  | Actual<br>\$000  | Actual<br>\$000  | Actual<br>\$000  | Actual<br>\$000  | Budgeted<br>\$000 | Estimated<br>Actual<br>\$000 | Departmental<br>Transactions<br>Budget<br>\$000 | Non-<br>Departmental<br>Transactions<br>Budget<br>\$000 | Total<br>Budget<br>\$000 | Estimated<br>\$000 | Estimated<br>\$000 | Estimated<br>\$000 |
| <b>Appropriations</b>  |                  |                  |                  |                  |                   |                              |   |   |                          |                    |                    |                    |
| Output Expenses  | 54,554           | 56,333           | 55,315           | 126,210          | 73,358            | 68,709                       | 70,441  | 2,403   | 72,844                   | 70,076             | 67,749             | 66,791             |
| Benefits and Other Unrequited Expenses                                   | 1,091,367        | 975,542          | -                | -                | -                 | -                            | N/A   | -   | -                        | -                  | -                  | -                  |
| Borrowing Expenses   | 2,674,921        | 2,429,986        | 2,049,665        | 2,087,220        | 2,288,836         | 2,288,836                    | -   | 3,058,421   | 3,058,421                | 3,545,803          | 3,990,317          | 4,154,720          |
| Other Expenses   | 341,937          | 389,004          | 1,367,116        | 2,659,771        | 2,162,897         | 2,162,897                    | -   | 796,357   | 796,357                  | 880,797            | 979,936            | 995,273            |
| Capital Expenditure  | 2,503,205        | 2,157,675        | 2,295,419        | 4,468,886        | 572,891           | 572,891                      | 1,375   | 89,647  | 91,022                   | 2,377              | 2,557              | 2,562              |
| Intelligence and Security Department Expenses<br>and Capital Expenditure | -                | -                | -                | -                | -                 | -                            | -   | N/A   | -                        | -                  | -                  | -                  |
| <b>Total Appropriations</b>  | <b>6,665,984</b> | <b>6,008,540</b> | <b>5,767,515</b> | <b>9,342,087</b> | <b>5,097,982</b>  | <b>5,093,333</b>             | <b>71,816</b>                                   | <b>3,946,828</b>  | <b>4,018,644</b>         | <b>4,499,053</b>   | <b>5,040,559</b>   | <b>5,219,346</b>   |
| <b>Crown Revenue and Capital Receipts</b>                                |                  |                  |                  |                  |                   |                              |   |   |                          |                    |                    |                    |
| Tax Revenue  | -                | -                | -                | -                | -                 | -                            | N/A   | -   | -                        | -                  | -                  | -                  |
| Non-Tax Revenue  | 3,891,778        | 3,643,249        | 3,059,938        | 2,647,636        | 3,653,889         | 3,653,889                    | N/A   | 3,265,494   | 3,265,494                | 3,426,474          | 3,509,360          | 3,357,163          |
| Capital Receipts   | 405,500          | 158,742          | 55,587           | 433,361          | 23,526            | 23,526                       | N/A   | 746   | 746                      | -                  | 1,384              | -                  |
| <b>Total Crown Revenue and Capital Receipts</b>                          | <b>4,297,278</b> | <b>3,801,991</b> | <b>3,115,525</b> | <b>3,080,997</b> | <b>3,677,415</b>  | <b>3,677,415</b>             | <b>N/A</b>                                      | <b>3,266,240</b>  | <b>3,266,240</b>         | <b>3,426,474</b>   | <b>3,510,744</b>   | <b>3,357,163</b>   |

## New Policy Initiatives

| Policy Initiative  | Appropriation   | 2009/10<br>Budgeted<br>\$000 | 2010/11<br>Budget<br>\$000 | 2011/12<br>Estimated<br>\$000 | 2012/13<br>Estimated<br>\$000 | 2013/14<br>Estimated<br>\$000 |
|--|---|------------------------------|----------------------------|-------------------------------|-------------------------------|-------------------------------|
| Funding for 'Better services for less through optimisation of Administration and Support Services' | <b>Policy Advice: State Sector Performance</b><br>Departmental Output Expenses                              | 1,500                        | -                          | -                             | -                             | -                             |
| Provision of short-term trade credit insurance and increased facilities.                           | <b>New Zealand Export Credit Office</b><br>Departmental Output Expenses                                     | 1,193                        | 838                        | -                             | -                             | -                             |
| Establishment of 2025 Productivity Taskforce   | <b>Policy Advice: Economic Performance</b><br>Departmental Output Expenses                                  | (171)                        | (81)                       | (81)                          | -                             | -                             |
|  | <b>2025 Productivity Taskforce</b><br>Non-Departmental Output Expenses                                      | 171                          | 81                         | 81                            | -                             | -                             |
| New Zealand Productivity Commission.   | <b>Policy Advice: Economic Performance</b><br>Departmental Output Expense                                   | -                            | (237)                      | (467)                         | (500)                         | (500)                         |
|  | <b>Establishment of New Zealand Productivity Commission</b><br>Departmental Output Class                    | -                            | 1,200                      | -                             | -                             | -                             |
|  | <b>Enquiries, Reviews and Research into Productivity Related Matters</b><br>Non-Departmental Output Expense | -                            | 655                        | 4,691                         | 5,028                         | 5,030                         |
|  | <b>New Zealand Productivity Commission</b><br>Non-Departmental Capital Expenditure                          | -                            | 500                        | -                             | -                             | -                             |
| Asian Development Bank General Capital Increase  | <b>Asian Development Bank</b><br>Non-Departmental Capital Expenditure                                       | -                            | 71,000                     | -                             | -                             | -                             |
| Savings from Baseline Alignment Proposal 2010  | <b>Economic and Tax Forecasting</b><br>Departmental Output Expenses   | (75)                         | -                          | -                             | -                             | -                             |
|  | <b>Fiscal Management</b><br>Departmental Output Expenses  | (350)                        | -                          | -                             | -                             | -                             |
|  | <b>Fiscal Reporting</b><br>Departmental Output Expenses   | (75)                         | -                          | -                             | -                             | -                             |
|  | <b>Management of Crown Lending and Crown Bank accounts</b><br>Departmental Capital Contribution             | (180)                        | -                          | -                             | -                             | -                             |
|  | <b>Policy Advice: Fiscal and Macroeconomic</b><br>Departmental Output Expenses                              | (150)                        | -                          | -                             | -                             | -                             |

| Policy Initiative  | Appropriation  | 2009/10<br>Budgeted<br>\$000 | 2010/11<br>Budget<br>\$000 | 2011/12<br>Estimated<br>\$000 | 2012/13<br>Estimated<br>\$000 | 2013/14<br>Estimated<br>\$000 |
|--|--|------------------------------|----------------------------|-------------------------------|-------------------------------|-------------------------------|
| Extension of the Retail Deposit Guarantee Scheme to 31 December 2011 | Crown Guarantee Schemes<br>Departmental Output Expenses  | 4,383                        | 3,717                      | 2,401                         | 225                           | 225                           |
|  | Crown Deposit Guarantee Scheme<br>Departmental Output Expenses   | (3,100)                      | (700)                      | -                             | -                             | -                             |
|  | Wholesale Guarantee Facility<br>Departmental Output Expenses   | (1,283)                      | (655)                      | (225)                         | (225)                         | (225)                         |
| Budget 2010 Tax Package  | GST Compensation for Government Superannuation Fund and National Provident Fund recipients<br>Non-Departmental Other Expense | -                            | 10,000                     | -                             | -                             | -                             |
|  | Government Superannuation Fund Unfunded Liability<br>Non-Departmental Other Expense  | -                            | -                          | 17,000                        | 17,000                        | 17,000                        |

## 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 movements in the Debt Servicing costs.

Details of significant movements within each appropriation category are shown below.

### *Departmental Output Expenses*

Baselines decrease by nearly \$1 million in 2010/11 in comparison to the previous year due to the following:

- One-off funding of \$1.500 million approved for the first stage of the Better Administrative and Support Services (BASS) programme was approved in 2009/10. There is no approved funding for this project for 2010/11.
- There is a decrease of new funding for New Zealand Export Credit Office facility size extensions of \$400,000 between years.
- The decreases above are partially offset by an increase of \$1.200 million for the Establishment of the New Zealand Productivity Commission in 2010/11.

### *Non-Departmental Output Expenses*

This appropriation category has increased slightly due primarily to the costs of the New Zealand Productivity Commission offset by the finishing of the Regulatory Responsibility Taskforce in September 2009.

### *Non-Departmental Benefits and Other Unrequited Expenses*

The Government Superannuation Fund Authority - Subsidies to Government Superannuation Fund Scheme appropriation was reclassified as a non-departmental other expense appropriation from 2007/08. Prior to 2007/08 the movements in the appropriation were largely owing to net movements in the Crown's liability to the Government Superannuation Fund.

### *Non-Departmental Borrowing Expenses*

Debt servicing costs trend upwards up between 2008/09 and 2010/11. This variance depends on the interest rates and amount of debt outstanding.

### *Non-Departmental Other Expenses*

Expenditure was broadly stable until 2007/08. As noted above from 2007/08 the movement in the Government Superannuation Fund unfunded liability was recorded in non-departmental other expenses, causing the large increase in that year relative to prior years. From a peak in 2008/09, expenditure decreases, largely owing to rail-related appropriations being transferred to Vote Transport, effective 1 July 2009. The 2009/10 year includes a budget of \$1,178 million for payments in respect of guarantees and indemnities.

### *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 2008/09, capital expenditure increased again, largely owing to the purchase of Toll NZ Limited's rail business and associated costs and a New Zealand Railways Corporation capital injection for the purchase of KiwiRail, a Reserve Bank equity injection of \$600 million, increased contributions to the International Monetary Fund, and an increased contribution to the New Zealand Superannuation Fund. In 2009/10, the contributions to the International Monetary Fund remained relatively stable, while the contribution to the New Zealand Superannuation Fund fell considerably. The 2010/11 estimates does not include a contribution to the New Zealand Superannuation Fund or to the International Financial Institutions (IFI's).

### *Crown Revenue*

Non-tax Crown revenue largely comprises capital charge, interest from securities and deposits, and dividends from State-owned enterprises and Crown entities. Crown revenue is broadly stable apart from peaks in 2005/06, 2006/07 and 2009/10. These peaks are largely due to one-off special dividends from Meridian Energy Limited in 2005/06, following the sale of its Australian investments, and increased Air New Zealand dividends. The increase in 2009/10 is a result of increased dividends from Meridian Energy and Might River Power as a result of record profits during the year.

### *Crown Capital Receipts*

Variances in Crown capital receipts are largely due to International Monetary Fund capital returns and capital withdrawals from Crown companies.

## Part 1.4 - Reconciliation of Changes in Appropriation Structure

| 2009/10 Appropriations in the 2009/10 Structure | 2009/10 (Current) \$000 | Appropriations to which Expenses (or Capital Expenditure) have been Moved from or to | Amount Moved \$000 | 2009/10 Appropriations in the 2010/11 Structure | 2009/10 (Restated) \$000 | 2010/11 \$000 |
|---|-------------------------|--|--------------------|---|--------------------------|---------------|
| <b>Departmental Output Expenses</b>             |                         |  |                    |   |                          |               |
| Crown Guarantee Schemes                         | 5,471                   | Crown Guarantee Schemes  | 578                | Crown Guarantee Schemes                         | 6,049                    |               |
| Crown Deposit Guarantee Scheme                  | 437                     | Transferred from Crown Deposit Guarantee Scheme                                      | (437)              |   |                          |               |
| Crown Wholesale Guarantee Facility              | 141                     | Transferred from Crown Wholesale Guarantee Facility                                  | (141)              |   |                          |               |
| Total Changes in Appropriations                 | -                       |  | -                  |   | -                        |               |

Explanations of the reasons for changing the appropriation structure are noted in the details of each appropriation in Parts 2-6.

## Part 2 - Details and Expected Performance for Output Expenses

### Part 2.1 - Departmental Output Expenses

#### Intended Impacts, Outcomes and Objectives

| Intended Impacts, Outcomes or Objectives of Appropriations  | Appropriations  |
|---|---|
| <p><b>Outcome:</b> Improved overall economic performance.</p> <p><b>Impact:</b> Enhancing national infrastructure planning and ensuring higher-quality asset management.</p>  | Infrastructure Advice and Coordination  |
| <p><b>Impact:</b> Maintaining a robust and stable financial sector.</p>   | Crown Guarantee Schemes output class<br>Administration of Guarantees and Indemnities given by the Crown   |
| <p><b>Impact:</b> Increasing the level of export activity within the bounds of the Government's financial risk parameters set out in the delegation agreement.</p>  | State Sector and Economic Performance Policy Advice and Management (MCOA) - <ul style="list-style-type: none"> <li>New Zealand Export Credit Office output class</li> </ul>   |
| <p><b>Impact:</b> Achieving policies that promote economic growth, with a focus on increasing productivity.</p>   | State Sector and Economic Performance Policy Advice and Management (MCOA) - <ul style="list-style-type: none"> <li>Policy Advice - Economic Performance output class</li> </ul> Establishment of New Zealand Productivity Commission  |
| <p><b>Outcome:</b> A stable and sustainable macroeconomic environment.</p> <p><b>Impact:</b> Managing and issuing Crown debt in a way that minimises borrowing costs, and managing the financial assets under the control of the New Zealand Debt Management Office in a way that maximises long-term returns, all within an appropriate risk management framework.</p> | Administration of Crown Borrowing<br>Administration of Derivative Transactions<br>Administration of Investment of Public Money  |
| <p><b>Impact:</b> Contributing to Budget decisions that are conducive to achieving macroeconomic stability and meeting long-term fiscal challenges.</p>   | Macro Economic Policy Advice and Management MCOA - <ul style="list-style-type: none"> <li>Economic and Tax Forecasting output class</li> <li>Fiscal Management output class</li> <li>Fiscal Reporting output class</li> <li>Management of Crown Lending and Crown Bank Accounts output class</li> <li>Policy Advice: Fiscal and Macroeconomic output class</li> </ul> |
| <p><b>Outcome:</b> Improved state sector performance.</p> <p><b>Impact:</b> Ensuring the work of the state sector represents value for money in achieving the Government's priorities and generating the maximum possible benefit for taxpayers for a given level of expenditure.</p>   | State Sector and Economic Performance Policy Advice and Management (MCOA) - <ul style="list-style-type: none"> <li>Policy Advice - State Sector Performance output class</li> </ul>   |
| <p><b>Objective:</b> To meet Crown liabilities and manage Crown assets efficiently.</p> <p><b>Impact:</b> Minimising Crown financial risk within the bounds of Government objectives.</p>   | State Sector and Economic Performance Policy Advice and Management (MCOA) - <ul style="list-style-type: none"> <li>Management of Claims Against the Crown, Contractual Liabilities and Crown Properties output class</li> </ul>   |

For further information on the intended impacts, outcomes and objectives of the departmental output expense appropriations please see the Statement of Intent for the Treasury.

## Administration of Crown Borrowing PLA (M31)

### Scope of Appropriation

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.

### Expenses and Revenue

|                     | 2009/10        |                        | 2010/11      |
|---------------------|----------------|------------------------|--------------|
|                     | Budgeted \$000 | Estimated Actual \$000 | Budget \$000 |
| Total Appropriation | 5,701          | 5,701                  | 5,526        |
| Revenue from Crown  | 5,603          | 5,603                  | 5,428        |
| Revenue from Other  | 98             | 98                     | 98           |

### Output Performance Measures and Standards

| Performance Measures  | 2009/10   |                                   | 2010/11  |
|---|---|-----------------------------------|--|
|   | Budgeted Standard   | Estimated Actual Standard         | Budget Standard  |
| Cost of new core Crown borrowing is less than the long term average cost of the New Zealand Government.   | N/A   | N/A                               | Cost of new borrowing is less than 6%                        |
| Tender efficiency: Average domestic bond tender cover ratio.  | N/A   | N/A                               | Average tender cover ratio is greater than 2                 |
| Tender efficiency: Average range of successful bids in domestic bond tenders.   | N/A   | N/A                               | Average range of successful bids is less than 5 basis points |
| Funding risk: The nearest bond maturity will be at least 50% funded from the NZDMO's holdings of cash and short-term liquid assets within six months of maturity, and fully funded within three months. | N/A   | N/A                               | Funding Target met   |
| Compliance with Risk management policies and parameters for portfolio management and debt issuance.   | No more than four breaches                                | Three breaches                    | No more than four breaches                                   |
| Value-added from management of the Crown's debt and related financial assets to meet targets for tactical portfolios (as specified in the Vote Finance Output plan).                                    | \$40 to \$60 million                                      | \$55 million                      | \$40 to \$60 million   |
| Average value at risk (VaR) for the tactical portfolios, at a confidence level of 95%.  | Average monthly VaR is less than \$1.400 million          | Average VaR at \$750,000          | Average monthly VaR is less than \$1.400 million             |
| Losses incurred from the credit-related sale of securities, or from default by a counter-party.   | No losses   | No losses                         | No losses  |
| Number of settlement errors, and financial value of losses arising from settlement errors.  | No more than twelve errors; losses do not exceed \$10,000 | Two errors with losses of \$2,000 | No more than twelve errors; losses do not exceed \$10,000    |

## Notes

### **Performance targets: Administration of Crown Borrowing PLA, Administration of Derivative Transactions PLA and Administration of Investment of Public Money PLA**

Performance targets have been specified as a total for activity across all three NZDMO PLA output classes, as it is more meaningful to aggregate the quantitative targets across these output classes. Measures have been cross-referenced in all three output classes.

### **Value-added from management of the tactical portfolios meets target level**

NZDMO derives the value-added figure from its management reporting, which is calculated on a different basis from external Crown financial statement reporting. The 'tactical' portfolios are those where NZDMO is able to conduct discretionary transactions to manage risks: specifically, the liquidity, departmental and foreign exchange portfolios.

The NZDMO values its portfolio(s) by the commonly-used methodology of calculating net present values from all future cash flows using zero-coupon discount curves which are generated at least daily from current market data. Generally, no counter-party credit spreads are applied to the curves.

NZDMO uses current spot foreign exchange rates to translate foreign currency net present values to New Zealand dollars. The value-added measure is primarily used to compare current performance against historic performance. Historic performance helps guide the establishment of future targets, which are set annually taking into account changes in the external environment.

### **Compliance with risk management policies - performance measure**

To improve transparency, the 2010/11 target explicitly identifies the number of breaches considered acceptable under existing NZDMO policy.

### **Average value at risk (VaR) - performance measure**

The Minister of Finance has agreed to a limit for average monthly VaR across the whole of NZDMO's operations of \$14 million. NZDMO's performance target for the tactical portfolios is set at 10% of the total limit, or \$1.400 million.

## *Conditions on Use of Appropriation*

| Reference                                    | Conditions  |
|--|---|
| Section 61(1) of the Public Finance Act 1989 | 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:<br>(a) negotiating the borrowing of money by the Crown; or<br>(b) undertaking the borrowing, or<br>(c) managing the borrowing, or<br>(d) servicing the borrowing, or<br>(e) converting the borrowing, or<br>(f) repaying the borrowing. |

## Administration of Derivative Transactions PLA (M31)

### Scope of Appropriation

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.

### Expenses and Revenue

|                     | 2009/10           |                           | 2010/11         |
|---------------------|-------------------|---------------------------|-----------------|
|                     | Budgeted<br>\$000 | Estimated Actual<br>\$000 | Budget<br>\$000 |
| Total Appropriation | 1,308             | 1,308                     | 1,258           |
| Revenue from Crown  | 1,285             | 1,285                     | 1,236           |
| Revenue from Other  | 23                | 23                        | 22              |

### Output Performance Measures and Standards

| Performance Measures  | 2009/10   |  | 2010/11   |
|---|---|--|---|
|   | Budgeted<br>Standard  | Estimated Actual<br>Standard                                 | Budget<br>Standard  |
| Other Performance measures for this Output expense are aggregated in the Administration of Crown Borrowing PLA. | Refer Budgeted Standard Administration of Crown Borrowing PLA | Refer Estimated Actual Administration of Crown Borrowing PLA | Refer Budget Standard Administration of Crown Borrowing PLA |

### Notes

#### Performance targets: Administration of Crown Borrowing PLA, Administration of Derivative Transactions PLA and Administration of Investment of Public Money PLA

Performance targets have been specified as a total for activity across all three NZDMO PLA output classes, as it is more meaningful to aggregate the quantitative targets across these output classes. Measures have been cross-referenced in all three output classes. The full set of measures, including targets for 2010/11 and relevant notes are published in the Administration of Crown Borrowing PLA.

### Conditions on Use of Appropriation

| Reference                                | Conditions   |
|--|--|
| Section 65H(2) 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:<br>(a) negotiating a derivative transaction, or<br>(b) managing the derivative transaction, or<br>(c) servicing the derivative transaction, or<br>(d) making payments under the derivative transaction. |

## 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

|                     | 2009/10        |                        | 2010/11      |
|---------------------|----------------|------------------------|--------------|
|                     | Budgeted \$000 | Estimated Actual \$000 | Budget \$000 |
| Total Appropriation | 2,798          | 2,798                  | 4,440        |
| Revenue from Crown  | 2,776          | 2,776                  | 4,418        |
| Revenue from Other  | 22             | 22                     | 22           |

### Reasons for Change in Appropriation

The increase of \$1.600 million from 2009/10 to 2010/11 relates to the increased number of entities whose depositors are expected to be paid out in 2010/11.

### Output Performance Measures and Standards

|  | 2009/10           |                           | 2010/11         |
|--|-------------------|---------------------------|-----------------|
|  | Budgeted Standard | Estimated Actual Standard | Budget Standard |
| Performance Measures                             |                   |                           |                 |
| No unnecessary delays in processing applications | Achieved          | Achieved                  | Achieved        |
| Accuracy of payouts                              | N/A               | N/A                       | Achieved        |

This Performance measure was formerly part of State Sector and Economic Performance Policy Advice and Management MCOA (M31).

### 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. |

## Administration of Investment of Public Money PLA (M31)

### Scope of Appropriation

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.

### Expenses and Revenue

|                     | 2009/10        |                        | 2010/11      |
|---------------------|----------------|------------------------|--------------|
|                     | Budgeted \$000 | Estimated Actual \$000 | Budget \$000 |
| Total Appropriation | 313            | 313                    | 320          |
| Revenue from Crown  | 309            | 309                    | 316          |
| Revenue from Other  | 4              | 4                      | 4            |

### Output Performance Measures and Standards

| Performance Measures  | 2009/10  |  | 2010/11  |
|---|--|--|--|
|   | Budgeted Standard  | Estimated Actual Standard  | Budget Standard  |
| Other Performance measures for this Output expense are aggregated in the Administration of Crown Borrowing PLA. | Refer Budgeted Standard, Administration of Crown Borrowing PLA | Refer Estimated Actual Standard, Administration of Crown Borrowing PLA | Refer Budget Standard, Administration of Crown Borrowing PLA |

### Notes

#### Performance targets: Administration of Crown Borrowing PLA, Administration of Derivative Transactions PLA and Administration of Investment of Public Money PLA

Performance targets have been specified as a total for activity across all three NZDMO PLA output classes, as it is more meaningful to aggregate the quantitative targets across these output classes. Measures have been cross-referenced in all three output classes. The full set of measures, including targets for 2009/10 and relevant notes are published in the Administration of Crown Borrowing PLA.

### Conditions on Use of Appropriation

| Reference                             | Conditions  |
|---------------------------------------|---|
| Section 65J of the Public Finance Act | Costs, charges and expenses incurred with connection with Section 65J(2). |

## Crown Guarantee Schemes (M31)

### *Scope of Appropriation*

This appropriation is limited to the implementation and operation of the Crown's Deposit Guarantee Scheme and Crown's Wholesale Funding Guarantee Facility excluding expenses incurred in connection with administrating claims under a guarantee or indemnity given under the scheme.

### *Expenses and Revenue*

|                     | 2009/10           |                           | 2010/11         |
|---------------------|-------------------|---------------------------|-----------------|
|                     | Budgeted<br>\$000 | Estimated Actual<br>\$000 | Budget<br>\$000 |
| Total Appropriation | 5,471             | 3,238                     | 3,717           |
| Revenue from Crown  | 5,428             | 3,195                     | 3,674           |
| Revenue from Other  | 43                | 43                        | 43              |

### *Reasons for Change in Appropriation*

The 2010/11 appropriation relates to the Cabinet approval of \$3.700 million for the extension of the Deposit Guarantee Scheme to 31 December 2011. On 10 March 2010, the Minister of Finance announced the closure of the Wholesale Funding Guarantee Facility effective from 30 April 2010.

The 2009/10 appropriation includes an expense transfer from 2008/09 of \$967,000 for litigation costs that may occur.

### *Output Performance Measures and Standards*

|   | 2009/10                  |                              | 2010/11                  |
|---|--------------------------|------------------------------|--------------------------|
|   | Budgeted<br>Standard     | Estimated Actual<br>Standard | Budget<br>Standard       |
| Performance Measures  |                          |                              |                          |
| No unnecessary delays in processing applications  | Achieved                 | Achieved                     | N/A                      |
| Development and implementation of an overall plan for managing the Crown interests including default events | Achieved                 | Achieved                     | Achieved                 |
| Active monitoring of guaranteed institutions is undertaken to minimise Crown exposure                       | Achieved                 | Achieved                     | Achieved                 |
| Treasury actively manages the Crown interests in the event of a specific default                            | Within 7 days of default | Achieved                     | Within 7 days of default |

These performance measures were formerly part of State Sector and Economic Performance Policy Advice and Management MCOA (M31).

### *Current and Past Policy Initiatives*

| Policy Initiative   | Year of First Impact | 2009/10 Budgeted \$000 | 2010/11 Budget \$000 | 2011/12 Estimated \$000 | 2012/13 Estimated \$000 | 2013/14 Estimated \$000 |
|---|----------------------|------------------------|----------------------|-------------------------|-------------------------|-------------------------|
| Extension of the Retail Deposit Guarantee Scheme to 31 December 2011 and establishment of new annual appropriation at 1 September 2009. | 2009/10              | 4,383                  | 3,717                | 2,401                   | 225                     | 225                     |

### **Establishment of the New Zealand Productivity Commission (M31)**

#### *Scope of Appropriation*

|  |
|--|
| This appropriation is limited to the establishment costs of the New Zealand Productivity Commission. |
|--|

#### *Expenses and Revenue*

|                     | 2009/10        |                        | 2010/11      |
|---------------------|----------------|------------------------|--------------|
|                     | Budgeted \$000 | Estimated Actual \$000 | Budget \$000 |
| Total Appropriation | -              | -                      | 1,200        |
| Revenue from Crown  | -              | -                      | 1,200        |
| Revenue from Other  | -              | -                      | -            |

#### *Reasons for Change in Appropriation*

Establishment of the New Zealand Productivity Commission is a new appropriation for 2010/11.

#### *Output Performance Measures and Standards*

| Performance Measures  | 2009/10           |                           | 2010/11         |
|---|-------------------|---------------------------|-----------------|
|   | Budgeted Standard | Estimated Actual Standard | Budget Standard |
| Commissioners are appointed by 28 February 2011   | N/A               | N/A                       | Achieved        |
| 25% of the Commission's staff have been recruited by April 2011                           | N/A               | N/A                       | Achieved        |
| The Commission is ready to begin an inquiry in April 2011 in accordance with legislation. | N/A               | N/A                       | Achieved        |

### Conditions on Use of Appropriation

| Reference                          | Conditions   |
|------------------------------------|--|
| Quality Standard for Policy Advice | Refer to Macro Economic Policy Advice & Management MCOA (M31) Output expense where the quality standard is published in full.  |
| Policy Standard Ratings            | In 2008/09 the Treasury commissioned an external review to assess the standard of policy advice on a sample of policy outputs provided during that financial year. That review established a benchmark against which to assess future performance. The Treasury intends to commission biennial reviews of the quality of its policy advice to provide an assessment of its performance against the standard. |

### Current and Past Policy Initiatives

| Policy Initiative  | Year of First Impact | 2009/10 Budgeted \$000 | 2010/11 Budget \$000 | 2011/12 Estimated \$000 | 2012/13 Estimated \$000 | 2013/14 Estimated \$000 |
|--|----------------------|------------------------|----------------------|-------------------------|-------------------------|-------------------------|
| Establishment of the New Zealand Productivity Commission | 2010/11              | -                      | 1,200                | -                       | -                       | -                       |

### Infrastructure Advice and Co-ordination (M80)

#### Scope of Appropriation

This appropriation is limited to the provision of advice to the Government and to Government agencies on infrastructure, ensuring co-ordination and implementation of the Government's infrastructure activities, the formulation and implementation of the National Infrastructure Plan, monitoring of infrastructure investment and frameworks, and operation of the National Infrastructure Advisory Board.

#### Expenses and Revenue

|                     | 2009/10        |                        | 2010/11      |
|---------------------|----------------|------------------------|--------------|
|                     | Budgeted \$000 | Estimated Actual \$000 | Budget \$000 |
| Total Appropriation | 5,052          | 4,852                  | 4,799        |
| Revenue from Crown  | 4,973          | 4,773                  | 4,720        |
| Revenue from Other  | 79             | 79                     | 79           |

## Output Performance Measures and Standards

| Performance Measures  | 2009/10  |                           | 2010/11         |
|---|--|---------------------------|-----------------|
|   | Budgeted Standard                                      | Estimated Actual Standard | Budget Standard |
| All policy outputs comply with Treasury's Quality Standards for Policy (refer Conditions on Use of Appropriation), as assessed by the Minister three times during the year. | Rated as meeting and frequently exceeding expectations | Not formally assessed     | N/A             |
| All Policy advice complies with Treasury's Quality Standards for Policy (refer Conditions on Use of Appropriation).   | N/A  | N/A                       | Achieved        |
| Successful completion and publication of first National Infrastructure Plan.  | Achieved   | Achieved                  | N/A             |
| Publication of a revised National Infrastructure Plan by June 2011.   | N/A  | N/A                       | Achieved        |
| Introduction of Utilities Access Code Bill by 30 June 2011.   | N/A  | N/A                       | Achieved        |
| Successful completion of First Tranche of Fibre to the Home (FTTH).   | N/A  | N/A                       | Achieved        |
| Two Public Private Partnerships (PPP's) in market by 30 June 2011.  | N/A  | N/A                       | Achieved        |
| Completion and implementation of standardised business case requirements for capital intensive government agencies.   | N/A  | N/A                       | Achieved        |

## Conditions on Use of Appropriation

| Reference                           | Conditions   |
|-------------------------------------|--|
| Quality Standards for Policy Advice | Refer to Macro Economic Policy Advice & Management MCOA (M31) Output expense where the quality standard is published in full.  |
| Policy Standard Ratings             | In 2008/09 the Treasury commissioned an external review to assess the standard of policy advice on a sample of policy outputs provided during that financial year. That review established a benchmark against which to assess future performance. The Treasury intends to commission biennial reviews of the quality of its policy advice to provide an assessment of its performance against the standard. |
| First National Infrastructure Plan  | This measure relates to a new task. This measure will need to be reviewed after the Plan is delivered to reflect the ongoing implementation and monitoring of the Plan.  |

## Macro Economic Policy Advice & Management MCOA (M31)

### *Scope of Appropriation*

#### **Economic and Tax Forecasting**

This output class is limited to the preparation of economic and tax forecasts, and monitoring of and reporting on economic and tax conditions.

#### **Fiscal Management**

This output class is limited to the development of the Budget strategy and advice, and activities of the annual Budget process.

#### **Fiscal Reporting**

This output class is limited to preparing fiscal forecasts, monitoring of and reporting on fiscal conditions, preparing the financial statements of the Government, providing advice on the application and development of generally accepted accounting practice as it applies to the Crown, and monitoring the adequacy of departmental financial management controls.

#### **Management of Crown Lending and Crown Bank Accounts**

This output class is limited to the management of Crown lending and Crown and Departmental bank accounts.

#### **Policy Advice: Fiscal and Macroeconomic**

This output class is limited to the provision of fiscal and macroeconomic policy advice.

### *Explanation for Use of Multi-Class Output Expense Appropriation*

These output classes all contribute to the outcome of a stable and sustainable macroeconomic environment in New Zealand.

### *Expenses and Revenue*

|   | 2009/10           |                           | 2010/11         |
|---|-------------------|---------------------------|-----------------|
|   | Budgeted<br>\$000 | Estimated Actual<br>\$000 | Budget<br>\$000 |
| <b>Total Appropriation</b>                          | 14,316            | 14,316                    | 14,910          |
| Economic and Tax Forecasting                        | 2,755             | 2,755                     | 2,691           |
| Fiscal Management                                   | 3,197             | 3,197                     | 3,290           |
| Fiscal Reporting                                    | 3,708             | 3,708                     | 3,588           |
| Management of Crown Lending and Crown Bank Accounts | 360               | 360                       | 540             |
| Policy Advice: Fiscal and Macroeconomic             | 4,296             | 4,296                     | 4,801           |
| <b>Revenue from Crown</b>                           | 14,080            | 14,080                    | 14,674          |
| Economic and Tax Forecasting                        | 2,705             | 2,705                     | 2,641           |
| Fiscal Management                                   | 3,147             | 3,147                     | 3,240           |
| Fiscal Reporting                                    | 3,650             | 3,650                     | 3,530           |
| Management of Crown Lending and Crown Bank Accounts | 354               | 354                       | 534             |
| Policy Advice: Fiscal and Macroeconomic             | 4,224             | 4,224                     | 4,729           |

|   | 2009/10        |                        | 2010/11      |
|---|----------------|------------------------|--------------|
|   | Budgeted \$000 | Estimated Actual \$000 | Budget \$000 |
| <b>Revenue from Other</b>                           | 236            | 236                    | 236          |
| Economic and Tax Forecasting                        | 50             | 50                     | 50           |
| Fiscal Management                                   | 50             | 50                     | 50           |
| Fiscal Reporting                                    | 58             | 58                     | 58           |
| Management of Crown Lending and Crown Bank Accounts | 6              | 6                      | 6            |
| Policy Advice: Fiscal and Macroeconomic             | 72             | 72                     | 72           |

### *Reasons for Change in Appropriation*

These appropriations have been changed to reflect Ministerial priorities.

### *Output Performance Measures and Standards*

| Performance Measures  | 2009/10  |                           | 2010/11         |
|---|--|---------------------------|-----------------|
|   | Budgeted Standard                                      | Estimated Actual Standard | Budget Standard |
| <b>All Classes of Outputs Within this Appropriation</b>   |  |                           |                 |
| All policy advice outputs comply with Treasury's Quality Standards for Policy (refer Conditions on Use of Appropriation), as assessed by the Minister three times during the year.  | Rated as meeting and frequently exceeding expectations | Not formally assessed     | N/A             |
| All policy advice complies with Treasury's Quality Standards for Policy (refer Conditions on Use of Appropriation).   | N/A  | N/A                       | Achieved        |
| 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. Where this advice is underpinned by modelling, the models are externally quality assured and, where appropriate, assumptions are tested with suitably qualified external experts. | Achieved   | Achieved                  | Achieved        |
| <b>Fiscal Management</b>  |  |                           |                 |
| Advice and processes required as part of the annual Budget process to assist the Government to pursue its policy priorities in accordance with the principles of responsible fiscal management and support effective and efficient management of public financial resources (conditions set out below).   | Achieved   | Achieved                  | Achieved        |
| <b>Fiscal Reporting</b>   |  |                           |                 |
| Audit opinion issued by the Controller and Auditor-General on the Financial Statements of Government.   | Unqualified  | Unqualified               | Unqualified     |
| <b>Economic and Tax Forecasting</b>   |  |                           |                 |
| Tax revenue forecast error on one-year-ahead forecasts. (Tax revenue forecast root mean square error and mean error over the 5 years to June 2007 were 4.4% and 4.2% respectively).   | Less than 3%   | Achieved                  | Less than 3%    |
| <b>Policy Advice: Fiscal and Macroeconomic</b>  |  |                           |                 |
| 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. Where this advice is underpinned by modelling, the models are externally Quality Assured and, where appropriate, assumptions are tested with suitably qualified external experts. | Achieved   | Achieved                  | Achieved        |

| Performance Measures   | 2009/10   |                                  | 2010/11   |
|--|---|----------------------------------|---|
|  | Budgeted Standard                                   | Estimated Actual Standard        | Budget Standard                                     |
| <b>Management of Crown Lending and Crown Bank Accounts</b>   |   |                                  |   |
| Value-added for Crown lending meets target level.  | \$15-20 million                                     | \$5 million                      | \$5 million   |
| Average value at risk (VaR) for Crown lending, at a 95% confidence level.  | Average monthly VaR does not exceed \$1.400 million | Average monthly VaR is \$200,000 | Average monthly VaR does not exceed \$1.400 million |
| Compliance with risk management policies and parameters for management of Crown lending and Crown bank accounts. | No compliance breaches                              | No breaches                      | No breaches   |

### Average value at risk (VaR) - performance measure

The Minister of Finance has agreed to a limit for average monthly VaR across the whole of NZDMO's operations of \$14 million. NZDMO's performance target for Crown lending activities is set at 10% of the total limit, or \$1.400 million.

### *Conditions on Use of Appropriation*

| Policy Standard Ratings  | Quality Standards for Policy Advice   |
|--|---|
| In 2008/09 the Treasury commissioned an external review to assess the standard of policy advice on a sample of policy outputs provided during that financial year. That review established a benchmark against which to assess future performance. The Treasury intends to commission biennial reviews of the quality of its policy advice to provide an assessment of its performance against the standard. | <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? Can Treasury add value? 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 quality policy advice

| Analytically Rigorous (Analysis)   | Set in a Wider Strategic Context (Applied Analysis)  | Customer-focused and Persuasive (Advice)   |
|--|--|--|
| <p><b>Relevant Frameworks</b></p> <ul style="list-style-type: none"> <li>• Appropriate analytical frameworks are used, and: 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, 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 Treasury's results and informed by a strategic view about what is important.</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 considers the long-term implications of decisions and provides a perspective that goes beyond immediate impacts.</li> <li>• We frame issues and help set the agenda.</li> </ul> | <p><b>Clear</b></p> <ul style="list-style-type: none"> <li>• Advice is compellingly presented. It is: 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 target 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 Minister.</li> </ul> |
| <p><b>Robust Reasoning and Logic</b></p> <ul style="list-style-type: none"> <li>• 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.</li> </ul>  | <p><b>Practical</b></p> <ul style="list-style-type: none"> <li>• Issues of implementation, technical feasibility, practicality and timing are considered and advice accurately identifies compliance, transitional, legislative, revenue and administrative implications and costs.</li> </ul>   | <p><b>Timely</b></p> <ul style="list-style-type: none"> <li>• Reports should meet Ministers' need for advice that helps in the decision-making process (even if it means, at times, that advice is not fully developed) and indicate when a decision is required.</li> </ul>   |
| <p><b>Evidence-based</b></p> <ul style="list-style-type: none"> <li>• Analysis is supported by relevant evidence: 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 experience of current and past policy interventions and, where relevant, the experience of other countries.</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> <ul style="list-style-type: none"> <li>• Ministers receive advice that enables them to engage with their colleagues on a fully informed basis because: thorough and timely consultation with other government departments has occurred and points of difference, and the reasons for these, are set out.</li> <li>• Where possible, advice is developed in conjunction with relevant government agencies.</li> </ul>  | <p><b>Politically Aware</b></p> <ul style="list-style-type: none"> <li>• Advice: demonstrates awareness of the wider environment and political situation.</li> <li>• Is based on a clear understanding of the desired outcomes of the Minister/Government.</li> <li>• Relates to the perspectives of Ministers, even if suggesting something that tests those perspectives.</li> <li>• Recognises choices and constraints Ministers face, and includes a range of options to address these.</li> </ul>   |
| <p><b>Free and Frank</b></p> <ul style="list-style-type: none"> <li>• 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.</li> </ul>   | <p><b>Perspectives of Wider Stakeholders</b></p> <ul style="list-style-type: none"> <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>   | <p><b>Solution-focused</b></p> <ul style="list-style-type: none"> <li>• We are proactive, anticipating, as well as responding to, Ministers' needs. Advice 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).</li> </ul>  |

| Reference   | Conditions  |
|---|---|
| Fiscal Management - Management of the annual financial cycle. | All process guidance, incorporating any appropriate changes arising from the annual process review, is released no later than 30 working days prior to departmental submission. |
|   | All guidance issued is sufficiently comprehensive and clear and does not require formal clarification.  |
|   | Budget strategy advice and the Budget Policy Statement (BPS) are developed to support the Government's fiscal policy objectives.  |
|   | Treasury advice on the Budget provides options that enable the Government to deliver the Budget consistent with the BPS.  |
|   | All statutory requirements of the Public Finance Act requirements are met.  |
|   | To determine changes to improve future processes the Annual review of process stakeholders is completed in the first quarter.   |

## State Sector and Economic Performance Policy Advice and Management MCOA (M31)

### *Scope of Appropriation*

#### **Crown Deposit Guarantee Scheme**

This output class is limited to the implementation and operation of the Crown's deposit guarantee scheme excluding expenses incurred in connection with administering claims under a guarantee or indemnity given under the scheme.

#### **Crown Wholesale Guarantee Facility**

This output class is limited to the implementation and operation of the Crown's wholesale guarantee facility.

#### **Management of Liabilities, Claims Against the Crown and Crown Properties**

Management of contractual or Treaty of Waitangi related claims against the Crown and the management of New Zealand House, London.

#### **New Zealand Export Credit Office**

Implementation of the Government's Export Credit Guarantees policy and operation of the New Zealand Export Credit Office.

#### **Policy Advice: Economic Performance**

Policy advice on the Government's economic strategy and policy settings and their effect on New Zealand's economic growth.

#### **Policy Advice: State Sector Performance**

Policy advice on the effective and efficient use of state resources including improved decision-making and performance management systems and the efficient management of Crown assets.

### *Explanation for Use of Multi-Class Output Expense Appropriation*

These output classes all contribute to the outcomes of improving New Zealand's overall economic performance and improving state sector performance.

## Expenses and Revenue

|  | 2009/10           |                           | 2010/11         |
|--|-------------------|---------------------------|-----------------|
|  | Budgeted<br>\$000 | Estimated Actual<br>\$000 | Budget<br>\$000 |
| <b>Total Appropriation</b>   | 36,253            | 34,037                    | 34,271          |
| Crown Deposit Guarantee Scheme   | 437               | 437                       | -               |
| Crown Wholesale Guarantee Facility                                       | 141               | 141                       | -               |
| Management of Liabilities, Claims Against the Crown and Crown Properties | 1,574             | 1,374                     | 1,922           |
| New Zealand Export Credit Office   | 4,144             | 2,878                     | 3,631           |
| Policy Advice: Economic Performance                                      | 14,041            | 14,041                    | 14,875          |
| Policy Advice: State Sector Performance                                  | 15,916            | 15,166                    | 13,843          |
| <b>Revenue from Crown</b>  | 35,647            | 33,431                    | 33,664          |
| Crown Deposit Guarantee Scheme   | 410               | 410                       | -               |
| Crown Wholesale Guarantee Facility                                       | 134               | 134                       | -               |
| Management of Liabilities, Claims Against the Crown and Crown Properties | 1,550             | 1,350                     | 1,898           |
| New Zealand Export Credit Office   | 4,093             | 2,827                     | 3,580           |
| Policy Advice: Economic Performance                                      | 13,789            | 13,789                    | 14,623          |
| Policy Advice: State Sector Performance                                  | 15,671            | 14,921                    | 13,563          |
| <b>Revenue from Other</b>  | 606               | 606                       | 607             |
| Crown Deposit Guarantee Scheme   | 27                | 27                        | -               |
| Crown Wholesale Guarantee Facility                                       | 7                 | 7                         | -               |
| Management of Liabilities, Claims Against the Crown and Crown Properties | 24                | 24                        | 24              |
| New Zealand Export Credit Office   | 51                | 51                        | 51              |
| Policy Advice: Economic Performance                                      | 252               | 252                       | 252             |
| Policy Advice: State Sector Performance                                  | 245               | 245                       | 280             |

## Reasons for Change in Appropriation

The decrease in the appropriation in 2010/11 is largely a result of new funding being provided in the 2009/10 Supplementary Estimates for the benchmarking and target setting phase of the Better Administration Support Services Project.

## Output Performance Measures and Standards

| Performance Measures   | 2009/10  |                           | 2010/11           |
|--|--|---------------------------|-------------------|
|  | Budgeted Standard                                      | Estimated Actual Standard | Budget Standard   |
| <b>All Classes of Outputs Within the Appropriation</b>   |  |                           |                   |
| All policy advice complies with Treasury's Quality Standards for Policy (refer Conditions on Use of Appropriation), as assessed by the Minister three times during the year.     | Rated as meeting and frequently exceeding expectations | Not formally assessed     | N/A               |
| All Policy advice complies with Treasury's Quality Standards for Policy (refer Conditions on Use of Appropriations)  | N/A  | N/A                       | Achieved          |
| <b>Management of Liabilities, Claims Against the Crown and Crown Properties</b>  |  |                           |                   |
| Management and resolution of liabilities and claims within parameters set by Ministers.  | Achieved   | Achieved                  | Achieved          |
| <b>New Zealand Export Credit Office</b>  |  |                           |                   |
| Conform to international best practice for the provision of the export credit insurance, as specified in OECD and WTO guidelines.  | 100%   | 100%                      | 100%              |
| Value of new export credit guarantees.   | \$46 million   | \$99.200 million          | \$114.400 million |
| Value of new US contract bonds.  | \$82 million   | \$6.400 million           | \$52.600 million  |
| Value of new non-US contract bonds.  | \$10 million   | \$34.600 million          | \$20 million      |
| Value of new working capital guarantees.   | \$5 million  | -                         | \$4.500 million   |
| Value of short-term trade credit guarantees.   | \$48.800 million                                       | \$31.800 million          | \$77.100 million  |
| <b>Policy Advice: Economic Performance</b>   |  |                           |                   |
| Regulatory Impact Analysis: Number of significant Regulatory Impact Statements assessed.   | 20   | 50                        | 40                |
| <b>Policy Advice: State Sector Performance</b>   |  |                           |                   |
| Vote analysis: Supporting the Government by pursuing policy priorities and fiscal policy objectives through the analysis and advice provided as part of the annual Budget cycle. | Achieved   | Achieved                  | Achieved          |

## Conditions on Use of Appropriation

| Reference  | Conditions  |
|--|---|
| Quality Standards for Policy Advice  | Refer to Macro Economic Policy Advice & Management MCOA (M31) Output expense where the quality standard is published in full.   |
| Policy Standard Ratings  | In 2008/09, the Treasury commissioned an external review to assess the standard of policy advice on a sample of policy outputs provided during that financial year. That review established a benchmark against which to assess future performance. The Treasury intends to commission biennial reviews of the quality of its policy advice to provide an assessment of its performance against the standard. |
| Management and resolution of liabilities and claims within parameters set by Ministers | 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.<br>In some cases, Treasury is a provider of second-opinion advice rather than a lead agency on these matters.   |

| Reference                  | Conditions   |
|----------------------------|--|
| Regulatory impact analysis | Regulatory impact analysis is a new function for Treasury.   |
| Vote analysis              | <p>This measure covers analysis and advice on: Budget bids; baseline updates; line-by-line reviews; in-depth reviews; supporting Expenditure Control Committee; financial recommendations in Cabinet papers; between Budget spending; and accountability documents.</p> <ul style="list-style-type: none"> <li>Treasury advice across Votes enables the Government to deliver the Budget consistent with the Budget Policy Statement.</li> <li>Treasury advice across Votes drives better value for money and higher performance in the public sector to help deliver the Government's policy objectives cost-effectively.</li> <li>All statutory requirements of the Public Finance Act are met.</li> </ul> <p>Annual review is undertaken with stakeholders to identify changes to improve future processes.</p> |

### *Current and Past Policy Initiatives*

| Policy Initiative   | Year of First Impact | 2009/10 Budgeted \$000 | 2010/11 Budget \$000 | 2011/12 Estimated \$000 | 2012/13 Estimated \$000 | 2013/14 Estimated \$000 |
|---|----------------------|------------------------|----------------------|-------------------------|-------------------------|-------------------------|
| Provision of short-term trade credit insurance and increased facilities.  | 2009/10              | 1,193                  | 838                  | -                       | -                       | -                       |
| Funding for Better Administration Support Services Project.   | 2009/10              | 1,500                  | -                    | -                       | -                       | -                       |
| Treasury advice on Government priorities.   | 2009/10              | 2,710                  | 3,250                | 3,725                   | 4,042                   | -                       |
| Secretariat to the Regulatory Responsibility Taskforce.   | 2009/10              | 153                    | -                    | -                       | -                       | -                       |
| Provision of short-term trade credit insurance.   | 2008/09              | 275                    | 258                  | -                       | -                       | -                       |
| Implementing a more co-coordinated and integrated Regulated Policy Quality Assurance system.  | 2008/09              | 1,379                  | 1,379                | 1,379                   | 1,379                   | -                       |
| Meet higher-than-anticipated demand for New Zealand Export Credit Office contract bond product and extend the product to other countries that impose contract bond requirements on exporters. | 2007/08              | 140                    | 140                  | -                       | -                       | -                       |
| New Zealand Export Credit Office development of US contract bonds and trade finance export products.  | 2007/08              | 401                    | 416                  | -                       | -                       | -                       |
| Extension of the New Zealand Export Credit Office US contract bond product.   | 2007/08              | 350                    | 350                  | -                       | -                       | -                       |

## Part 2.2 - Non-Departmental Output Expenses

### Intended Impacts, Outcomes and Objectives

| Intended Impacts, Outcomes or Objectives of Appropriations   | Appropriations   |
|--|--|
| <p><b>Government Objective:</b> To meet Crown liabilities and manage Crown assets efficiently.</p> <p><b>Specific Objective:</b> To minimise Crown financial risk within the bounds of Government objectives.</p>  | Management of the Crown's Obligations for Geothermal Wells                                       |
| <p><b>Objective:</b> To manage New Zealand House efficiently and minimise Crown financial risks associated with property ownership.</p>  | Management of New Zealand House, London  |
| <p><b>Government Objective:</b> To manage a fund for the future cost of New Zealand superannuation, without undue risk, and to avoid prejudice to New Zealand's reputation as a responsible member of the world community.</p> <p><b>Specific Objective:</b> To maximise returns on the New Zealand Superannuation Fund without undue risk to the fund as a whole.</p> | Management of the New Zealand Superannuation Fund  |
| <p><b>Government Objective:</b> To make the New Zealand economy more productive.</p> <p><b>Specific Objective:</b> To improve regulatory review and decision making processes including legislation and Standing Orders.</p>   | 2025 Productivity Taskforce<br>Enquiries, Reviews and Research Into Productivity Related Matters |

### 2025 Productivity Taskforce (M31)

#### *Scope of Appropriation*

This appropriation is limited to the fees and expenses of members of the Taskforce appointed to carry forward work on the productivity gap with Australia, and the fees and expenses for any other advice that the Taskforce may commission.

#### *Expenses*

|                     | 2009/10           |                           | 2010/11         |
|---------------------|-------------------|---------------------------|-----------------|
|                     | Budgeted<br>\$000 | Estimated Actual<br>\$000 | Budget<br>\$000 |
| Total Appropriation | 171               | 171                       | 81              |

#### *Reasons for Change in Appropriation*

The decrease in expenditure in 2010/11 reflects the expenditure phasing of the Taskforces project across three financial years.

### *Output Performance Measures and Standards*

| Performance Measures  | 2009/10           |                           | 2010/11         |
|---|-------------------|---------------------------|-----------------|
|   | Budgeted Standard | Estimated Actual Standard | Budget Standard |
| Initial taskforce report due by 30 November 2009  | Achieved          | Achieved                  | N/A             |
| Second taskforce report providing further analysis and recommendations and assessing progress delivered by 31 October 2010. | N/A               | N/A                       | Achieved        |

### *Current and Past Policy Initiatives*

| Policy Initiative                                | Year of First Impact | 2009/10 Budgeted \$000 | 2010/11 Budget \$000 | 2011/12 Estimated \$000 | 2012/13 Estimated \$000 | 2013/14 Estimated \$000 |
|--|----------------------|------------------------|----------------------|-------------------------|-------------------------|-------------------------|
| Establishment of the 2025 Productivity Taskforce | 2009/10              | 171                    | 81                   | 81                      | -                       | -                       |

## **Enquiries, Reviews and Research Into Productivity Matters (M31)**

### *Scope of Appropriation*

This appropriation is limited to enquiries, reviews and research into productivity related activities.

### *Expenses*

| Total Appropriation | 2009/10        |                        | 2010/11      |
|---------------------|----------------|------------------------|--------------|
|                     | Budgeted \$000 | Estimated Actual \$000 | Budget \$000 |
|                     | -              | -                      | 655          |

### *Reasons for Change in Appropriation*

This will be the first year of operation for this appropriation.

### *Output Performance Measures and Standards*

| Performance Measures  | 2009/10           |                           | 2010/11         |
|---|-------------------|---------------------------|-----------------|
|   | Budgeted Standard | Estimated Actual Standard | Budget Standard |
| The New Zealand Productivity Commission will operate in accordance with their Statement of Intent (see Note 1). | N/A               | N/A                       | Achieved        |

Note 1 - For further information on the intended impacts, outcomes and objectives of the Non-Departmental Output Expense appropriations please see the Statements of Intent of the Guardians of New Zealand Superannuation and New Zealand Productivity Commission.

### *Current and Past Policy Initiatives*

| Policy Initiative   | Year of First Impact | 2009/10 Budgeted \$000 | 2010/11 Budget \$000 | 2011/12 Estimated \$000 | 2012/13 Estimated \$000 | 2013/14 Estimated \$000 |
|---|----------------------|------------------------|----------------------|-------------------------|-------------------------|-------------------------|
| Enquiries, Reviews and Research Into Productivity Related Matters | 2010/11              | -                      | 655                  | 4,691                   | 5,028                   | 5,030                   |

### **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*

|                     | 2009/10        |                        | 2010/11      |
|---------------------|----------------|------------------------|--------------|
|                     | Budgeted \$000 | Estimated Actual \$000 | Budget \$000 |
| Total Appropriation | 1,000          | 1,000                  | 1,000        |

#### *Output Performance Measures and Standards*

| Performance Measures  | 2009/10           |                           | 2010/11         |
|---|-------------------|---------------------------|-----------------|
|   | Budgeted Standard | Estimated Actual Standard | Budget Standard |
| Optimise New Zealand House rental revenue.  | Achieved          | Not achieved              | Achieved        |
| Occupancy rates maximised.  | Achieved          | Not achieved              | Achieved        |
| Maintain the property to support the achievement of revenue and occupancy objectives. | Achieved          | Achieved                  | Achieved        |

## 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*

|                     | 2009/10           |                           | 2010/11         |
|---------------------|-------------------|---------------------------|-----------------|
|                     | Budgeted<br>\$000 | Estimated Actual<br>\$000 | Budget<br>\$000 |
| Total Appropriation | 351               | 351                       | 151             |

### *Reasons for Change in Appropriation*

A one-off expense of \$200,000 was budgeted for in 2009/10 to perform remedial work on redundant geothermal assets at Wairakei.

### *Output Performance Measures and Standards*

|  | 2009/10              |                              | 2010/11            |
|--|----------------------|------------------------------|--------------------|
|  | Budgeted<br>Standard | Estimated Actual<br>Standard | Budget<br>Standard |
| Performance Measures   |                      |                              |                    |
| Monitor and maintain wells through regular inspections and completion of standard maintenance actions. | Achieved             | Achieved                     | Achieved           |

## 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*

|                     | 2009/10           |                           | 2010/11         |
|---------------------|-------------------|---------------------------|-----------------|
|                     | Budgeted<br>\$000 | Estimated Actual<br>\$000 | Budget<br>\$000 |
| Total Appropriation | 504               | 504                       | 516             |

### *Output Performance Measures and Standards*

| Performance Measures   | 2009/10              |                              | 2010/11            |
|--|----------------------|------------------------------|--------------------|
|  | Budgeted<br>Standard | Estimated Actual<br>Standard | Budget<br>Standard |
| The Guardians of New Zealand Superannuation manage and administer the Fund in accordance with their Statement of Intent. | Achieved             | Achieved                     | Achieved           |

### *Current and Past Policy Initiatives*

| Policy Initiative  | Year of<br>First<br>Impact | 2009/10<br>Budgeted<br>\$000 | 2010/11<br>Budget<br>\$000 | 2011/12<br>Estimated<br>\$000 | 2012/13<br>Estimated<br>\$000 | 2013/14<br>Estimated<br>\$000 |
|--|----------------------------|------------------------------|----------------------------|-------------------------------|-------------------------------|-------------------------------|
| Funding for the Guardians of New Zealand Superannuation following independent review. (This funding was subsequently reduced following a review of the allocation of costs between the Guardians and the New Zealand Superannuation Fund.) | 2004/05                    | 2,044                        | -                          | -                             | -                             | -                             |

## Summary of Service Providers for Non-Departmental Outputs

| Provider   | 2009/10<br>Budgeted<br>\$000 | 2009/10<br>Estimated Actual<br>\$000 | 2010/11<br>Budget<br>\$000 | Reporting<br>Mechanism  | Expiry of<br>Funding<br>Commitment |
|--|------------------------------|--------------------------------------|----------------------------|-------------------------|------------------------------------|
| <b>Crown Entities</b>  |                              |                                      |                            |                         |                                    |
| The Guardians of New Zealand Superannuation<br><ul style="list-style-type: none"> <li>Guardians of New Zealand Superannuation</li> </ul>                       | 504                          | 504                                  | 516                        | Providers annual report | Ongoing                            |
| The New Zealand Productivity Commission<br><ul style="list-style-type: none"> <li>Enquiries, Reviews and Research Into Productivity Related Matters</li> </ul> | -                            | -                                    | 655                        | Providers annual report | Ongoing                            |
| <b>Non-Government Organisations</b>  |                              |                                      |                            |                         |                                    |
| King Sturge International Property Consultants, London<br><ul style="list-style-type: none"> <li>Management of New Zealand House</li> </ul>                    | 1,000                        | 1,000                                | 1,000                      | Not required            | 2010                               |
| Aurecon Limited and other providers<br><ul style="list-style-type: none"> <li>Management of Residual Geothermal Liabilities</li> </ul>                         | 351                          | 351                                  | 151                        | Not required            | 2011                               |
| Regulatory Responsibility Taskforce<br><ul style="list-style-type: none"> <li>Regulatory Responsibility Taskforce</li> </ul>                                   | 120                          | 120                                  | -                          | Not required            | 2010                               |
| 2025 Productivity Taskforce<br><ul style="list-style-type: none"> <li>2025 Productivity Taskforce</li> </ul>   | 171                          | 171                                  | 81                         | Not required            | 2012                               |

The above table summarises funding to be allocated through Vote Finance to non-departmental providers, along with an indication of the mechanism to be used for reporting actual performance and (where determined) the length of the funding commitment.

## Part 4 - Details for Borrowing Expenses

### Part 4.2 - 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*

|                     | 2009/10           |                           | 2010/11         |
|---------------------|-------------------|---------------------------|-----------------|
|                     | Budgeted<br>\$000 | Estimated Actual<br>\$000 | Budget<br>\$000 |
| Total Appropriation | 2,288,836         | 2,288,836                 | 3,058,421       |

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

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

## Part 5 - Details and Expected Results for Other Expenses

### Part 5.2 - Non-Departmental Other Expenses

#### Intended Impacts, Outcomes and Objectives

| Intended Impacts, Outcomes or Objectives of Appropriations                 | Appropriations   |
|--|--|
| Objective - To meet Crown liabilities and manage Crown assets efficiently. | Crown Residual Liabilities   |
|  | Geothermal Wells Fund  |
|  | Government Superannuation Appeals Board  |
|  | Government Superannuation Fund Authority - Crown's Share of Expenses                       |
|  | Government Superannuation Fund Unfunded Liability  |
|  | GST Compensation for Government Superannuation Fund and National Provident Fund recipients |
|  | Impairment of Loans to Taitokerau Forest   |
|  | National Provident Fund Schemes - Liability Under Crown Guarantee                          |
|  | New Zealand House, London  |
|  | Taitokerau Forests Limited Grant   |
|  | Unclaimed Money  |
|  | Unclaimed Trust Money  |

#### 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*

|                     | 2009/10        |                        | 2010/11      |
|---------------------|----------------|------------------------|--------------|
|                     | Budgeted \$000 | Estimated Actual \$000 | Budget \$000 |
| Total Appropriation | 230            | 230                    | 230          |

*Expected Results*

|   | 2009/10           |                           | 2010/11         |
|---|-------------------|---------------------------|-----------------|
|   | Budgeted Standard | Estimated Actual Standard | Budget Standard |
| Settlements are within limits agreed by the Minister. | Achieved          | Achieved                  | Achieved        |

**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*

|                     | 2009/10        |                        | 2010/11      |
|---------------------|----------------|------------------------|--------------|
|                     | Budgeted \$000 | Estimated Actual \$000 | Budget \$000 |
| Total Appropriation | 500            | 500                    | 500          |

*Expected Results*

|   | 2009/10   |                           | 2010/11   |
|---|---|---------------------------|---|
|   | Budgeted Standard   | Estimated Actual Standard | Budget Standard   |
| Damages are made good within agreed timeframes and budgets. | Achieve for all such events (no more than one expected in a year) | No events in year         | Achieve for all such events (no more than one expected in a year) |

## 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*

|                     | 2009/10           |                           | 2010/11         |
|---------------------|-------------------|---------------------------|-----------------|
|                     | Budgeted<br>\$000 | Estimated Actual<br>\$000 | Budget<br>\$000 |
| Total Appropriation | 50                | 50                        | 50              |

### *Expected Results*

|  | 2009/10              |                              | 2010/11            |
|--|----------------------|------------------------------|--------------------|
|  | Budgeted<br>Standard | Estimated Actual<br>Standard | Budget<br>Standard |
| Board members' fees and disbursements are consistent with Cabinet Office Guidelines. | Achieved             | Achieved                     | Achieved           |

## 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*

|                     | 2009/10           |                           | 2010/11         |
|---------------------|-------------------|---------------------------|-----------------|
|                     | Budgeted<br>\$000 | Estimated Actual<br>\$000 | Budget<br>\$000 |
| Total Appropriation | 19,692            | 19,692                    | 23,760          |

### *Reasons for Change in Appropriation*

Custodial, investment and administration costs are higher due to an increase in assets under fund management.

*Expected Results*

|  | 2009/10           |                           | 2010/11         |
|--|-------------------|---------------------------|-----------------|
|  | Budgeted Standard | Estimated Actual Standard | Budget Standard |
| The Crown's share of management and administration fees is paid in accordance with the Government Superannuation Fund's determination and certification of the Government Actuary. | Achieved          | Achieved                  | Achieved        |

**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*

|                     | 2009/10        |                        | 2010/11      |
|---------------------|----------------|------------------------|--------------|
|                     | Budgeted \$000 | Estimated Actual \$000 | Budget \$000 |
| Total Appropriation | 663,000        | 663,000                | 684,117      |

*Reasons for Change in Appropriation*

Current service and interest unwinding costs are forecast to be higher in 2010/11 as a result of increases in CPI indexation and discount rates.

*Expected Results*

|   | 2009/10                   |                           | 2010/11                   |
|---|---------------------------|---------------------------|---------------------------|
|   | Budgeted Standard         | Estimated Actual Standard | Budget Standard           |
| Recognition of the Crown's GSF obligations in the Financial Statements of the Government. | Unqualified audit opinion | Unqualified audit opinion | Unqualified audit opinion |
| Tax payments are accurate and paid within deadlines.                                      | Met                       | Met                       | Met                       |

*Current and Past Policy Initiatives*

| Policy Initiative       | Year of First Impact | 2009/10 Budgeted \$000 | 2010/11 Budget \$000 | 2011/12 Estimated \$000 | 2012/13 Estimated \$000 | 2013/14 Estimated \$000 |
|-------------------------|----------------------|------------------------|----------------------|-------------------------|-------------------------|-------------------------|
| Budget 2010 Tax Package | 2011/12              | -                      | -                    | 17,000                  | 17,000                  | 17,000                  |

## GST Compensation for Government Superannuation Fund and National Provident Fund recipients (M31)

### *Scope of Appropriation*

This appropriation is limited to compensation for recipients of the Government Superannuation Fund and the National Provident Fund due to increases in GST between 1 October 2010 and 27 April 2011.

### *Expenses*

|                     | 2009/10           |                           | 2010/11         |
|---------------------|-------------------|---------------------------|-----------------|
|                     | Budgeted<br>\$000 | Estimated Actual<br>\$000 | Budget<br>\$000 |
| Total Appropriation | -                 | -                         | 10,000          |

### *Reasons for Change in Appropriation*

This new appropriation is a result of the Budget 2010 Tax Package.

### *Current and Past Policy Initiatives*

| Policy Initiative       | Year of First Impact | 2009/10 Budgeted<br>\$000 | 2010/11 Budget<br>\$000 | 2011/12 Estimated<br>\$000 | 2012/13 Estimated<br>\$000 | 2013/14 Estimated<br>\$000 |
|-------------------------|----------------------|---------------------------|-------------------------|----------------------------|----------------------------|----------------------------|
| Budget 2010 Tax Package | 2010/11              | -                         | 10,000                  | -                          | -                          | -                          |

## 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*

|                     | 2009/10           |                           | 2010/11         |
|---------------------|-------------------|---------------------------|-----------------|
|                     | Budgeted<br>\$000 | Estimated Actual<br>\$000 | Budget<br>\$000 |
| Total Appropriation | 3,100             | 3,100                     | 800             |

### *Reasons for Change in Appropriation*

The impairment expense varies due to the profile of additional loan funding provided to Taitokerau Forests.

*Expected Results*

|  | 2009/10           |                           | 2010/11         |
|--|-------------------|---------------------------|-----------------|
|  | Budgeted Standard | Estimated Actual Standard | Budget Standard |
| Impairment of loans to Taitokerau Forest Limited correctly recorded in the Financial Statements of the Government. | N/A               | Achieved                  | Achieved        |

*Current and Past Policy Initiatives*

| Policy Initiative  | Year of First Impact | 2009/10 Budgeted \$000 | 2010/11 Budget \$000 | 2011/12 Estimated \$000 | 2012/13 Estimated \$000 | 2013/14 Estimated \$000 |
|--|----------------------|------------------------|----------------------|-------------------------|-------------------------|-------------------------|
| Renegotiation of Crown loan to Taitokerau Forests Limited. | 2008/09              | 1,400                  | 800                  | 800                     | 800                     | -                       |

**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*

|                     | 2009/10        |                        | 2010/11      |
|---------------------|----------------|------------------------|--------------|
|                     | Budgeted \$000 | Estimated Actual \$000 | Budget \$000 |
| Total Appropriation | 62,000         | 62,000                 | 60,000       |

*Reasons for Change in Appropriation*

The decrease reflects marginal changes to the forecast assumptions, other than actuarial gains and losses, in the Crown's liability under section 60 of the National Provident Fund Restructuring Act 1990.

*Expected Results*

|   | 2009/10           |                           | 2010/11                   |
|---|-------------------|---------------------------|---------------------------|
|   | Budgeted Standard | Estimated Actual Standard | Budget Standard           |
| The Crown's liability for benefits payable to members of National Provident Fund schemes is correctly recorded in the Financial Statements of the Government. | N/A               | Unqualified audit opinion | Unqualified audit opinion |

## New Zealand House, London (M31)

### Scope of Appropriation

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

### Expenses

|                     | 2009/10           |                           | 2010/11         |
|---------------------|-------------------|---------------------------|-----------------|
|                     | Budgeted<br>\$000 | Estimated Actual<br>\$000 | Budget<br>\$000 |
| Total Appropriation | 14,700            | 14,700                    | 16,200          |

### Reasons for Change in Appropriation

New Zealand House operating costs were reduced in 2009/10 as a result of foreign exchange rate movements and lower occupancy rates during the year.

### Expected Results

|   | 2009/10              |                              | 2010/11            |
|---|----------------------|------------------------------|--------------------|
|   | Budgeted<br>Standard | Estimated Actual<br>Standard | Budget<br>Standard |
| Net rental from commercial space is optimised.  | Achieved             | Achieved                     | Achieved           |
| New Zealand House is maintained to provide office accommodation of a suitable standard for New Zealand Government entities in London. | Achieved             | Achieved                     | Achieved           |

## 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

|                     | 2009/10           |                           | 2010/11         |
|---------------------|-------------------|---------------------------|-----------------|
|                     | Budgeted<br>\$000 | Estimated Actual<br>\$000 | Budget<br>\$000 |
| Total Appropriation | 300               | 300                       | 200             |

### Reasons for Change in Appropriation

This expense varies due to the profile of the grant funding in accordance with Taitokerau forests Limited agreement.

*Expected Results*

|  | 2009/10           |                           | 2010/11         |
|--|-------------------|---------------------------|-----------------|
|  | Budgeted Standard | Estimated Actual Standard | Budget Standard |
| Grant payment is made in accordance with the Taitokerau Forests Limited agreement. | Achieved          | Achieved                  | Achieved        |

*Current and Past Policy Initiatives*

| Policy Initiative  | Year of First Impact | 2009/10 Budgeted \$000 | 2010/11 Budget \$000 | 2011/12 Estimated \$000 | 2012/13 Estimated \$000 | 2013/14 Estimated \$000 |
|--|----------------------|------------------------|----------------------|-------------------------|-------------------------|-------------------------|
| Renegotiation of Crown loan to Taitokerau Forests which also included a grant to maintain and develop the forests. | 2009/10              | 300                    | 200                  | 300                     | 200                     | -                       |

**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*

|                     | 2009/10        |                        | 2010/11      |
|---------------------|----------------|------------------------|--------------|
|                     | Budgeted \$000 | Estimated Actual \$000 | Budget \$000 |
| Total Appropriation | 250            | 250                    | 250          |

*Expected Results*

|   | 2009/10           |                           | 2010/11         |
|---|-------------------|---------------------------|-----------------|
|   | Budgeted Standard | Estimated Actual Standard | Budget Standard |
| Repayment of unclaimed money to claimants is performed in accordance with section 74(5) of the Public Finance Act 1989. | Achieved          | Achieved                  | Achieved        |

## 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*

|                     | 2009/10           |                           | 2010/11         |
|---------------------|-------------------|---------------------------|-----------------|
|                     | Budgeted<br>\$000 | Estimated Actual<br>\$000 | Budget<br>\$000 |
| Total Appropriation | 250               | 250                       | 250             |

### *Expected Results*

|   | 2009/10              |                              | 2010/11            |
|---|----------------------|------------------------------|--------------------|
|   | Budgeted<br>Standard | Estimated Actual<br>Standard | Budget<br>Standard |
| Repayment of unclaimed money to claimants is performed in accordance with section 70(2) of the Public Finance Act 1989. | Achieved             | Achieved                     | Achieved           |

## Reporting Mechanisms

| Appropriation  | Reporting Mechanism  |
|--|--|
| Crown Residual Liabilities   | Not required   |
| Geothermal Wells Fund  | Not required   |
| Government Superannuation Appeals Board                              | Not required   |
| Government Superannuation Fund Authority - Crown's Share of Expenses | Annual report of the Government Superannuation Fund Authority    |
| Government Superannuation Fund Unfunded Liability                    | Not required   |
| Impairment of Loans to Taitokerau Forests Limited                    | Not required   |
| National Provident Fund Schemes - Liability Under Crown Guarantee    | Not required   |
| New Zealand House - London   | Annual report of the New Zealand Government Property Corporation |
| Taitokerau Forests Limited Grant                                     | Not required   |
| Unclaimed Money  | Not required   |
| Unclaimed Trust Money  | Not required   |

The above table indicates the mechanisms to be used for reporting actual performance for each non-departmental other expenses appropriation.

## Part 6 - Details and Expected Results for Capital Expenditure

### Part 6.1 - Departmental Capital Expenditure

#### Intended Impacts, Outcomes and Objectives

|  |  |
|--|--|
| Intended Impacts, Outcomes or Objectives of Appropriations   | Appropriations                           |
| Internally funded capital projects integral to the efficient and effective delivery of the Treasury's outputs. | Treasury - Capital Expenditure PLA (M31) |

#### 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*

|                               | 2009/10           |                           | 2010/11         |
|-------------------------------|-------------------|---------------------------|-----------------|
|                               | Budgeted<br>\$000 | Estimated Actual<br>\$000 | Budget<br>\$000 |
| Forests/Agricultural          | -                 | -                         | -               |
| Land                          | -                 | -                         | -               |
| Property, Plant and Equipment | 889               | 889                       | 851             |
| Intangibles                   | 2                 | 2                         | 524             |
| Other                         | -                 | -                         | -               |
| <b>Total Appropriation</b>    | <b>891</b>        | <b>891</b>                | <b>1,375</b>    |

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

The 2010/11 budgeted capital expenditure is more than 2009/10 largely owing to the timing of routine replacement and upgrade of the Treasury's information technology.

##### *Expected Results*

The budgeted capital expenditure for the 2010/11 financial year is mainly for the routine replacement and upgrade of the department's information technology. The forecast capital expenditure will support the efficient delivery of services as set out in the Treasury's Statement of Intent.

## Part 6.2 - Non-Departmental Capital Expenditure

### Intended Impacts, Outcomes and Objectives

| Intended Impacts, Outcomes or Objectives of Appropriations                                   | Appropriations                      |
|--|-------------------------------------|
| New Zealand's subscription to the General capital increase at the Asian Development Bank     | Asian Development Bank              |
| To compensate Landcorp for retaining protected land.   | Landcorp Protected Land Agreement   |
| To provide capital for the New Zealand Productivity Commission                               | New Zealand Productivity Commission |
| To provide debt funding to Taitokerau Forests Limited for forest management and development. | Taitokerau Forests                  |

### Asian Development Bank PLA (M31)

#### *Scope of Appropriation*

This appropriation is limited to capital expenditure by New Zealand as a member of the Asian Development Bank Agreement, authorised by section 3 of the International Finance Agreements Amendment Act 1966.

#### *Capital Expenditure*

|                     | 2009/10           |                           | 2010/11         |
|---------------------|-------------------|---------------------------|-----------------|
|                     | Budgeted<br>\$000 | Estimated Actual<br>\$000 | Budget<br>\$000 |
| Total Appropriation | -                 | -                         | 71,000          |

#### *Reasons for Change in Appropriation*

Cabinet has approved funding for New Zealand's subscription to the General Capital Increase at the Asian Development Bank in 2010/11.

#### *Expected Results*

|   | 2009/10              |                              | 2010/11            |
|---|----------------------|------------------------------|--------------------|
|   | Budgeted<br>Standard | Estimated Actual<br>Standard | Budget<br>Standard |
| Payment of subscription has been made by due date | N/A                  | N/A                          | Achieved           |

*Current and Past Policy Initiatives*

| Policy Initiative                               | Year of First Impact | 2009/10 Budgeted \$000 | 2010/11 Budget \$000 | 2011/12 Estimated \$000 | 2012/13 Estimated \$000 | 2013/14 Estimated \$000 |
|---|----------------------|------------------------|----------------------|-------------------------|-------------------------|-------------------------|
| Asian Development Bank General Capital Increase | 2010/11              | -                      | 71,000               | -                       | -                       | -                       |

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

Purchase (including by reinvesting cash dividends) of redeemable preference shares in Landcorp under the Protected Land Agreement.

*Capital Expenditure*

|                     | 2009/10        |                        | 2010/11      |
|---------------------|----------------|------------------------|--------------|
|                     | Budgeted \$000 | Estimated Actual \$000 | Budget \$000 |
| Total Appropriation | 10,000         | 10,000                 | 17,347       |

*Reasons for Change in Appropriation*

Under the terms of the Protected Land Agreement, an initial payment of \$52.200 million was paid in cash to Landcorp in 2007/08. The balance of the compensation is through the reinvestment of dividends spread over several years finalising in 2011/12.

*Current and Past Policy Initiatives*

| Policy Initiative                       | Year of First Impact | 2009/10 Budgeted \$000 | 2010/11 Budget \$000 | 2011/12 Estimated \$000 | 2012/13 Estimated \$000 | 2013/14 Estimated \$000 |
|---|----------------------|------------------------|----------------------|-------------------------|-------------------------|-------------------------|
| Protected Land Agreement with Landcorp. | 2007/08              | 11,000                 | 20,000               | 9,347                   | -                       | -                       |

## New Zealand Productivity Commission Capital (M31)

### *Scope of Appropriation*

This appropriation is limited to providing a capital injection to the New Zealand Productivity Commission.

### *Capital Expenditure*

|                     | 2009/10           |                           | 2010/11         |
|---------------------|-------------------|---------------------------|-----------------|
|                     | Budgeted<br>\$000 | Estimated Actual<br>\$000 | Budget<br>\$000 |
| Total Appropriation | -                 | -                         | 500             |

### *Reasons for Change in Appropriation*

This is the first year of operation of the New Zealand Productivity Commission. The appropriations form part of its establishment in 2010/11.

### *Expected Results*

|   | 2009/10              |                              | 2010/11            |
|---|----------------------|------------------------------|--------------------|
|   | Budgeted<br>Standard | Estimated Actual<br>Standard | Budget<br>Standard |
| The New Zealand Productivity Commission is established by 1 April 2011 in accordance with its enabling legislation. | N/A                  | N/A                          | Achieved           |

### *Current and Past Policy Initiatives*

| Policy Initiative                   | Year of<br>First<br>Impact | 2009/10<br>Budgeted<br>\$000 | 2010/11<br>Budget<br>\$000 | 2011/12<br>Estimated<br>\$000 | 2012/13<br>Estimated<br>\$000 | 2013/14<br>Estimated<br>\$000 |
|-------------------------------------|----------------------------|------------------------------|----------------------------|-------------------------------|-------------------------------|-------------------------------|
| New Zealand Productivity Commission | 2010/11                    | -                            | 500                        | -                             | -                             | -                             |

## 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

|                     | 2009/10           |                           | 2010/11         |
|---------------------|-------------------|---------------------------|-----------------|
|                     | Budgeted<br>\$000 | Estimated Actual<br>\$000 | Budget<br>\$000 |
| Total Appropriation | 3,100             | 3,100                     | 800             |

### Reasons for Change in Appropriation

Loans are made in accordance with the loan agreement.

### Expected Results

|  | 2009/10              |                              | 2010/11            |
|--|----------------------|------------------------------|--------------------|
|  | Budgeted<br>Standard | Estimated Actual<br>Standard | Budget<br>Standard |
| Loans will be provided in accordance with the terms of the loan agreement. | N/A                  | Achieved                     | Achieved           |

### Current and Past Policy Initiatives

| Policy Initiative  | Year of<br>First<br>Impact | 2009/10<br>Budgeted<br>\$000 | 2010/11<br>Budget<br>\$000 | 2011/12<br>Estimated<br>\$000 | 2012/13<br>Estimated<br>\$000 | 2013/14<br>Estimated<br>\$000 |
|--|----------------------------|------------------------------|----------------------------|-------------------------------|-------------------------------|-------------------------------|
| Renegotiation of Crown loan to Taitokerau Forests Limited. | 2008/09                    | 1,400                        | 800                        | 800                           | 800                           | -                             |

## Reporting Mechanisms

| Appropriation                       | Reporting Mechanism                                      |
|-------------------------------------|--|
| Asian Development Bank              | Not required   |
| Landcorp Protected Land Agreement   | Annual report of Landcorp Farming Limited                |
| New Zealand Productivity Commission | Annual report of the New Zealand Productivity Commission |
| Taitokerau Forests                  | Not required   |

The above table indicates the mechanisms to be used for reporting actual results for each non-departmental capital expenditure appropriation.