

# VOTE *Finance*

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## Terms and Definitions Used

CEL	Contact Energy Ltd
CRI	Crown research institute
EQC	Earthquake Commission
GAAP	Generally accepted accounting practice
GSF	Government Superannuation Fund
GSF Schemes	The Government Service Superannuation Scheme, the New Government Service Superannuation Scheme, Superannuation of Members of the Armed Forces, the Judges' and Solicitor-General Scheme, and the Masters', Parliamentary, Police and Prison Service Schemes, all constituted under the Government Superannuation Fund Act 1956
GSFA	GSF Authority (a Crown entity formed to manage the GSF)
IMF	International Monetary Fund
NZRC	New Zealand Railways Corporation (now known as ONTRACK)
NZSF	New Zealand Superannuation Fund
PLA	Permanently legislated authority
SOE	State-owned enterprise

## Footnotes

Note 1	Prior to 2006/07 expenses were incurred pursuant to sections 61(1), 65E(1), 65H(2) and 65J(1) of the Public Finance Act 1989
Note 2	Expenses incurred pursuant to sections 15, 74, 81, 88 and 95 of the GSF Act 1956, and section 33 of the Superannuation Schemes Act 1989
Note 3	Expenses incurred pursuant to sections 60(1), 61(1), 65D(1), 65E and 65H of the Public Finance Act 1989
Note 4	Expenses incurred pursuant to section 74(5) of the Public Finance Act 1989
Note 5	Expenses incurred pursuant to section 5 of the International Finance Agreements Act 1961

## Minister Portfolio Table

31	Minister of Finance
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# Finance

ADMINISTERING DEPARTMENT: The Treasury  
The Minister of Finance is the Responsible Minister for the Treasury

## Part B - Statement of Appropriations

### Summary of Financial Activity

	2006/07	2006/07 Appropriations to be Used				Total \$000
	Main Estimates \$000	By the Department Administering the Vote		For Non-Departmental Transactions		
		Annual \$000	Other \$000	Annual \$000	Other \$000	
<b>Appropriations</b>						
Output Expenses	62,826	52,468	-	7,147	-	59,615
Benefits and Other Unrequited Expenses	862,985	N/A	N/A	-	929,397	929,397
Borrowing Expenses	2,538,000	N/A	N/A	-	2,414,000	2,414,000
Other Expenses	120,403	-	-	145,122	6,861	151,983
Capital Expenditure	2,366,306	N/A	N/A	2,199,248	200,000	2,399,248
Intelligence and Security Department Expenses and Capital Expenditure	-	-	-	N/A	N/A	-
<b>Total Appropriations</b>	<b>5,950,520</b>	<b>52,468</b>	<b>-</b>	<b>2,351,517</b>	<b>3,550,258</b>	<b>5,954,243</b>
<b>Crown Revenue and Receipts</b>						
Tax Revenue	-	N/A	N/A	N/A	N/A	-
Non-Tax Revenue	2,922,796	N/A	N/A	N/A	N/A	3,823,472
Capital Receipts	250,808	N/A	N/A	N/A	N/A	258,742
<b>Total Crown Revenue and Receipts</b>	<b>3,173,604</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>4,082,214</b>

## Part B1 - Details of Appropriations

Appropriations	2006/07						Scope of and Reasons for Change in 2006/07 Appropriations
	Main Estimates		Supplementary Estimates		Cumulative Vote		
	Annual \$000	Other \$000	Annual \$000	Other \$000	Annual \$000	Other \$000	
<b>Departmental Output Expenses (General)</b>							
Budget Management (M31)	2,106	-	96	-	2,202	-	- Development of the Budget strategy and the operational activities of the Budget process.  Reason for Change: The movement reflects minor changes in operating costs.
Debt and Related Financial Asset Management (M31)	4,255	-	3,035	-	7,290	-	- Operational management of the Crown's sovereign-issued debt portfolio, associated financial investments (including departmental cash management), and lending and derivatives transactions with government-related entities.  Reason for Change: The increase is owing to a technical change to record all debt and financial management costs within the departmental output expense rather than non-departmental appropriations (see Note 1).
Economic and Fiscal Forecasting and Reporting (M31)	6,170	-	11	-	6,181	-	- Preparation of macroeconomic and fiscal forecasts, and monitoring and reporting on economic and fiscal conditions. Advice on the application and development of generally accepted accounting practice (GAAP) as it applies to the Crown, and the adequacy of departmental financial management controls.  Reason for Change: The movement reflects minor changes in operating costs.
Management of Claims Against the Crown, Contractual Liabilities and Crown Properties (M31)	6,300	-	(3,287)	-	3,013	-	- Management of commercial, contractual or Treaty of Waitangi-related claims against the Crown; and the management of New Zealand House, London.  Reason for Change: Funding for the management of potential claims against the former Building Industry Authority was not required and has been transferred to 2007/08.
Policy Advice - Financial and Public Sector Management Systems (M31)	3,031	-	(830)	-	2,201	-	- Policy advice to maintain and develop financial and performance management systems in use across the Crown.  Reason for Change: The decrease is owing to staff vacancies and shift in resources to output priorities in other output classes.
Policy Advice - General Economic and Fiscal Strategies (M31)	4,603	-	(237)	-	4,366	-	- Policy advice on the Government's broad economic strategy and macroeconomic policy settings, and their effect on the welfare of New Zealanders.  Reason for Change: The decrease is owing to staff vacancies and shift in resources to output priorities in other output classes.

	2006/07						Scope of and Reasons for Change in 2006/07 Appropriations
	Main Estimates		Supplementary Estimates		Cumulative Vote		
	Annual \$000	Other \$000	Annual \$000	Other \$000	Annual \$000	Other \$000	
<b>Appropriations</b>							
Policy Advice - Ownership and Performance of Crown Companies and Financial Institutions (M31)	2,783	-	(497)	-	2,286	-	<p>Policy advice on the Crown's financial position and the ownership interest in SOEs, Crown research institutes (CRIs) and other Crown entities; and on the Crown's ownership, guarantee and indemnity obligations in respect of Crown financial institutions.</p> <p>Reason for Change: The decrease is owing to reduced demand for outputs in this class and a shift in resources to output priorities in other output classes.</p>
Policy Advice - Regulation and Vote Purchase, Ownership and Performance Issues (M31)	21,245	-	826	-	22,071	-	<p>Policy advice on the cost, quality and quantity of outputs sought by the Government, and the financial performance and capability of departments and Crown entities; monitoring of payments for outputs and advice on the non-departmental revenue and expenditure administered by departments and Crown entities; and identification and assessment of opportunities for the Government to achieve its goals.</p> <p>Reason for Change: The movement is owing to increased demand for outputs in this class.</p>
Policy Advice - Tax (M31)	2,314	-	544	-	2,858	-	<p>Policy advice on tax policy with Inland Revenue and other relevant collection agencies and advice on purchase, ownership and performance issues for Votes Revenue and Customs.</p> <p>Reason for Change: The movement is owing to increased demand for outputs in this class, in particular KiwiSaver.</p>
<b>Total Departmental Output Expenses (General)</b>	52,807	-	(339)	-	52,468	-	
<b>Non-Departmental Output Expenses</b>							
GSF Authority (M31)	4,157	-	302	-	4,459	-	<p>The Crown's share of expenses incurred by the GSFA in managing the GSF assets and administering the GSF Schemes.</p> <p>Reason for Change: The increase is largely to fund a feasibility study of the GSF Authority's IT systems.</p>
Guardians of New Zealand Superannuation (M31)	4,711	-	(3,174)	-	1,537	-	<p>Costs of managing the NZSF on behalf of the Crown.</p> <p>Reason for Change: The appropriation has been reduced following a review of costs met from the output class versus costs that can be met from the fund.</p>
Management of Crown Overseas Properties (M31)	1,000	-	-	-	1,000	-	Property management costs for New Zealand House, London.
Management of Residual Geothermal Liabilities (M31)	151	-	-	-	151	-	Fees payable for managing the Crown's residual geothermal liabilities. This appropriation was previously known as "Management of Geothermal Trading".
<b>Total Non-Departmental Output Expenses</b>	10,019	-	(2,872)	-	7,147	-	

	2006/07						Scope of and Reasons for Change in 2006/07 Appropriations
	Main Estimates		Supplementary Estimates		Cumulative Vote		
	Annual \$000	Other \$000	Annual \$000	Other \$000	Annual \$000	Other \$000	
<b>Appropriations</b>							
<b>Benefits and Other Unrequited Expenses</b>							
GSFA - Subsidies to GSF Schemes (M31)	-	862,985	-	66,412	-	929,397	Payment of the shortfall in benefits (including withholding tax) paid to beneficiaries of the GSF Schemes (see Note 2).  Reason for Change: The increase reflects Police members transferring their funds to a new dedicated Police superannuation scheme.
<b>Total Benefits and Other Unrequited Expenses</b>	-	862,985	-	66,412	-	929,397	
<b>Borrowing Expenses</b>							
Debt Servicing (M31)	-	2,538,000	-	(124,000)	-	2,414,000	Payment of interest and other finance costs relating to the Crown's New Zealand-dollar and foreign-currency debt (see Note 3).  Reason for Change: The amount varies with interest rates and the amount of debt outstanding.
<b>Total Borrowing Expenses</b>	-	2,538,000	-	(124,000)	-	2,414,000	
<b>Other Expenses to be Incurred by the Crown</b>							
Amortisation of Goodwill in Air New Zealand (M31)	46,900	-	-	-	46,900	-	Amortisation of goodwill in Air New Zealand.
Crown Overseas Properties (M31)	16,200	-	(302)	-	15,898	-	Operational costs of New Zealand House, London.  Reason for Change: The decrease is owing to lower than anticipated operating costs.
Crown Residual Liabilities (M31)	230	-	426	-	656	-	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.  Reason for Change: The unspent balance from 2005/06 was carried forward into 2006/07.
Geothermal Liabilities (M31)	500	-	-	-	500	-	Costs arising from managing the Crown's residual geothermal liabilities. The appropriation was previously known as "Geothermal Trading".
Government Superannuation Appeals Board (M31)	50	-	-	-	50	-	Expenses and fees of members of the Government Superannuation Appeals Board, and expenses associated with hearing appeals.
GSF - Crown Share of Custodial and Investment Management Expenses (M31)	-	6,361	-	-	-	6,361	This appropriation provides for reimbursement to the GSF of the Crown's share of custodial and investment management expenses (see Note 2).
Maui Gas Contracts (M31)	48,500	-	17,500	-	66,000	-	Payments made in relation to the Crown's participation in the Maui gas field and related contracts (revenue from the on-sale of gas is recorded in Part F).  Reason for Change: Increase due to increased demand for Maui gas.

	2006/07						Scope of and Reasons for Change in 2006/07 Appropriations
	Main Estimates		Supplementary Estimates		Cumulative Vote		
	Annual \$000	Other \$000	Annual \$000	Other \$000	Annual \$000	Other \$000	
Appropriations							
New Zealand Cricket Compensation (M31)	-	-	406	-	406	-	- This appropriation will compensate New Zealand Cricket for the direct costs of the cancellation of the 2005/06 tour of New Zealand by the Zimbabwean cricket team.  Reason for Change: This was a one-off payment in 2006/07.
ONTRACK Operating and Maintenance Costs (M31)	-	-	12,900	-	12,900	-	- Operating and maintenance costs of ONTRACK (previously known as New Zealand Railways Corporation) not recoverable through the National Rail Access Agreement.  Reason for Change: This appropriation was approved during 2006/07.
Overlander Support (M31)	-	-	650	-	650	-	- Support to Toll Holdings Limited to ensure the Overlander train service continued while the Government considered options for the service.  Reason for Change: This item was approved during the year.
Unclaimed Money (M31)	-	500	-	-	-	500	Provision for repayment of unclaimed money deposited with the Crown (see Note 4).
Wellington Railway Station Expenses (M31)	1,162	-	-	-	1,162	-	- Deferred maintenance costs and depreciation expense for Wellington Railway Station. The appropriation was previously known as "Track Co - Relocation and Maintenance Costs, Wellington Railway Station".
<b>Total Other Expenses to be Incurred by the Crown</b>	113,542	6,861	31,580	-	145,122	6,861	
<b>Capital Expenditure</b>							
Equity Injection to ONTRACK (M31)	10,600	-	-	-	10,600	-	- Provision of working capital to ONTRACK (previously known as New Zealand Railways Corporation).
International Financial Institutions (M31)	-	200,000	-	-	-	200,000	Capital payments in respect of New Zealand's membership of the IMF, the Asian Development Bank, the World Bank, the International Finance Corporation, and the Multilateral Investment Guarantee Agency (see Note 5).
Loans to ONTRACK (M31)	102,655	-	(650)	-	102,005	-	- This appropriation provides for a loan facility to ONTRACK (previously known as New Zealand Railways Corporation) to fund a range of rail infrastructure capital projects.  Reason for Change: Funding not required in 2006/07 was transferred to Overlander Support.
NZ Superannuation Fund - Contributions (M31)	2,049,000	-	-	-	2,049,000	-	- Capital contributions by the Crown to the NZSF.

Appropriations	2006/07						Scope of and Reasons for Change in 2006/07 Appropriations
	Main Estimates		Supplementary Estimates		Cumulative Vote		
	Annual \$000	Other \$000	Annual \$000	Other \$000	Annual \$000	Other \$000	
<b>Capital Expenditure</b>							
Rugby World Cup (M31)	-	-	20,000	-	20,000	-	- Capital component of the Crown's contribution to the 2011 Rugby World Cup Tournament Management Vehicle. Reason for Change: The unspent balance from 2005/06 was carried forward to 2006/07.
Suspensory Loan to Invercargill Airport (M31)	-	-	1,500	-	1,500	-	- This appropriation provided a loan facility in 2005/06 to Invercargill Airport to fund border security equipment. Reason for Change: The loan was not drawn on in 2005/06 and was therefore transferred to 2006/07. However, this funding is unlikely to be required in 2006/07 and therefore is likely to be transferred to 2007/08.
Taitokerau Forests (M31)	871	-	-	-	871	-	- Advances to Taitokerau Forests Ltd to meet the company's ongoing forest management and development costs.
Wellington Railway Station Upgrade (M31)	-	-	4,672	-	4,672	-	- Costs of upgrading Wellington Railway Station. In 2005/06, this appropriation was called "Track Co - Purchase of Wellington Railway Station". Reason for Change: The unspent balance from 2005/06 was transferred to 2006/07.
Wellington Regional Council Loan (M31)	3,180	-	7,420	-	10,600	-	- This appropriation provides a loan facility to the Wellington Regional Council to assist in the purchase and upgrade of passenger rail carriages. Reason for Change: The loan was not drawn on during 2005/06 and was therefore transferred to 2006/07.
<b>Total Capital Expenditure</b>	2,166,306	200,000	32,942	-	2,199,248	200,000	
<b>Total Appropriations</b>	2,342,674	3,607,846	61,311	(57,588)	2,403,985	3,550,258	



## Part B2 - Details of Multi-Year Appropriations

Appropriations	Current Appropriation \$000	Scope of Appropriations
<b>Other Expenses to be Incurred by the Crown</b>		
<b>Auckland Rail Development (M31)</b>		
Original Appropriation	575,000	This appropriation provides a total of \$575 million (GST exclusive) to provide funding to ONTRACK for renewals and upgrades of the Auckland rail network 'below track' infrastructure. It replaces an annual appropriation for the same purpose in 2005/06.
Commences	1 July 2006	
Expires	30 June 2010	Reason for Change: This appropriation is to be revoked with effect from 1 July 2007. This appropriation will be replaced by a new multi year appropriation Auckland Rail Development commencing from 1 July 2007.
Adjustments 2006/07	(400,000)	
Appropriation	175,000	
Actual to 2005/06 Year End	-	
Estimated Actual to 2006/07 Year End	175,000	
<b>Upgrade of Rail Network (M31)</b>		
Original Appropriation	200,000	This appropriation provides a total of \$200 million to be spent on upgrading the national rail network, in accordance with a commitment made when the Crown purchased the network in June 2004.
Commences	1 July 2004	
Expires	30 June 2008	This appropriation was made in the Appropriation (2004/05 Supplementary Estimates) Act 2005, and operates on a GST-inclusive basis. The figures here include GST.
Adjustments 2006/07	-	
Appropriation	200,000	
Actual to 2005/06 Year End	109,394	
Estimated Actual to 2006/07 Year End	131,425	

## Part F - Crown Revenue and Receipts

### Part F1 - Current and Capital Revenue and Capital Receipts

	2006/07			Description of 2006/07 Crown Revenue
	Main Estimates \$000	Supplementary Estimates \$000	Total Budgeted \$000	
<b>Non-Tax Revenue</b>				
Capital Charge - Departments	1,311,094	102,387	1,413,481	A charge on the Crown's investment in government departments and some Crown entities. Reason for Change: The change reflects movements in investment in departments.
Contact Energy Ltd Crown Margin	5,792	(3,497)	2,295	Income from the Maui take-or-pay agreement with Contact Energy Ltd (CEL) for the supply of gas. Reason for Change: The change reflects revised forecasting assumptions.
Dividends - Other	2,525	156	2,681	Dividends from regional airport companies and other investments. Reason for Change: The amount varies with company profitability.
Dividends from Crown Entities	17,160	(2,635)	14,525	Dividends from Crown entities. Reason for Change: The amount varies with company profitability.
Dividends from SOEs	457,246	217,057	674,303	Dividends from SOEs. Reason for Change: The amount varies with company profitability.
Earthquake Commission Guarantee Fee	10,000	-	10,000	Guarantee fee paid by the EQC to the Crown.
Employers' Superannuation Contributions	58,694	(210)	58,484	The subsidy payable by employers on the superable salary of staff who are members of the GSF. Reason for Change: The change reflects revised actuarial forecasting assumptions.
Export Credit Office	117	-	117	Premium revenue from export credit insurance policies written by the Export Credit Office. Reason for Change: The change reflects revised forecasting assumptions.
Interest from Securities and Deposits	684,000	452,000	1,136,000	Interest earned on the Crown's official overseas reserves, bank accounts and domestic bond assets. Reason for Change: The change reflects revised forecasting assumptions.
Maui Gas Contracts	44,000	16,000	60,000	Revenue received from the sale of Maui gas (the cost of purchasing the gas is included in Part B). Reason for Change: The change reflects revised forecasting assumptions.
Other Current Revenue	600	-	600	Miscellaneous revenue. Reason for Change: The change reflects revised forecasting assumptions.

	2006/07			Description of 2006/07 Crown Revenue
	Main Estimates \$000	Supplementary Estimates \$000	Total Budgeted \$000	
Other Interest	7,800	5,200	13,000	Miscellaneous interest receipts. Reason for Change: The change reflects revised forecasting assumptions.
Rentals from Crown Overseas Properties	16,900	(700)	16,200	Revenue from New Zealand House, London. Reason for Change: The change reflects revised forecasting assumptions including foreign currency exchange rates.
Reserve Bank Surplus	298,168	111,832	410,000	Surplus funds transferred to the Crown under the Reserve Bank Act 1989. Reason for Change: The change reflects the Bank's actual results.
Sale of Goods and Services	8,200	2,586	10,786	Revenue from the sale of prepaid Maui gas. Reason for Change: The change reflects revised forecasting assumptions.
Unclaimed Money	500	500	1,000	Unclaimed money deposited with the Crown. Reason for Change: Movement reflects increased receipts received to date.
<b>Total Non-Tax Revenue</b>	<b>2,922,796</b>	<b>900,676</b>	<b>3,823,472</b>	
<b>Capital Receipts</b>				
Contact Energy Limited Crown Margin	50,308	7,934	58,242	Capital portion of the revenue from the Maui take-or-pay agreement with CEL for the supply of gas. Reason for Change: The change between years reflects revised forecasting assumptions.
Loan Repayments by ONTRACK	500	-	500	Loan repayments by NZRC.
Return of Capital by the IMF	200,000	-	200,000	New Zealand contributes to the IMF's medium-term lending programme (see Part B1, Capital Expenditure) by increasing its capital investment in the IMF. When the loans are repaid, the funds are returned to contributing countries. Reason for Change: The timing and quantum of repayments are highly variable.
<b>Total Capital Receipts</b>	<b>250,808</b>	<b>7,934</b>	<b>258,742</b>	
<b>Total Crown Revenue and Receipts</b>	<b>3,173,604</b>	<b>908,610</b>	<b>4,082,214</b>	