

6

Core Crown Expense Tables

(\$ million)	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
	Actual	Actual	Actual	Actual	Actual	Forecast	Forecast	Forecast	Forecast	Forecast
Social security and welfare	13,485	13,907	14,252	14,682	15,598	16,970	17,758	18,345	18,975	19,636
GSF	1,409	2,625	660	2,442	1,671	1,422	1,145	1,121	1,062	1,027
Health	7,032	7,501	8,111	8,813	9,547	10,673	10,675	10,786	10,832	10,826
Education	6,473	7,016	7,585	7,930	9,914	9,640	9,508	9,571	9,662	9,750
Core government services	1,540	1,780	1,741	2,217	2,169	2,323	2,277	2,259	2,239	2,411
Law and order	1,733	1,734	1,843	1,977	2,235	2,488	2,612	2,622	2,617	2,613
Defence	1,162	1,199	1,311	1,275	1,383	1,519	1,603	1,663	1,750	1,837
Transport and communications	989	1,408	1,461	1,635	1,818	2,481	2,558	2,715	2,689	2,596
Economic and industrial services	1,013	1,054	1,192	1,444	1,592	1,716	1,908	1,802	1,763	1,759
Primary services	304	355	368	394	467	490	452	444	439	433
Heritage, culture and recreation	434	515	634	991	1,194	834	879	799	802	808
Housing and community	93	102	139	163	202	305	280	261	258	260
Other	110	75	52	32	49	112	79	80	80	80
Finance costs	2,118	2,360	2,252	2,274	2,356	2,498	2,457	2,372	2,285	2,422
Net foreign exchange (gains)/losses	75	118	7	(35)	(295)	276	..	..	..	..
New operating spending up to Budget 2007	..	..	..	..	..	216	5	106	8	8
Forecast new operating spending	..	..	..	..	..	..	1,381	3,213	5,093	7,013
Core Crown expenses	37,970	41,749	41,608	46,234	49,900	53,963	55,577	58,159	60,554	63,479

Source: The Treasury

Table 6.1 – Social security and welfare expenses

(\$ million)	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
	Actual	Actual	Actual	Actual	Actual	Forecast	Forecast	Forecast	Forecast	Forecast
Welfare benefits	12,614	12,884	13,181	13,326	14,246	15,509	16,366	16,913	17,524	18,193
Social rehabilitation & compensation	87	146	118	152	145	155	160	167	173	173
Departmental expenses	657	666	705	781	858	836	797	805	786	784
Other non-departmental expenses	127	211	248	423	349	470	435	460	492	486
Social security and welfare expenses	13,485	13,907	14,252	14,682	15,598	16,970	17,758	18,345	18,975	19,636

Source: The Treasury

Table 6.2 – New Zealand superannuation and welfare benefit expenses

(\$ million)	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
	Actual	Actual	Actual	Actual	Actual	Forecast	Forecast	Forecast	Forecast	Forecast
New Zealand Superannuation	5,450	5,642	5,889	6,083	6,414	6,767	7,127	7,486	7,922	8,405
Domestic Purposes Benefit	1,501	1,520	1,569	1,547	1,493	1,472	1,486	1,493	1,511	1,536
Unemployment Benefit	1,369	1,274	1,084	831	712	655	649	638	628	628
Accommodation Supplement	720	706	702	750	843	885	924	946	969	998
Invalids Benefit	832	914	976	1,026	1,073	1,133	1,188	1,238	1,286	1,328
Sickness Benefit	375	421	470	510	541	572	606	643	679	716
Disability Allowance	224	241	257	267	261	275	294	305	318	331
Transitional Retirement Benefit	97	47	11	..	..	..	..	..	..	..
Income Related Rents	274	296	340	370	395	434	465	494	525	556
Family Support	848	862	833	846	1,285	1,748	2,027	2,040	2,032	2,025
Child Tax Credit	157	143	155	141	154	49	11	7	5	4
Special Benefit	49	82	140	175	162	104	68	51	42	36
In Work Payment	..	..	..	..	70	462	547	563	566	568
Benefits paid in Australia	159	121	103	91	80	71	58	51	48	41
Paid Parental Leave	..	56	63	76	96	117	124	130	138	145
Other benefits	559	559	589	613	667	765	792	828	855	876
Welfare benefit expenses	12,614	12,884	13,181	13,326	14,246	15,509	16,366	16,913	17,524	18,193

Source: The Treasury

Table 6.3 – Beneficiary numbers

(Thousands)	2002 Actual	2003 Actual	2004 Actual	2005 Actual	2006 Actual	2007 Forecast	2008 Forecast	2009 Forecast	2010 Forecast	2011 Forecast
New Zealand Superannuation	448	454	461	469	482	495	505	515	528	543
Domestic Purposes Benefit	110	110	110	109	106	100	98	97	96	95
Unemployment Benefit	140	126	104	78	64	56	54	51	49	48
Accommodation Supplement	270	261	249	243	249	255	261	266	270	276
Invalids Benefit	62	67	70	74	76	78	80	83	85	87
Sickness Benefit	35	38	42	45	47	48	50	51	53	55

Source: The Treasury

Table 6.4 – GSF pension expenses

(\$ million)	2002 Actual	2003 Actual	2004 Actual	2005 Actual	2006 Actual	2007 Forecast	2008 Forecast	2009 Forecast	2010 Forecast	2011 Forecast
Pension expenses	973	978	975	1,032	1,392	1,123	1,100	1,137	1,159	1,180
Revaluation of Unfunded Liability	436	1,647	(315)	1,410	279	299	45	(16)	(97)	(153)
GSF pension expenses	1,409	2,625	660	2,442	1,671	1,422	1,145	1,121	1,062	1,027

Source: The Treasury

Table 6.5 – Health expenses

(\$ million)	2002 Actual	2003 Actual	2004 Actual	2005 Actual	2006 Actual	2007 Forecast	2008 Forecast	2009 Forecast	2010 Forecast	2011 Forecast
Departmental outputs	136	148	161	157	174	183	161	158	157	157
Health service purchasing	6,307	6,783	7,452	8,113	8,805	9,951	9,963	10,033	10,059	10,054
Other non-departmental outputs	61	59	71	160	135	102	91	92	85	85
Health payments to ACC	484	482	409	356	372	397	429	472	499	499
Other expenses	44	29	18	27	61	40	31	31	32	31
Health expenses	7,032	7,501	8,111	8,813	9,547	10,673	10,675	10,786	10,832	10,826

Source: The Treasury

Table 6.6 – Health service purchasing

(\$ million)	2002 Actual	2003 Actual	2004 Actual	2005 Actual	2006 Actual	2007 Forecast	2008 Forecast	2009 Forecast	2010 Forecast	2011 Forecast
Payments to District Health Boards	4,936	5,328	6,441	7,262	7,814	8,847	8,879	8,943	8,970	8,965
National Disability Support Services	1,170	1,260	793	620	699	764	752	752	752	752
Public Health Service Purchasing	201	195	218	231	292	340	332	338	337	337
Health service purchasing	6,307	6,783	7,452	8,113	8,805	9,951	9,963	10,033	10,059	10,054

Source: The Treasury

Table 6.7 – Education expenses

(\$ million)	2002 Actual	2003 Actual	2004 Actual	2005 Actual	2006 Actual	2007 Forecast	2008 Forecast	2009 Forecast	2010 Forecast	2011 Forecast
Early childhood education	343	373	393	444	555	622	771	799	856	910
Primary and secondary schools	3,325	3,449	3,692	3,934	4,153	4,360	4,369	4,333	4,335	4,328
Tertiary funding	2,225	2,470	2,535	2,496	4,047	3,448	3,176	3,248	3,282	3,322
Departmental expenses	467	621	679	737	821	847	839	826	820	819
Other education expenses	113	103	286	319	338	363	353	365	369	371
Education expenses	6,473	7,016	7,585	7,930	9,914	9,640	9,508	9,571	9,662	9,750

Source: The Treasury

Table 6.8 – Primary and secondary education expenses

(\$ million)	2002 Actual	2003 Actual	2004 Actual	2005 Actual	2006 Actual	2007 Forecast	2008 Forecast	2009 Forecast	2010 Forecast	2011 Forecast
Primary	1,706	1,749	1,884	1,964	2,062	2,148	2,160	2,128	2,152	2,149
Secondary	1,182	1,269	1,385	1,524	1,618	1,700	1,690	1,699	1,673	1,667
School transport	98	103	106	109	118	124	126	127	129	130
Special needs support	251	227	221	231	245	259	264	261	263	262
Professional Development	76	86	84	95	101	114	116	103	104	105
Schooling Improvement	12	15	12	11	9	15	13	15	14	15
Primary and secondary education expenses	3,325	3,449	3,692	3,934	4,153	4,360	4,369	4,333	4,335	4,328
Places (year)	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Primary	465,000	469,000	464,000	457,000	457,951	454,294	451,825	453,400	454,319	454,634
Secondary	257,000	265,000	277,000	284,000	288,711	288,741	287,788	285,373	283,242	282,660

Sources: Ministry of Education, The Treasury

Table 6.9 – Tertiary education expenses

(\$ million)	2002 Actual	2003 Actual	2004 Actual	2005 Actual	2006 Actual	2007 Forecast	2008 Forecast	2009 Forecast	2010 Forecast	2011 Forecast
Tuition	1,515	1,729	1,770	1,647	1,865	2,067	2,090	2,130	2,136	2,148
Other tertiary funding	36	62	66	68	110	170	163	162	159	159
Tertiary student allowances	401	388	380	359	354	380	389	395	399	403
Initial fair value change in student loans	..	..	..	..	1,415	..	..	..	..	..
Student loans	273	291	319	422	303	831	534	561	588	612
Tertiary education expenses	2,225	2,470	2,535	2,496	4,047	3,448	3,176	3,248	3,282	3,322
Places (year)	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
EFT students	219,239	245,152	247,975	240,734	227,416	230,963	231,495	233,446	234,411	235,183

Sources: Ministry of Education, The Treasury

Table 6.10 – Core Government service expenses

(\$ million)	2002 Actual	2003 Actual	2004 Actual	2005 Actual	2006 Actual	2007 Forecast	2008 Forecast	2009 Forecast	2010 Forecast	2011 Forecast
Official development assistance	223	230	237	297	330	348	371	371	367	367
Indemnity and guarantee expenses	..	197	9	..	..	..	..	..	..	..
Departmental expenses	907	1,025	1,096	1,570	1,403	1,592	1,531	1,524	1,512	1,669
Science expenses	202	250	283	170	157	164	166	167	168	168
Other expenses	208	78	116	180	279	219	209	197	192	207
Core Government service expenses	1,540	1,780	1,741	2,217	2,169	2,323	2,277	2,259	2,239	2,411

Source: The Treasury

Table 6.11 – Law and order expenses

(\$ million)	2002 Actual	2003 Actual	2004 Actual	2005 Actual	2006 Actual	2007 Forecast	2008 Forecast	2009 Forecast	2010 Forecast	2011 Forecast
Police	755	800	844	896	976	1,074	1,122	1,131	1,130	1,128
Ministry of Justice	15	15	178	257	299	339	336	341	333	332
Department of Corrections	412	403	439	483	572	636	722	725	733	730
Department for Courts	189	211	53	..	..	..	..	..	..	..
Other departments	71	77	81	72	76	94	84	85	85	85
Department expenses	1,442	1,506	1,595	1,708	1,923	2,143	2,264	2,282	2,281	2,275
Non-departmental outputs	178	177	178	218	262	287	290	282	280	280
Other expenses	113	51	70	51	50	58	58	58	56	58
Law and order expenses	1,733	1,734	1,843	1,977	2,235	2,488	2,612	2,622	2,617	2,613

Source: The Treasury

Table 6.12 – Defence expenses

(\$ million)	2002 Actual	2003 Actual	2004 Actual	2005 Actual	2006 Actual	2007 Forecast	2008 Forecast	2009 Forecast	2010 Forecast	2011 Forecast
NZDF Core expenses	1,076	1,095	1,182	1,203	1,306	1,448	1,546	1,607	1,694	1,781
NZDF write-offs	..	23	72	..	..	..	..	..	..	..
NZDF East Timor deployment	20	20	..	..	..	..	..	..	..	..
MSD East Timor deployment	23	13	12	10	10	11	..	..	..	..
Other departments	43	48	45	62	67	60	57	56	56	56
Defence expenses	1,162	1,199	1,311	1,275	1,383	1,519	1,603	1,663	1,750	1,837

Source: The Treasury

Table 6.13 – Transport and communication expenses

(\$ million)	2002 Actual	2003 Actual	2004 Actual	2005 Actual	2006 Actual	2007 Forecast	2008 Forecast	2009 Forecast	2010 Forecast	2011 Forecast
Land Transport NZ ¹	817	1,131	1,222	1,346	1,482	2,013	2,094	2,269	2,235	2,321
Departmental outputs	78	80	83	97	101	113	108	121	122	106
Other non-departmental expenses	49	61	84	79	109	108	105	117	120	111
Goodwill amortisation	23	47	47	47	47	47	47	47	47	47
Rail write-offs	..	81	19	..	..	..	..	..	..	..
Rail costs	..	..	3	63	77	198	202	159	163	9
Other expenses	22	8	3	3	2	2	2	2	2	2
Transport and communication expenses	989	1,408	1,461	1,635	1,818	2,481	2,558	2,715	2,689	2,596

¹ Since 2004/05 funding has been provided to Land Transport NZ. Prior to this, funding was received by Transfund.

Source: The Treasury

Table 6.14 – Economic and industrial services expenses

(\$ million)	2002 Actual	2003 Actual	2004 Actual	2005 Actual	2006 Actual	2007 Forecast	2008 Forecast	2009 Forecast	2010 Forecast	2011 Forecast
Departmental outputs	414	424	478	508	549	583	575	575	562	562
Employment initiatives	209	217	222	224	202	242	251	252	252	252
Non-departmental outputs	282	277	444	549	751	740	715	715	698	697
Reserve Electricity Generation	..	..	..	..	26	26	86	16	16	16
Flood relief	..	..	15	52	8	..	..	..	..	..
Savings package	..	..	..	..	..	..	185	154	145	145
Other expenses	108	136	33	111	56	125	96	90	90	87
Economic and industrial service expenses	1,013	1,054	1,192	1,444	1,592	1,716	1,908	1,802	1,763	1,759

Source: The Treasury

Table 6.15 – Employment initiatives

(\$ million)	2002 Actual	2003 Actual	2004 Actual	2005 Actual	2006 Actual	2007 Forecast	2008 Forecast	2009 Forecast	2010 Forecast	2011 Forecast
Training incentive allowance	36	37	42	36	32	37	44	44	44	44
Community employment projects	21	21	16	6	..	..	..	..	..	..
Subsidised work	92	95	100	102	84	113	113	113	113	113
Employment support for disabled	60	61	61	74	82	88	90	92	92	92
Other employment assistance schemes	..	3	3	6	4	4	4	3	3	3
Employment initiatives	209	217	222	224	202	242	251	252	252	252

Source: The Treasury

Table 6.16 – Primary service expenses

(\$ million)	2002 Actual	2003 Actual	2004 Actual	2005 Actual	2006 Actual	2007 Forecast	2008 Forecast	2009 Forecast	2010 Forecast	2011 Forecast
Departmental expenses	220	265	269	272	350	356	324	323	320	319
Non-departmental outputs	75	80	81	114	97	110	112	105	104	99
Other expenses	9	10	18	8	20	24	16	16	15	15
Primary service expenses	304	355	368	394	467	490	452	444	439	433

Source: The Treasury

Table 6.17 – Heritage, culture and recreation expenses

(\$ million)	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
	Actual	Actual	Actual	Actual	Actual	Forecast	Forecast	Forecast	Forecast	Forecast
Community grants	6	6	3	6	7	7	7	7	7	7
Kyoto protocol	..	..	..	310	345	(47)	..	..	..	..
Departmental outputs	212	253	269	292	322	363	344	346	349	355
Non-departmental outputs	130	212	258	317	351	404	374	378	378	378
Other expenses	86	44	104	66	169	107	154	68	68	68
Heritage, culture and recreation expenses	434	515	634	991	1,194	834	879	799	802	808

Source: The Treasury

Table 6.18 – Housing and community development expenses

(\$ million)	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
	Actual	Actual	Actual	Actual	Actual	Forecast	Forecast	Forecast	Forecast	Forecast
Housing subsidies	22	25	27	31	23	28	28	28	28	28
Departmental outputs	51	57	77	100	117	148	133	126	124	126
Other non-departmental expenses	20	20	35	32	62	129	119	107	106	106
Housing and community development expenses	93	102	139	163	202	305	280	261	258	260

Source: The Treasury

Glossary of Terms

ACC unfunded liability

The future cost of past ACC claims, less the asset reserves held to meet these claims. The ACC outstanding claims liability is the gross liability of the future cost of past ACC claims.

Baselines

The level of funding approved for any given spending area (eg, Education). All amounts within baselines are included in the forecasts.

Contingent liability

Contingent liabilities are costs, which the Crown will have to face if a particular event occurs. Typically, contingent liabilities consist of guarantees and indemnities, legal disputes and claims, and uncalled capital.

Core Crown

The core Crown represents the revenues, expenses, assets and liabilities of departments, the Reserve Bank, GSF and the NZS Fund.

Corporate tax

The sum of net company tax, non-resident withholding tax (NRWT) and foreign dividend withholding payments (FDWP).

Current account (Balance of Payments)

A measure of the flows of income between New Zealand and the rest of the world. A net inflow to New Zealand is a current account surplus, while a net outflow is a deficit. The current account balance is commonly expressed as a percentage of GDP.

Customs duty

Duty levied on the imports of certain goods.

Cyclically adjusted or structural fiscal balance

An estimate of the fiscal balance (eg, OBERAC) adjusted for short-term fluctuations of actual GDP around the productive potential of the economy. The estimate provides a picture of the underlying

trend fiscal position and an indication of the effects of policy decisions. Because it is based on a number of assumptions and is sensitive to new information, the estimate is subject to some uncertainty. Trends in the cyclically adjusted balance are, however, more reliable.

Demographic changes

Changes to the structure of the population, for example the age, sex or ethnic make-up of the population.

Domestic bond programme

The amount of new government stock expected to be issued over the financial year.

Excise duties

Tax levied on the domestic production of alcohol, tobacco and light petroleum products (CNG, LPG and petrol).

Financial assets

Either cash or shares (equity) or a right to receive a financial instrument, which can be converted to cash (see net Crown debt).

Fiscal Objectives (long-term)

The Government's long-term goals for operating expenses, operating revenue, the operating balance, debt and net worth, as required by the Public Finance Act 1989. The objectives must be consistent with the principles of responsible fiscal management outlined in the Act.

Forecast new capital spending

An amount provided in the forecasts to represent the balance sheet impact of capital initiatives expected to be introduced over the forecast period.

Forecast new operating spending

An amount included in the forecasts to provide for the operating balance impact of policy initiatives and changes to demographics and other forecasting changes expected to occur over the forecast period.

Fringe benefit tax (FBT)

Tax levied on non-cash benefits provided to employees as part of remuneration packages.

Gross Crown debt

Total borrowings (financial liabilities).

Gross domestic product (GDP)

A measure of the value of all goods and services produced in New Zealand; changes in GDP measure growth in economic activity or output. GDP can be measured as the actual dollar value of goods and services measured at today's prices (nominal GDP), or excluding the effects of price changes over time (real GDP).

Gross domestic product (expenditure)

This is the sum of total final expenditures on goods and services in the economy.

Gross national expenditure (GNE)

Measures total expenditure on goods and services by New Zealand residents.

Gross Sovereign-Issued Debt (GSID)

Gross sovereign-issued debt is debt issued by the sovereign (ie, core Crown) and includes Government stock held by the NZS Fund, GSF, ACC or EQC for example. The Government's debt objective uses this measure of debt.

Labour productivity

Measures output per input of labour (where labour inputs might be measured as hours worked or people).

Line-by-line consolidation

This is a term used to refer to the general approach to the presentation of the Crown financial statements. It means that the revenues, expenses, assets and liabilities of all departments, the Reserve Bank, SOEs and Crown entities are included in the Crown financial statements.

Marketable securities and deposits

Assets held with financial institutions. These assets are held for both cash flow and investment purposes, and include any funds the Government has invested in the International Monetary Fund.

Monetary conditions

The combination of interest rates and the exchange rate.

Monetary policy

Action taken by the Reserve Bank to affect interest rates and the exchange rate in order to control inflation. Tightening monetary policy refers to actions taken by the Reserve Bank to raise interest rates (which can influence the exchange rate) in order to moderate demand pressures to reduce inflationary pressures.

Net Crown debt

Borrowings (financial liabilities) less cash and bank balances, marketable securities and deposits, and advances (financial assets). Net debt excludes the assets of the NZS Fund and GSF. Net Crown debt is a measure of the Core Crown.

Net worth

Assets less liabilities (also referred to as Crown balance).

Operating allowance

The amount included in the *Fiscal Strategy Report* projections for new spending and cost pressures. The allowance is a projection assumption.

Operating balance

The operating balance is the residual of revenues less expenses plus surpluses from state-owned enterprises and Crown entities. It is the Government's operating profit or loss.

Operating balance excluding revaluation and accounting policy changes (OBERAC)

The OBERAC is the operating balance adjusted for revaluation movements and accounting policy changes. It provides a measure of underlying stewardship.

Participation rate

Measures the percentage of the working age population in work or actively looking for work.

Projections

Projections of the key fiscal indicators beyond the five-year forecast period. The projections are based on long-run economic and fiscal assumptions. For example, the projections assume no economic cycle and constant long-run interest, inflation and unemployment rates.

Provisional tax

A thrice-yearly payment of tax on income that has not been taxed, or been under-taxed, at source (relates only to company tax and other persons' tax).

Short-term fiscal intentions

Under the Public Finance Act 1989, the Government must indicate explicitly its intentions for operating expenses, operating revenues, the operating balance, debt and net worth over the next three years.

Source deductions

Tax withheld on wages, salaries, social welfare benefits, bonuses, lump-sum payments and superannuation fund contributions. About 80% of source deductions come from PAYE on wages and salaries. Source deductions is the biggest single tax type.

Specific fiscal risks

These are a category of Government decisions or circumstances which may have a material impact on the fiscal position (excluding contingent liabilities). They are not included in the main forecasts because their fiscal impact cannot be reasonably

quantified, the likelihood of realisation is uncertain and/or the timing is uncertain.

Stock change

The change in the value of stocks (raw materials, work in progress, and finished goods) during a given period.

System of National Accounts (SNA)

SNA is a comprehensive, consistent and flexible set of macroeconomic accounts to meet the needs of government and private sector analysts, policy-makers, and decision-takers. See www.imf.org for further information.

Tax revenue

The accrual, rather than the cash ("tax receipts") measure of taxation. It is a measure of tax due, regardless of whether or not it has actually been paid.

Thin capitalisation

A tax rule applicable to a non-resident-owned business that limits tax deductions for interest payments based on its level of debt relative to its assets.

Trade weighted index (TWI)

A measure of movements in the New Zealand dollar against the currencies of our major trading partners. The currencies comprise the US dollar, the Australian dollar, the Japanese yen, the euro and the UK pound.

Unit labour costs

The wages and other costs associated with employment per unit of output.

Year ended

Graphs and tables use different expressions of the timeframe. For example, 2006/07 or 2007 will generally mean "year ended 30 June" unless otherwise stated.