

VOTE *Finance*

Terms and Definitions Used

CEL	Contact Energy Ltd
CRI	Crown research institute
ECNZ	Electricity Corporation of New Zealand Ltd
GAAP	Generally accepted accounting practice
GSF	Government Superannuation Fund
GSFA	GSF Authority (a Crown entity formed to manage the GSF)
GSF Schemes	The Government Service Superannuation Scheme, the New Government Service Superannuation Scheme, Superannuation of Members of the Armed Forces, Judges' and Solicitor-General Scheme, and the Masters', Parliamentary, Police and Prison Service Schemes constituted under the Government Superannuation Fund Act 1956
HNZC	Housing New Zealand Corporation
IMF	International Monetary Fund
NPF	National Provident Fund
SOE	State-owned enterprise
Unfunded liability	An actuarial estimate of the GSF Schemes' benefit payments less the amount expected to be available from the Fund to meet those benefits

Footnotes

Note 1	Expenses incurred pursuant to section 61(1) of the Public Finance Act 1989
Note 2	Expenses incurred pursuant to section 95(1) of the GSF Act 1956
Note 3	Expenses incurred pursuant to section 81 W(2) of the GSF Act 1956
Note 4	Expenses incurred pursuant to section 88(2) of the GSF Act 1956
Note 5	Expenses incurred pursuant to section 33 of the Superannuation Schemes Act 1989
Note 6	Expenses incurred pursuant to section 95 AA of the GSF Act 1956
Note 7	Expenses incurred pursuant to sections 60 and 61(1) of the Public Finance Act 1989
Note 8	Expenses incurred pursuant to section 15 E of the GSF Act 1956
Note 9	Expenses incurred pursuant to section 72 of the NPF Restructuring Act 1990
Note 10	Expenses incurred pursuant to section 74(5) of the Public Finance Act 1989
Note 11	Expenses incurred pursuant to section 5 of the International Finance Agreements Act 1961
Note 12	Expenses incurred pursuant to section 60 of the Public Finance Act 1989

Finance

VOTE MINISTER: Minister of Finance

ADMINISTERING DEPARTMENT: The Treasury

The Minister of Finance is the Responsible Minister for the Treasury

Part B - Statement of Appropriations

Summary of Appropriations

	Appropriations to be Used				Total Appropriations \$000
	By the Department Administering the Vote		For Non-Departmental Transactions		
Types of Appropriation	Annual \$000	Other \$000	Annual \$000	Other \$000	
Operating Flows					
Classes of Outputs to be Supplied	49,544	5,571	9,363	-	64,478
Benefits and Other Unrequited Expenses	-	-	-	2,237,817	2,237,817
Borrowing Expenses	-	-	-	2,382,000	2,382,000
Other Expenses	-	-	312,163	35,835	347,998
Capital Flows					
Capital Contributions	-	-	733,258	100,000	833,258
Purchase or Development of Capital Assets	-	-	805	-	805
Repayment of Debt	-	-	-	1,094,000	1,094,000
Total Appropriations for 2002/03	49,544	5,571	1,055,589	5,849,652	6,960,356
Total 2002/03 Main Estimates Appropriations	50,475	5,555	2,408,025	3,532,832	5,996,887

Part B1 - Details of Appropriations

	2002/03						Purpose of and Reasons for Change in 2002/03 Appropriations
	Main Estimates		Supplementary Estimates		Cumulative Vote		
	Annual \$000	Other \$000	Annual \$000	Other \$000	Annual \$000	Other \$000	
Appropriations							
Departmental Output Classes (Mode B Gross)							
D1 Policy Advice - General Economic and Fiscal Strategies	5,474	-	(415)	-	5,059	-	Policy advice on the Government's broad economic strategy and macroeconomic policy settings, and their effect on the welfare of New Zealanders. The decrease largely relates to economic transformation and growth output costs being less than initially forecast, and staff vacancies.
D2 Policy Advice - Financial and Public Sector Management Systems	4,361	-	(609)	-	3,752	-	Policy advice to maintain and develop financial and performance management systems in use across the Crown. The decrease is largely due to staff vacancies.
D3 Policy Advice - Tax	3,382	-	(1,026)	-	2,356	-	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. The decrease largely relates to lower output demands following the completion of the Tax Review in 2001/02.
D4 Budget Management	2,489	-	(217)	-	2,272	-	Development of the 2003 Budget strategy and the operational activities of the 2003 Budget process. The decrease largely relates to the early publication of the Pre-Election Economic and Fiscal Update during 2001/02, and a shift of resources to Output Class D5.
D5 Economic and Fiscal Forecasting and Reporting	6,084	-	(207)	-	5,877	-	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. The decrease relates to the Full Consolidation project, which was largely completed in 2001/02 but was partly offset by increased demand for accounting policy and fiscal forecasting outputs.

D6 Debt and Related Financial Asset Management	-	5,555	-	16	-	5,571	Operational management of the Crown's debt portfolio and associated financial investments (see note 1). The increase largely relates to minor adjustments in the debt management work programme.
D7 Management of Claims Against the Crown, Contractual Liabilities and Crown Properties	3,909	-	135	-	4,044	-	Management of commercial, contractual or Treaty of Waitangi related claims against the Crown; and the management of former Ministry of Foreign Affairs and Trade overseas properties that have been transferred to the Crown. The increase largely relates to increased costs associated with Maui gas management and investigating future options for the use of Geothermal Trading assets, which were partially offset by Export Credit Office activity being less than forecast.
D8 Policy Advice - Ownership and Performance of Crown Companies and Financial Institutions	4,246	-	(241)	-	4,005	-	Policy advice on the Crown's financial position and the ownership interest in Air New Zealand, Crown companies (including SOEs) and Crown financial institutions. The decrease largely relates to the transfer of resources to Output Class D9 due to increased demand for transport advice. This decrease was partially offset by an increase in costs associated with Air New Zealand and Auckland rail outputs.
D9 Policy Advice - Regulation and Vote Purchase, Ownership and Performance Issues	20,530	-	1,649	-	22,179	-	Policy advice on: the regulation of markets affecting the demand for, and supply of, goods and services, labour and capital; the detail of purchase and ownership actions to achieve the Government's goals; and assessments of the financial performance of departments and Crown entities. The increase largely relates to an increase in transport policy advice.
Total Appropriations for Departmental Output Classes (Mode B Gross)	50,475	5,555	(931)	16	49,544	5,571	
Non-Departmental Output Classes							
O1 GSF Authority	4,866	-	811	-	5,677	-	The Crown's share of expenses incurred by the GSF Authority (GSFA) in managing the Government Superannuation Fund (GSF) assets and administering the GSF Schemes. The increase reflects an increased budget agreed with the Authority.
O2 Guardians of New Zealand Superannuation	2,061	-	300	-	2,361	-	Costs of operating and managing the New Zealand Superannuation Fund on behalf of the Crown. The increase reflects a revised business plan following the establishment of the Guardians in early 2002/03.

Part B1 - Details of Appropriations (continued)

	2002/03						Purpose of and Reasons for Change in 2002/03 Appropriations
	Main Estimates		Supplementary Estimates		Cumulative Vote		
	Annual \$000	Other \$000	Annual \$000	Other \$000	Annual \$000	Other \$000	
Appropriations							
Non-Departmental Output Classes - cont'd							
O3 Management of Crown Overseas Properties	800	-	300	-	1,100	-	Property management costs for the Crown's overseas property portfolio. The increase reflects a carry forward of fees relating to building projects that were not completed in 2001/02.
O4 Management of Geothermal Trading	170	-	55	-	225	-	Fees payable for managing the Crown's geothermal assets. The increase reflects additional work on investigating future options for the use of Geothermal Trading's assets.
Total Appropriations for Non-Departmental Output Classes	7,897	-	1,466	-	9,363	-	
Benefits and Other Unrequited Expenses							
GSFA - Subsidy to Government Superannuation Fund	-	716,867	-	(3,524)	-	713,343	Payment of the shortfall in benefits (including specified superannuation contribution withholding tax) paid to beneficiaries of the GSF Schemes (see note 2). The change reflects a re-forecast of the expected out-turn.
GSFA - Subsidy to Judges' Superannuation Account	-	12,831	-	499	-	13,330	Payment of the shortfall in benefits (including specified superannuation withholding tax) paid to beneficiaries of the Judges' Schemes (see note 3). The change reflects a re-forecast of the expected out-turn.
GSFA - Subsidy to Parliamentary Superannuation Account	-	4,922	-	193	-	5,115	Payment of the shortfall in benefits (including specified superannuation withholding tax) paid to beneficiaries of the Parliamentary Schemes (see note 4). The change reflects a re-forecast of the expected out-turn.

GSFA - NZ Superannuation Corporation Annuities	-	343	-	11	-	354	Payment of annuities and related expenses payable by the New Zealand Superannuation Corporation Scheme, which was abolished in 1975 (see note 5). The change reflects a re-forecast of the expected out-turn.
GSFA - Unfunded Liability Movement	-	(66,000)	-	1,571,675	-	1,505,675	This expense represents the movement in the amount by which the estimated liability of the GSF varies from the estimated value of assets in the Fund available to meet future benefit payments (see note 6). The change reflects a re-forecast of the expected out-turn.
Total Appropriations for Benefits and Other Unrequited Expenses	-	668,963	-	1,568,854	-	2,237,817	
Borrowing Expenses							
Debt Servicing	-	2,546,000	-	(164,000)	-	2,382,000	Payment of interest and other finance costs relating to the Crown's New Zealand dollar and foreign currency debt. The change reflects a re-forecast of the expected out-turn (see note 7).
Total Appropriations for Borrowing Expenses	-	2,546,000	-	(164,000)	-	2,382,000	
Other Expenses to be Incurred by the Crown							
Crown Overseas Properties	9,000	-	500	-	9,500	-	Operational costs of the Crown's overseas property portfolio. The change reflects a carry forward of fees relating to building projects that were not completed in 2001/02.
Crown Residual Liabilities	258	-	200	-	458	-	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. The change reflects a carry forward of the unspent balance from 2001/02 for various unresolved obligations.
Geothermal Trading	3,330	-	(200)	-	3,130	-	Geothermal Trading manages the Crown's geothermal interests, and this appropriation covers operating expenditure (operating revenue is recorded in Part F). The change reflects a transfer to "Purchase and development of capital assets", following capitalisation of a new well.
GSF - Crown Share of Custodial and Investment Management Expenses	-	4,369	-	966	-	5,335	This appropriation provides for reimbursement to the GSF of the Crown's share of custodial and investment management expenses (see note 8). The change reflects the appointment of additional investment managers during the year.

Part B1 - Details of Appropriations (continued)

	2002/03						Purpose of and Reasons for Change in 2002/03 Appropriations
	Main Estimates		Supplementary Estimates		Cumulative Vote		
	Annual \$000	Other \$000	Annual \$000	Other \$000	Annual \$000	Other \$000	
Appropriations							
Other Expenses to be Incurred by the Crown - cont'd							
GSF Appeals Board	50	-	-	-	50	-	Expenses and fees of members of the GSF Appeals Board.
Maui Gas Contracts	285,000	-	14,000	-	299,000	-	Payments made in relation to the Crown's participation in the Maui gas field and related contracts (revenue from the sale of gas is recorded in Part F). The appropriation required depends on the demand for gas, and the change reflects a re-forecast of the expected out-turn.
National Provident Fund	-	-	-	30,000	-	30,000	The Crown is required by the National Provident Fund (NPF) Restructuring Act 1990 to make a payment to the NPF when necessary to maintain a minimum earnings rate on certain NPF Superannuation schemes (see note 9). The NPF advised in early 2003 that a payment would be required in respect of the 2002/03 year.
Overseas Investment Commission Honoraria	25	-	-	-	25	-	Honoraria and expenses paid to the Crown-appointed members of the Overseas Investment Commission.
Unclaimed Money	-	500	-	-	-	500	Provision for repayment of unclaimed money deposited with the Crown (see note 10).
Total Appropriations for Other Expenses to be Incurred by the Crown	297,663	4,869	14,500	30,966	312,163	35,835	

Capital Contributions to Other Persons or Organisations							
Air New Zealand	-	-	150,000	-	150,000	-	This appropriation allows for the purchase of additional equity in Air New Zealand. The change reflects a carry forward of the unspent balance from 2001/02.
GSF Authority	-	-	1,328	-	1,328	-	This appropriation, which was approved during the year, allows for the provision of working capital to the Authority to take advantage of an opportunity to surrender a long-term accommodation lease that is no longer required.
Guardians of New Zealand Superannuation	-	-	300	-	300	-	This appropriation, which was approved during the year, allows for the provision of working capital to the Guardians of New Zealand Superannuation.
Housing New Zealand Corporation - Loans to Finance New Lending and Community House Acquisition	47,590	-	(9,590)	-	38,000	-	This appropriation is to finance the Corporation's net new lending and the purchase and development of community houses. The change reflects a transfer of part of the appropriation to 2003/04.
Housing New Zealand Corporation - Loans to Refinance Third Party Debt	50,000	-	-	-	50,000	-	This appropriation covers the refinancing of Housing New Zealand Corporation's (HNZC) third party debt with Crown debt.
Housing New Zealand Corporation - Loans to Finance Purchase of Housing in Auckland	-	-	31,860	-	31,860	-	This appropriation, which was approved during the year, is to finance the purchase of rental housing in Auckland.
Housing New Zealand Corporation - Acquisition and Modernisation of Housing Stock	54,270	-	(2,500)	-	51,770	-	Capital injections for the acquisition of new houses and modernisation of the existing stock. The change transfers part of the appropriation to 2003/04.
International Financial Institutions	-	100,000	-	-	-	100,000	Capital payments in respect of New Zealand's membership of the International Monetary Fund (IMF), the Asian Development Bank, the World Bank and the International Finance Corporation (see note 11).
NZ Superannuation Fund - Contributions	1,200,000	-	(1,200,000)	-	-	-	Capital contributions by the Crown to the New Zealand Superannuation Fund. The change transfers the appropriation to 2003/04, when the Guardians are expected to commence management of the funds.
Television New Zealand Group Ltd	750,000	-	(350,000)	-	400,000	-	The TVNZ Act 2003 has converted TVNZ from an SOE to a Crown company. This appropriation is for the capitalisation of the new company (there is an equivalent return of funds from the old company shown in Part F). The change reflects a re-forecast of the expected capital requirement.

Part B1 - Details of Appropriations (continued)

	2002/03						Purpose of and Reasons for Change in 2002/03 Appropriations
	Main Estimates		Supplementary Estimates		Cumulative Vote		
	Annual \$000	Other \$000	Annual \$000	Other \$000	Annual \$000	Other \$000	
Appropriations							
Capital Contributions to Other Persons or Organisations - cont'd							
University of Auckland	-	-	10,000	-	10,000	-	During the year, the Crown agreed to make a capital contribution to a new Business School at the University of Auckland.
Total Appropriations for Capital Contributions to Other Persons or Organisations	2,101,860	100,000	(1,368,602)	-	733,258	100,000	
Purchase or Development of Capital Assets by the Crown							
Crown Coin Collection	5	-	-	-	5	-	Purchase of New Zealand coins for the Crown coin collection.
Development of Crown Overseas Properties	600	-	-	-	600	-	Cost of capital upgrades to the Crown's overseas properties.
Geothermal Trading	-	-	200	-	200	-	Capital costs of new geothermal bores. The change reflects a transfer from operating expenses, following capitalisation of a new well.
Total Appropriations for Purchase or Development of Capital Assets by the Crown	605	-	200	-	805	-	

Repayment of Debt							
ECNZ Debt	-	48,000	-	-	-	48,000	The appropriation provides for repayment of debt that the Crown assumed from the Electricity Corporation of New Zealand (ECNZ) when Contact Energy Ltd (CEL) was separated from ECNZ in 1995/96 (see note 12).
Net Domestic Debt Repayment	-	25,000	-	1,021,000	-	1,046,000	The estimated net repayment of domestic debt (see note 12). The change reflects a re-forecast of the expected out-turn.
Net Foreign Debt Repayment	-	140,000	-	(140,000)	-	-	The estimated net repayment of foreign currency debt (see note 12). The change reflects a re-forecast of the expected out-turn.
Total Appropriations for Repayment of Debt	-	213,000	-	881,000	-	1,094,000	
Total Appropriations	2,458,500	3,538,387	(1,353,367)	2,316,836	1,105,133	5,855,223	

Part F - Crown Revenue and Receipts

Part F1 - Current and Capital Revenue and Receipts

	2002/03			Explanation of 2002/03 Crown Revenue
	Main Estimates	Supplementary Estimates	Total Budgeted	
	\$000	\$000	\$000	
Current Revenue				
Non-Tax Revenue				
Capital Charge - Departments	937,668	61,331	998,999	A charge paid by government departments on the Crown's investment. The change reflects significant revaluation adjustments to the Department of Conservation and Ministry of Education balance sheets at the end of 2001/02.
Contact Energy Ltd Crown Margin	31,000	(30,050)	950	Income from the Maui take-or-pay agreement with CEL for the supply of gas. The change reflects an upwards revaluation of the capital portion of the margin, with a corresponding reduction in the value of the interest portion.
Dividends from Crown Entities	44,096	(40,194)	3,902	The change primarily reflects a reduction in dividends from HNZC, to assist in funding the purchase of rental housing in Auckland.
Dividends from SOEs	405,826	(208,936)	196,890	The change primarily reflects lower dividends from the electricity companies.
Dividends - Other	2,260	1,243	3,503	Dividends from regional airport companies and other investments. The change reflects a re-forecast of the expected out-turn.
Earthquake Commission Guarantee Fee	10,000	-	10,000	Guarantee fee paid by the Earthquake Commission to the Crown.
Employers' Superannuation Contributions	85,497	524	86,021	The notional subsidy payable by specified employers on the superable salary of staff who are members of the GSF. The change reflects a re-forecast of the expected out-turn.
Export Credit Office	5,565	(5,304)	261	Premium revenue from export credit insurance policies written by the Export Credit Office. The change reflects a re-forecast of the expected out-turn.

Income from Crown Trading Entities	7,500	16,822	24,322	Revenue from the sale of prepaid Maui gas, and the operational revenue of Geothermal Trading. The change primarily reflects a re-forecast of the timing of prepaid gas receipts.
Interest -				
Contact Energy Ltd	2,000	(1,189)	811	Interest on loans to CEL. The change reflects the actual out-turn, as all the loans have now been repaid.
Housing New Zealand Corporation	32,000	2,038	34,038	Interest on loans to HNZC. The change reflects a re-forecast of the expected out-turn.
Investments	253,000	211,000	464,000	Interest earned on the Crown's official overseas reserves, bank accounts and domestic bond assets. The change reflects a re-forecast of the expected out-turn.
Other	19,758	(500)	19,258	Miscellaneous interest receipts. The change reflects a re-forecast of the expected out-turn.
Maui Gas Contracts	253,000	13,000	266,000	Revenue received from the on-sale of Maui gas (the cost of purchasing the gas is included in Part B). The change reflects a re-forecast of the expected out-turn.
Net Surplus from SOEs and Crown Entities	276,748	(276,748)	-	Following the introduction of full consolidation of Crown companies into the Crown accounts, the net surplus of SOEs and Crown entities is no longer reported in Vote Finance.
Rentals from Crown Overseas Properties	30,100	-	30,100	Revenue from overseas properties owned by the Crown.
Reserve Bank Surplus	161,855	7,075	168,930	Surplus funds transferred to the Crown under the Reserve Bank Act 1989. The change reflects the actual out-turn.
Other Current Revenue	834	(166)	668	Miscellaneous revenue. The change reflects a re-forecast of the expected out-turn.
Unclaimed Money	500	300	800	Unclaimed money deposited with the Crown. The change reflects a re-forecast of the expected out-turn.
Total Non-Tax Revenue	2,559,207	(249,754)	2,309,453	
Total Current Revenue	2,559,207	(249,754)	2,309,453	
Capital Receipts				
Capital Withdrawals from Crown Companies	-	281	281	Capital withdrawals from Crown companies. The change reflects a capital repayment by the GSFA.
Contact Energy Limited Crown Margin	9,330	20,580	29,910	Capital portion of the revenue from the Maui take-or-pay agreement with CEL for the supply of gas. The change reflects a revaluation of the margin.
Net Foreign Borrowing	-	127,000	127,000	Net borrowing by the Crown on overseas markets. The change reflects a re-forecast of the expected out-turn.

Part F1 - Current and Capital Revenue and Receipts (continued)

	2002/03			Explanation of 2002/03 Crown Revenue
	Main Estimates \$000	Supplementary Estimates \$000	Total Budgeted \$000	
Capital Receipts - cont'd				
Repayments from Crown Entities -				
Loan Repayments from Contact Energy Ltd	48,000	-	48,000	Repayment of loans by CEL.
Loan Repayments from Other Parties	196	(126)	70	Other loan repayments. The change reflects a re-forecast of the expected out-turn.
Sale of Investments	-	176	176	Revenue from the sale of minor investments. The change reflects a capital repayment to shareholders by Otago Power.
Return of Capital by the IMF	-	57,000	57,000	New Zealand contributes to the IMF's medium-term lending programme (see Part B, Capital Contributions to Other Organisations), by way of increasing its capital investment in the IMF. When the loans are repaid, the funds are returned to contributing countries. The IMF does not provide forecasts of loan repayments, so no forecasts were included in the Main Estimates. During the year, Turkey, Romania, the Philippines and Indonesia made repayments.
Television New Zealand	750,000	(350,000)	400,000	The TVNZ Act 2003 has converted TVNZ from an SOE to a Crown company. The Crown provided capital to the new company (see Part B), and the SOE made a corresponding return of capital to the Crown. The change reflects a re-forecast of the expected capital repayment.
Total Capital Receipts	807,526	(145,089)	662,437	
Total Crown Revenue and Receipts	3,366,733	(394,843)	2,971,890	