

Performance Information for Appropriations

Vote Finance

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

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 2009/10 financial year covering the following:

- A total of nearly \$39 million for policy advice on lifting New Zealand's overall economic performance and state sector performance.
- A total of nearly \$13 million for macroeconomic policy and management including fiscal management, macroeconomic, tax and fiscal forecasting; advice on fiscal policy and strategy; and fiscal reporting and departmental financial management controls including the development and application of generally accepted accounting practice to the Crown.
- A total of over \$2,162 million for the payment of interest and other costs relating to the Crown's debt.
- A total of nearly \$1,042 million in superannuation costs.
- A total of over \$13 million for capital investment in Landcorp Farming Limited.
- A total of over \$17 million for New Zealand House, London costs.
- A total of over \$3 million for Taitokerau Forests Limited.
- A total of over \$1 million for Treasury capital expenditure.
- A total of over \$1 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 2009/10 financial year covering the following:

- A total forecast of over \$2,929 million in non-tax revenue.
- A total forecast of \$500,000 in capital receipts.

The Minister for Infrastructure is responsible for one appropriation in Vote Finance for the 2009/10 financial year covering the following:

- A total of nearly \$5 million for policy advice and co-ordination of the government's infrastructure activities.

The Minister for Regulatory Reform is responsible for one appropriation in Vote Finance for the 2009/10 financial year covering the following:

- A total of \$266,000 for the Regulatory Responsibility Taskforce.

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
Greater prosperity, security and opportunities for all New Zealanders	Outcome: Managing New Zealand's path through the economic downturn - reducing the impact and putting New Zealand in a strong position to take advantage of better economic times when they come. (Minister of Finance's priorities letter 2009.)	Administration of Crown Borrowing Administration of Derivative Transactions Administration of Investment of Public Money Crown Deposit Guarantee Scheme Crown Wholesale Guarantee Facility Economic and Tax Forecasting Fiscal Management Fiscal Reporting Management of Crown Lending and Crown Bank Accounts Policy Advice: Fiscal and Macroeconomic
	Outcome: Lifting the performance of the New Zealand economy. (Minister of Finance's priorities letter 2009.)	Infrastructure Advice and Coordination New Zealand Export Credit Office Policy Advice: Economic Performance Regulatory Responsibility Taskforce
	Outcome: Making government expenditure more productive and effective. (Minister of Finance's priorities letter 2009.)	Policy Advice - State Sector Performance
	Objective: To meet Crown liabilities and manage Crown assets efficiently.	Crown Residual Liabilities Debt Servicing Geothermal Wells Fund Government Superannuation Appeals Board Government Superannuation Fund Authority - Crown's Share of Expenses Government Superannuation Fund Unfunded Liability Impairment of Loans to Taitokerau Forest Limited Landcorp Protected Land Agreement Management of Liabilities, Claims Against the Crown and Crown Properties Management of the Crown's Obligations for Geothermal Wells Management of New Zealand House, London Management of New Zealand Superannuation Fund National Provident Fund - Crown liability for Scheme Deficiency National Provident Fund Schemes - Liability Under Crown Guarantee New Zealand House, London NZ Superannuation Fund - Contributions Taitokerau Forests Limited Grant Taitokerau Forests Unclaimed Money Unclaimed Trust Money

Part 1.3 - Trends in the Vote

Summary of Financial Activity

	2004/05	2005/06	2006/07	2007/08	2008/09		2009/10			2010/11	2011/12	2012/13
	Actual \$000	Actual \$000	Actual \$000	Actual \$000	Budgeted \$000	Estimated Actual \$000	Departmental Transactions Budget \$000	Non- Departmental Transactions Budget \$000	Total Budget \$000	Estimated \$000	Estimated \$000	Estimated \$000
Appropriations												
Output Expenses	58,357	54,554	56,333	55,315	151,524	151,524	65,496	1,921	67,417	63,586	61,856	62,121
Benefits and Other Unrequited Expenses	827,384	1,091,367	975,542	-	-	-	N/A	-	-	-	-	-
Borrowing Expenses	2,588,917	2,674,921	2,429,986	2,049,665	2,106,000	2,106,000	-	2,153,000	2,153,000	2,672,000	3,235,000	4,049,000
Other Expenses	241,452	341,937	389,004	1,367,116	1,896,846	1,896,846	-	810,297	810,297	804,408	857,642	915,343
Capital Expenditure	3,325,680	2,503,205	2,157,675	2,295,419	5,165,165	4,851,165	1,183	264,400	265,583	16,417	2,382	2,562
Intelligence and Security Department Expenses and Capital Expenditure	-	-	-	-	-	-	-	N/A	-	-	-	-
Total Appropriations	7,041,790	6,665,984	6,008,540	5,767,515	9,319,535	9,005,535	66,679	3,229,618	3,296,297	3,556,411	4,156,880	5,029,026
Crown Revenue and Capital Receipts												
Tax Revenue	-	-	-	-	-	-	N/A	-	-	-	-	-
Non-Tax Revenue	2,731,373	3,891,778	3,643,249	3,059,938	2,642,407	2,642,407	N/A	2,929,447	2,929,447	2,620,589	2,623,831	2,805,114
Capital Receipts	292,684	405,500	158,742	55,587	432,643	432,643	N/A	500	500	500	500	500
Total Crown Revenue and Capital Receipts	3,024,057	4,297,278	3,801,991	3,115,525	3,075,050	3,075,050	N/A	2,929,947	2,929,947	2,621,089	2,624,331	2,805,614

New Policy Initiatives

Agreed by This Government

Policy Initiative	Appropriation	2008/09 Budgeted \$000	2009/10 Budget \$000	2010/11 Estimated \$000	2011/12 Estimated \$000	2012/13 Estimated \$000
Funding for advice on immediate Government priorities (infrastructure, regulation quality, value for money, and current economic downturn) and medium-long term issues (eg, future economic agenda, improved public sector).	Policy Advice: Economic Performance Departmental Output Expenses	-	1,216	1,947	2,420	2,695
	Infrastructure Advice and Coordination Departmental Output Expenses	-	1,652	1,498	1,556	1,524
	Policy Advice: State Sector Performance Departmental Output Expenses	-	1,494	1,303	1,325	1,347
	Treasury Capital Injection to Support Advice on Government Priorities Departmental Capital Contribution	-	80	-	-	-
Provision of short-term trade credit insurance.	New Zealand Export Credit Office Departmental Output Expenses	102	275	258	-	-
Establishment of a Regulatory Responsibility Taskforce.	Policy Advice: Economic Performance Departmental Output Expenses	-	153	-	-	-
	Regulatory Responsibility Taskforce Non-Departmental Output Expenses	166	266	-	-	-
Write-off of capital charge associated with Government Shared Network.	Write-off of Capital Charge Receivable Non-Departmental Other Expenses	195	-	-	-	-
New Zealand Railways Corporation debt facility and restructure of appropriations.	New Zealand Railways Corporation Loans Non-Departmental Capital Expenditure	140,000	-	-	-	-
	Crown Rail Operator Equity Injection Non-Departmental Capital Expenditure	(13,226)	-	-	-	-
	ONTRACK Equity Injection Non-Departmental Capital Expenditure	(18,550)	-	-	-	-
	Rail Transport Upgrade and Growth Projects Non-Departmental Capital Expenditure	17,326	-	-	-	-
Taranaki Whanui Treaty Settlement loan for the purchase of Shelly Bay properties.	Port Nicholson Block Settlement Trust Loan Non-Departmental Capital Expenditure	15,268	-	-	-	-
Savings from Line-by-Line Review.	Management of Liabilities, Claims Against the Crown and Crown Properties Departmental Output Expenses	(3,170)	-	-	-	-

Policy Initiative	Appropriation	2008/09 Budgeted \$000	2009/10 Budget \$000	2010/11 Estimated \$000	2011/12 Estimated \$000	2012/13 Estimated \$000
Savings from Line-by-Line Review - cont'd	Crown Deposit Guarantee Scheme Departmental Output Expenses	(2,125)	(700)	(200)	-	-
	Crown Wholesale Guarantee Facility Departmental Output Expenses	(1,200)	-	-	-	-
	Crown Deposit Guarantee Scheme Departmental Capital Contribution	(600)	-	-	-	-

Agreed by the Previous Government

Policy Initiative	Appropriation	2008/09 Budgeted \$000	2009/10 Budget \$000	2010/11 Estimated \$000	2011/12 Estimated \$000	2012/13 Estimated \$000
Implementing a more coordinated and integrated Regulated Policy Quality Assurance system.	Policy Advice: Economic Performance Departmental Output Expenses	970	1,379	1,379	1,379	1,379
Crown deposit guarantee scheme implementation and monitoring.	Crown Deposit Guarantee Scheme Departmental Output Expenses	4,780	4,420	900	-	-
	Crown Deposit Guarantee Scheme Departmental Capital Contribution	800	-	-	-	-
Crown wholesale guarantee facility implementation and monitoring.	Crown Wholesale Guarantee Facility Departmental Output Expenses	1,740	1,540	655	225	225
Identity Verification Service departmental operational and capital levies.	Identity Verification Service: Adjustment to Dept Levy Contribution & Impact on Dept Appropriation Departmental Output Expenses	-	(296)	-	-	-
	Identity Verification Service: Adjustment to Dept Levy Contribution and Impact on Dept Appropriation Departmental Capital Contribution	-	(86)	-	-	-
Changes to appropriations to purchase non-commercial rail services from New Zealand Railways Corporation.	New Zealand Railways Corporation Operating Support Non-Departmental Output Expenses	90,000	-	-	-	-
	ONTRACK Operating and Maintenance costs Non-Departmental Other Expenses	(21,000)	-	-	-	-

Policy Initiative	Appropriation	2008/09 Budgeted \$000	2009/10 Budget \$000	2010/11 Estimated \$000	2011/12 Estimated \$000	2012/13 Estimated \$000
Changes to appropriations to provide funding for the upgrade, renewal and maintenance of New Zealand Railways Corporation's assets.	Rail Transport Upgrade and Growth Projects Non-Departmental Other Expenses	121,000	-	-	-	-
	National Rail Network Improvements Non-Departmental Other Expenses	(46,974)	-	-	-	-
	ONTRACK Loans Non-Departmental Capital Expenditure	(103,005)	-	-	-	-
New Zealand Railways Corporation Transaction Costs of Purchasing Toll NZ Limited.	New Zealand Railways Corporation Transaction Costs of Purchasing Toll NZ Limited Non-Departmental Other Expenses	5,000	-	-	-	-
New Zealand Railways Corporation Wiri Inland Port rail link construction.	New Zealand Railways Corporation Wiri Inland Port Rail Link Non-Departmental Other Expenses	6,000	-	-	-	-
Renegotiation of Crown loan to Taitokerau Forests Limited.	Impairment of Loans to Taitokerau Forests Limited Non-Departmental Other Expenses	1,700	1,400	800	800	800
	Taitokerau Forests Limited Grant Non-Departmental Other Expenses	-	300	200	300	200
	Taitokerau Forests Limited Loan Write-Down Non-Departmental Other Expenses	37,000	-	-	-	-
	Taitokerau Forests Non-Departmental Capital Expenditure	340	1,400	800	800	800
Timberlands West Coast equity injection.	Timberlands West Coast Equity Injection Non-Departmental Capital Expenditure	3,800	-	-	-	-
Debt facility for KiwiRail.	Crown Rail Operator Loans Non-Departmental Capital Expenditure	140,000	-	-	-	-
Initial KiwiRail capital expenditure.	Crown Rail Operator Equity Injection Non-Departmental Capital Expenditure	20,000	20,000	20,000	20,200	-
Public Trust capital injection.	Public Trust Capital Injection Non-Departmental Capital Expenditure	20,000	-	-	-	-
New Zealand Railways Corporation increase in capital for the purchase of the Crown Rail Operator.	New Zealand Railways Corporation Increase in Capital for the Purchase of the Crown Rail Operator Non-Departmental Capital Expenditure	690,000	-	-	-	-

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 owing to movements in capital expenditure and movements in the Government Superannuation Fund unfunded liability.

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

Departmental Output Expenses

Baselines increase by nearly \$6 million in 2009/10 compared to the previous year due to new funding in Budget 2009 for the delivery of policy advice on Government priorities and the Line-by-Line Review savings that were made in 2008/09.

Non-Departmental Output Expenses

Expenditure increased in 2008/09 to fund the purchase of non-commercial rail services from New Zealand Railways Corporation. Rail related appropriations are to be transferred to Vote Transport, effective 1 July 2009.

Non-Departmental Benefits and Other Unrequited Expenses

The Government Superannuation Fund Authority - Subsidies to Government Superannuation Fund Schemes 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 downwards up to 2007/08 and are broadly stable through to 2009/10 before rising in 2010/11 and outyears.

Non-Departmental Other Expenses

Expenditure was broadly stable until 2007/08. 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.

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 2004/05, the Reserve Bank received a \$1,000 million capital injection to support its capacity for intervention in the foreign exchange markets. 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.

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 and 2006/07. 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.

Crown Capital Receipts

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

Part 1.4 - Reconciliation of Changes in Appropriation Structure

2008/09 Structure - Appropriations that have been Changed	2008/09 (Current) \$000	Appropriations to which Expenses (or Capital Expenditure) have been Transferred	Amount Moved \$000	2009/10 Structure - Appropriations affected by the Changes in Appropriation Structure	2008/09 (Restated) \$000	2009/10 \$000
Departmental Output Expenses						
Debt and Related Financial Asset Management	8,404	Transferred to Administration of Crown Borrowing	3,362	Administration of Crown Borrowing	3,362	3,260
		Transferred to Administration of Derivative Transactions	4,015	Administration of Derivative Transactions	4,015	3,893
		Transferred to Administration of Investment of Public Money	1,027	Administration of Investment of Public Money	1,027	996
		Transferred from Debt and Related Financial Asset Management	(8,404)			
Debt and Related Financial Asset Management	934	Transferred to Management of Crown Lending and Crown Bank Accounts	934	Crown Lending and Crown Bank Accounts	934	906
		Transferred from Debt and Related Financial Asset Management	(934)			
Policy Advice and Management: Macroeconomic	12,761	Transferred to Fiscal Management	2,424	Fiscal Management	2,424	2,422
		Transferred to Fiscal Reporting	3,574	Fiscal Reporting	3,574	3,570
		Transferred to Economic and Tax Forecasting	2,680	Economic and Tax Forecasting	2,680	2,677
		Transferred to Policy Advice: Fiscal and Macroeconomic	4,083	Policy Advice: Fiscal and Macroeconomic	4,083	4,079
		Policy Advice and Management: Macroeconomic	(12,761)			

2008/09 Structure - Appropriations that have been Changed	2008/09 (Current) \$000	Appropriations to which Expenses (or Capital Expenditure) have been Transferred	Amount Moved \$000	2009/10 Structure - Appropriations affected by the Changes in Appropriation Structure	2008/09 (Restated) \$000	2009/10 \$000
Policy Advice - Economic Performance	15,978	Transferred to Infrastructure Advice and Coordination	2,397	Infrastructure Advice and Coordination	2,952	4,942
Policy Advice - State Sector Performance	12,157		555			
		Transferred from Policy Advice - Economic Performance	(2,397)	Policy Advice - Economic Performance	13,581	15,465
		Transferred from Policy Advice - State Sector Performance	(555)	Policy Advice - State Sector Performance	11,602	14,062
Total Changes in Appropriations			-			

In addition, the following rail related appropriations in Vote Finance ceased with effect from the close of 30 June 2009:

- New Zealand Railways Corporation Operating Support.
- Auckland Rail Development MYA.
- Urban Rail Development MYA.
- Rail Transport Upgrade and Growth Projects MYA.
- New Zealand Railways Corporation Wiri Island Port Rail Link MYA.

Rail related appropriations have been created in Vote Transport effective from 1 July 2009.

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>Outcome: A stable and sustainable macroeconomic environment.</p> <p>Impact: 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 Administration of Derivative Transactions Administration of Investment of Public Money
<p>Outcome: Improved overall economic performance.</p> <p>Impact: Enhancing national infrastructure planning and ensuring higher-quality asset management.</p>	Infrastructure Advice and Coordination
<p>Outcome: A stable and sustainable macroeconomic environment.</p> <p>Impact: Contributing to Budget decisions that are conducive to achieving short-term macroeconomic stability and meeting long-term fiscal challenges.</p>	Macro Economic Policy Advice and Management MCOA - <ul style="list-style-type: none"> • Economic and Tax Forecasting output class • Fiscal Management output class • Fiscal Reporting output class • Management of Crown Lending and Crown Bank Accounts output class • Policy Advice: Fiscal and Macroeconomic output class
<p>Outcome: Improved overall economic performance.</p> <p>Impact: Maintaining a robust and efficient financial sector.</p>	State Sector and Economic Performance Policy Advice and Management (MCOA) - <ul style="list-style-type: none"> • Crown Deposit Guarantee Scheme output class • Crown Wholesale Guarantee Facility output class
<p>Objective: To meet Crown liabilities and manage Crown assets efficiently.</p> <p>Impact: 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"> • Management of Claims Against the Crown, Contractual Liabilities and Crown Properties output class
<p>Outcome: Improved overall economic performance.</p> <p>Impact: 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"> • New Zealand Export Credit Office output class
<p>Outcome: Improved overall economic performance.</p> <p>Impact: 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"> • Policy Advice - Economic Performance output class
<p>Outcome: Improved state sector performance.</p> <p>Impact: 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"> • Policy Advice - State Sector Performance output class

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

	2008/09		2009/10
	Budgeted \$000	Estimated Actual \$000	Budget \$000
Total Appropriation	-	-	3,260
Revenue from Crown	-	-	3,200
Revenue from Other	-	-	60

Reasons for Change in Appropriation

The expenses included in this appropriation, combined with the output classes Administration of Derivative Transactions, Administration of Investment of Public Money and Management of Crown Lending and Crown Bank Accounts, were previously a single annual appropriation - Debt and Related Financial Asset Management in 2008/09 and prior years (refer to Part 1.4 - Reconciliation of Changes in Appropriation Structure).

Output Performance Measures and Standards

Performance Measures	2008/09		2009/10
	Budgeted Standard	Estimated Actual Standard	Budget Standard
All policy outputs comply with the Treasury's Quality Standards for Policy (refer to Conditions on Use of Appropriation, below), as assessed by the Minister three times during the year.	N/A	Rated as meeting and frequently exceeding expectations	Rated as meeting and frequently exceeding expectations
Compliance with Risk management policies and parameters for portfolio management and debt issuance.	N/A	100%	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).	N/A	Targets met	\$40 to \$60 million
Average value at risk (VaR) for the tactical portfolios, at a confidence level of 95%.	N/A	Average monthly VaR is less than \$1.4 million	Average monthly VaR is less than \$1.4 million
Losses incurred from the credit-related sale of securities, or from default by a counter-party.	N/A	No losses	No losses
Number of settlement errors, and financial value of losses arising from settlement errors.	N/A	No more than two errors; losses do not exceed \$3,000	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 2009/10 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

Treasury quality standards for policy

Quality policy advice is fit for purpose

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.

When undertaking a piece of work, explicit consideration needs to be given to the following:

- What point are Ministers at in their decision-making process? Can Treasury add value? What are our opportunities to have an impact?
- What result are we seeking by providing a piece of advice?
- How should the quality dimensions below be applied and balanced to achieve this result?
- What is the relative priority of this piece of work?
- What level of investment is warranted?

Dimensions of Quality Policy Advice		
Analytically Rigorous (Analysis)	Set in a Wider Strategic Context (Applied Analysis)	Customer-focused and Persuasive (Advice)
<p>Relevant Frameworks</p> <ul style="list-style-type: none"> • Appropriate analytical frameworks are used, and: knowledge is up-to-date and informed by recent thinking and literature in the field. • 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). • Consideration has been given to less traditional frameworks and whether they would add innovative or useful perspectives. 	<p>Strategic</p> <ul style="list-style-type: none"> • Advice is set in the context of the Treasury's results and informed by a strategic view about what is important. • We are explicit about the relative importance and materiality of the issue, in fiscal, economic and strategic terms. • Connections across policy issues are made, ensuring that Ministers receive a whole-of-government perspective. • Advice considers the long-term implications of decisions and provides a perspective that goes beyond immediate impacts. • We frame issues and help set the agenda. 	<p>Clear</p> <ul style="list-style-type: none"> • Advice is compellingly presented. It is: brief and concise - key messages should be readily apparent to the reader. • Easy to read - has a clear and logical structure, avoids technical jargon and uses visual devices such as charts and tables where possible. • Pitched to suit the target audience - uses appropriate language, style and level of detail. • Framed in terms of how it fits with previous advice and communications with the Minister.
<p>Robust Reasoning and Logic</p> <ul style="list-style-type: none"> • Advice has a clear purpose, problem definition, evaluation of options against criteria, and assessment of risks and opportunities. We come to a conclusion and give action-oriented recommendations. 	<p>Practical</p> <ul style="list-style-type: none"> • Issues of implementation, technical feasibility, practicality and timing are considered and advice accurately identifies compliance, transitional, legislative, revenue and administrative implications and costs. 	<p>Timely</p> <ul style="list-style-type: none"> • 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.
<p>Evidence-based</p> <ul style="list-style-type: none"> • 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. • We draw on New Zealand experience of current and past policy interventions and, where relevant, the experience of other countries. • We give our best judgement despite data imperfections; we acknowledge information limitations and advise within them. 	<p>Public Sector Consultation</p> <ul style="list-style-type: none"> • 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. • Where possible, advice is developed in conjunction with relevant government agencies. 	<p>Politically Aware</p> <ul style="list-style-type: none"> • Advice: demonstrates awareness of the wider environment and political situation. • Is based on a clear understanding of the desired outcomes of the Minister/Government. • Relates to the perspectives of Ministers, even if suggesting something that tests those perspectives. • Recognises choices and constraints Ministers face, and includes a range of options to address these.
<p>Free and Frank</p> <ul style="list-style-type: none"> • 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. 	<p>Perspectives of Wider Stakeholders</p> <ul style="list-style-type: none"> • 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. 	<p>Solution-focused</p> <ul style="list-style-type: none"> • 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).

Quality involves continuous improvement

At the end:

- Did we achieve the result we were seeking?
- Were our judgements about what would be fit for purpose correct?
- What would we do differently next time?
- How can we capture and share this learning?

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

	2008/09		2009/10
	Budgeted \$000	Estimated Actual \$000	Budget \$000
Total Appropriation	-	-	3,893
Revenue from Crown	-	-	3,819
Revenue from Other	-	-	74

Reasons for Change in Appropriation

The expenses included in this appropriation, combined with the output classes Administration of Crown Borrowing, Administration of Investment of Public Money and Management of Crown Lending and Crown Bank Accounts, were a single annual appropriation - Debt and Related Financial Asset Management in 2008/09 and prior years (refer to Part 1.4 - Reconciliation of Changes in Appropriation Structure).

Output Performance Measures and Standards

Performance Measures	2008/09		2009/10
	Budgeted Standard	Estimated Actual Standard	Budget Standard
All policy outputs comply with the Treasury's Quality Standards for Policy (refer to Conditions on Use of Appropriation, below), as assessed by the Minister three times during the year.	N/A	Rated as meeting and frequently exceeding expectations	Rated as meeting and frequently exceeding expectations
Compliance with risk management policies and parameters for portfolio management and debt issuance.	N/A	For other standards in this output class see the standards listed in the Administration of Crown Borrowing PLA (M31) Output Class above	

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
Quality Standards for Policy Advice	Refer to Administration of Crown Borrowing output expense above.

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

	2008/09		2009/10
	Budgeted \$000	Estimated Actual \$000	Budget \$000
Total Appropriation	-	-	996
Revenue from Crown	-	-	978
Revenue from Other	-	-	18

Reasons for Change in Appropriation

The expenses included in this appropriation, combined with the output classes Administration of Crown Borrowing, Administration of Derivative Transactions, and Management of Crown Lending and Crown Bank Accounts, were previously a single annual appropriation - Debt and Related Financial Asset Management in 2008/09 and prior years (refer to Part 1.4 - Reconciliation of Changes in Appropriation Structure).

Output Performance Measures and Standards

Performance Measures	2008/09		2009/10
	Budgeted Standard	Estimated Actual Standard	Budget Standard
All policy outputs comply with the Treasury's Quality Standards for Policy (refer to Conditions on Use of Appropriation, below), as assessed by the Minister three times during the year.	N/A	Rated as meeting and frequently exceeding expectations	Rated as meeting and frequently exceeding expectations
Compliance with Risk management policies and parameters for portfolio management and debt issuance.	N/A	For other standards in this output class see the standards listed in the Administration of Crown Borrowing PLA (M31) output class above	

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
Quality Standards for Policy Advice	Refer to Administration of Crown Borrowing output expense above.

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

	2008/09		2009/10
	Budgeted \$000	Estimated Actual \$000	Budget \$000
Total Appropriation	-	-	4,942
Revenue from Crown	-	-	4,885
Revenue from Other	-	-	57

Reasons for Change in Appropriation

The expenses included in this appropriation were in the appropriation Policy Advice - Economic Performance in 2008/09 and prior years (refer to Part 1.4 - Reconciliation of Changes in Appropriation Structure). Additional funding was also approved in Budget 2009 (refer Current and Past Policy Initiatives table below).

Output Performance Measures and Standards

Performance Measures	2008/09		2009/10
	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.	N/A	N/A	Rated as meeting and frequently exceeding expectations
Successful introduction of Infrastructure Bill by December 2009.	N/A	N/A	Achieved
Successful completion and publication of first National Infrastructure Plan.	N/A	N/A	Achieved

Conditions on Use of Appropriation

Reference	Conditions
Quality Standards for Policy Advice	Refer to Administration of Crown Borrowing output expense above.
Infrastructure Bill	This is a new one-off measure for 2009/10.
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.

Current and Past Policy Initiatives

Policy Initiative	Year of First Impact	2008/09 Budgeted \$000	2009/10 Budget \$000	2010/11 Estimated \$000	2011/12 Estimated \$000	2012/13 Estimated \$000
Infrastructure advice and coordination.	2009/10	-	1,652	1,498	1,556	1,524

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

	2008/09		2009/10
	Budgeted \$000	Estimated Actual \$000	Budget \$000
Total Appropriation	-	-	13,654
Economic and Tax Forecasting	-	-	2,677
Fiscal Management	-	-	2,422
Fiscal Reporting	-	-	3,570
Management of Crown Lending and Crown Bank Accounts	-	-	906
Policy Advice: Fiscal and Macroeconomic	-	-	4,079
Revenue from Crown	-	-	13,403
Economic and Tax Forecasting	-	-	2,627
Fiscal Management	-	-	2,378
Fiscal Reporting	-	-	3,504
Management of Crown Lending and Crown Bank Accounts	-	-	890
Policy Advice: Fiscal and Macroeconomic	-	-	4,004

	2008/09		2009/10
	Budgeted \$000	Estimated Actual \$000	Budget \$000
Revenue from Other	-	-	251
Economic and Tax Forecasting	-	-	50
Fiscal Management	-	-	44
Fiscal Reporting	-	-	66
Management of Crown Lending and Crown Bank Accounts	-	-	16
Policy Advice: Fiscal and Macroeconomic	-	-	75

Reasons for Change in Appropriation

The expenses included in this appropriation were part of the appropriations - Debt and Related Financial Asset Management, and Policy Advice and Management: Macroeconomic in 2008/09 and prior years (refer to Part 1.4 - Reconciliation of Changes in Appropriation Structure).

Output Performance Measures and Standards

Performance Measures	2008/09		2009/10
	Budgeted Standard	Estimated Actual Standard	Budget Standard
All Classes of Outputs Within this Appropriation			
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.	N/A	Rated as meeting and frequently exceeding expectations	Rated as meeting and frequently exceeding expectations
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.	N/A	Achieved	Achieved
Fiscal Management			
Advice and processes required as part of annual budget process 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).	N/A	Achieved	Achieved
Fiscal Reporting			
Audit opinion issued by the Controller and Auditor-General on the Financial Statements of Government.	N/A	Unqualified	Unqualified
Economic and Tax Forecasting			
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).	N/A	Less than 3%	Less than 3%
Policy Advice: Fiscal and Macroeconomic			
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.	N/A	Achieved	Achieved

Performance Measures	2008/09		2009/10
	Budgeted Standard	Estimated Actual Standard	Budget Standard
Management of Crown Lending and Crown Bank Accounts			
Value-added for Crown lending meets target level.	N/A	\$15-20 million	\$15-20 million
Average value at risk (VaR) for Crown lending, at a 95% confidence level.	N/A	Average monthly VaR does not exceed \$1.4 million	Average monthly VaR does not exceed \$1.4 million
Compliance with risk management policies and parameters for management of Crown lending and Crown bank accounts.	N/A	No compliance breaches	No compliance 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

Reference	Conditions
Quality Standards for Policy Advice	Refer to Administration of Crown Borrowing output expense above
Fiscal Management - Management of the annual financial cycle.	<ul style="list-style-type: none"> 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. Annual review of process stakeholders completed quarter one to determine changes to improve future processes.

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

	2008/09		2009/10
	Budgeted \$000	Estimated Actual \$000	Budget \$000
Total Appropriation	36,691	36,691	38,751
Crown Deposit Guarantee Scheme	1,661	1,661	3,720
Crown Wholesale Guarantee Facility	1,878	1,878	1,540
Management of Liabilities, Claims Against the Crown and Crown Properties	2,740	2,740	2,093
New Zealand Export Credit Office	2,277	2,277	1,871
Policy Advice: Economic Performance	15,978	15,978	15,465
Policy Advice: State Sector Performance	12,157	12,157	14,062

	2008/09		2009/10
	Budgeted \$000	Estimated Actual \$000	Budget \$000
Revenue from Crown	36,090	36,090	38,216
Crown Deposit Guarantee Scheme	1,642	1,642	3,720
Crown Wholesale Guarantee Facility	1,849	1,849	1,540
Management of Liabilities, Claims Against the Crown and Crown Properties	2,670	2,670	2,057
New Zealand Export Credit Office	2,242	2,242	1,842
Policy Advice: Economic Performance	15,726	15,726	15,227
Policy Advice: State Sector Performance	11,961	11,961	13,830
Revenue from Other	601	601	535
Crown Deposit Guarantee Scheme	19	19	-
Crown Wholesale Guarantee Facility	29	29	-
Management of Liabilities, Claims Against the Crown and Crown Properties	70	70	36
New Zealand Export Credit Office	35	35	29
Policy Advice: Economic Performance	252	252	238
Policy Advice: State Sector Performance	196	196	232

Reasons for Change in Appropriation

The increase in the appropriation in 2009/10 is largely due to new funding being provided in Budget 2009 for policy advice on Government priorities and some Crown Deposit Guarantee Scheme funding being returned to the Crown during 2008/09. Partly offsetting this increase are resources transferred from Policy Advice - Economic Performance, and Policy Advice - State Sector Performance output classes to the new Infrastructure Advice and Coordination output class.

Output Performance Measures and Standards

Performance Measures	2008/09		2009/10
	Budgeted Standard	Estimated Actual Standard	Budget Standard
All Classes of Outputs Within the Appropriation			
All policy advice 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	Rated as meeting and frequently exceeding expectations	Rated as meeting and frequently exceeding expectations
Crown Deposit Guarantee Scheme and Crown Wholesale Guarantee Facility			
No unnecessary delays in processing applications.	N/A	Achieved	Achieved
Development and implementation of an overall plan for managing the Crown interests including default events.	N/A	Achieved	Achieved
Active monitoring of guaranteed institutions is undertaken to minimise Crown exposure.	N/A	Achieved	Achieved
Treasury actively manages the Crown interests in the event of a specific default.	N/A	Within 7 days of default	Within 7 days of default

Performance Measures	2008/09		2009/10
	Budgeted Standard	Estimated Actual Standard	Budget Standard
Management of Liabilities, Claims Against the Crown and Crown Properties			
Management and resolution of liabilities and claims within parameters set by Ministers.	100%	100%	Achieved
New Zealand Export Credit Office			
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 medium to long term credit insurance policies.	\$77 million	\$32.9 million	\$46.0 million
Value of new US contract bonds.	\$24 million	\$84.9 million	\$82.0 million
Value of new non-US contract bonds.	\$8 million	-	\$10.0 million
Value of new working capital guarantees.	\$5 million	\$1.8 million	\$5.0 million
Value of short-term trade credit guarantees.	N/A	\$6.6 million	\$48.8 million
Policy Advice: Economic Performance			
Regulatory Impact Analysis: Number of significant Regulatory Impact Statements assessed.	N/A	12	20
Policy Advice: State Sector Performance			
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.	N/A	Achieved	Achieved

Conditions on Use of Appropriation

Reference	Conditions
Quality Standards for Policy Advice	Refer to Administration of Crown Borrowing Output Expense Above
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. In some cases, Treasury is a provider of second-opinion advice rather than a lead agency on these matters.
Regulatory impact analysis.	Regulatory impact analysis is a new function for Treasury, and has yet to be operating for a full year. These estimates are based on our first five months of operation.
Vote analysis.	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; accountability documents. <ul style="list-style-type: none"> Treasury advice across votes enables the Government to deliver the Budget consistent with the Budget Policy Statement. 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. All statutory requirements of the Public Finance Act are met. Annual review is undertaken with stakeholders to identify changes to improve future processes.

Current and Past Policy Initiatives

Policy Initiative	Year of First Impact	2008/09 Budgeted \$000	2009/10 Budget \$000	2010/11 Estimated \$000	2011/12 Estimated \$000	2012/13 Estimated \$000
Treasury advice on Government priorities.	2009/10	-	2,710	3,250	3,745	4,042
Secretariat to the Regulatory Responsibility Taskforce.	2009/10	-	153	-	-	-
Provision of short-term trade credit insurance.	2008/09	102	275	258	-	-
Crown deposit guarantee scheme implementation and monitoring.	2008/09	4,780	4,420	900	-	-
Crown wholesale guarantee facility implementation and monitoring.	2008/09	1,740	1,540	655	225	225
Implementing a more co-ordinated and integrated Regulated Policy Quality Assurance system.	2008/09	970	1,379	1,379	1,379	1,379
Costs of negotiating with Aihau-Whanganui Incorporation in respect to claimed Maori vested land lease losses.	2008/09	450	-	-	-	-
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	80	140	140	-	-
New Zealand Export Credit Office development of US contract bonds and trade finance export products.	2007/08	438	401	416	-	-
Extension of the New Zealand Export Credit Office US contract bond product.	2007/08	350	350	350	-	-

Part 2.2 - Non-Departmental Output Expenses

Intended Impacts, Outcomes and Objectives

Intended Impacts, Outcomes or Objectives of Appropriations	Appropriations
<p>Government Objective: To meet Crown liabilities and manage Crown assets efficiently.</p> <p>Specific Objective: To minimise Crown financial risk within the bounds of Government objectives.</p>	Management of the Crown's Obligations for Geothermal Wells
<p>Objective: To manage New Zealand House efficiently and minimise Crown financial risks associated with property ownership.</p>	Management of New Zealand House, London
<p>Government Objective : 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>Specific Objective: 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>Government Objective: To make the New Zealand economy more productive.</p> <p>Specific Objective: To improve regulatory review and decision making processes including legislation and standing orders.</p>	Regulatory Responsibility Taskforce

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

	2008/09		2009/10
	Budgeted \$000	Estimated Actual \$000	Budget \$000
Total Appropriation	1,000	1,000	1,000

Output Performance Measures and Standards

	2008/09		2009/10
	Budgeted Standard	Estimated Actual Standard	Budget Standard
Performance Measures			
Optimise New Zealand House rental revenue.	Achieved	Achieved	Achieved
Occupancy rates maximised.	Achieved	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

	2008/09		2009/10
	Budgeted \$000	Estimated Actual \$000	Budget \$000
Total Appropriation	351	351	151

Reasons for Change in Appropriation

A one-off expense of \$200,000 was budgeted for in 2008/09 to perform remedial work on redundant geothermal assets at Wairakei.

Output Performance Measures and Standards

Performance Measures	2008/09		2009/10
	Budgeted Standard	Estimated Actual Standard	Budget Standard
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

	2008/09		2009/10
	Budgeted \$000	Estimated Actual \$000	Budget \$000
Total Appropriation	487	487	504

Reasons for Change in Appropriation

The 2009/10 budget increase is not material.

Output Performance Measures and Standards

Performance Measures	2008/09		2009/10
	Budgeted Standard	Estimated Actual Standard	Budget Standard
The Guardians of New Zealand Superannuation manage and administer the Fund in accordance with their statement of intent.	Achieve	Achieve	Achieve

Current and Past Policy Initiatives

Policy Initiative	Year of First Impact	2008/09 Budgeted \$000	2009/10 Budget \$000	2010/11 Estimated \$000	2011/12 Estimated \$000	2012/13 Estimated \$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	2,044	-	-	-

Regulatory Responsibility Taskforce (M81)

Scope of Appropriation

This appropriation is limited to the fees and expenses of members of the Taskforce appointed to carry forward work on a Regulatory Responsibility Bill, and to fees and expenses for any legal and other advice that the Taskforce may commission.

Expenses

	2008/09		2009/10
	Budgeted \$000	Estimated Actual \$000	Budget \$000
Total Appropriation	166	166	266

Reasons for Change in Appropriation

The increase in expenditure in 2009/10 reflects the phasing of the Taskforce's project across the two financial years.

Output Performance Measures and Standards

	2008/09		2009/10
	Budgeted Standard	Estimated Actual Standard	Budget Standard
Performance Measures			
Report on the existing Regulatory Responsibility Bill, including making recommendations on amendments, supporting arrangements and a draft Bill.	N/A	-	Report completed
Report to be completed within six months of the Regulatory Responsibility Taskforce establishment.	N/A	-	Achieved

Current and Past Policy Initiatives

Policy Initiative	Year of First Impact	2008/09 Budgeted \$000	2009/10 Budget \$000	2010/11 Estimated \$000	2011/12 Estimated \$000	2012/13 Estimated \$000
Establishment of a Regulatory Responsibility Taskforce.	2008/09	166	266	-	-	-

Summary of Service Providers for Non-Departmental Outputs

Provider	2008/09 Budgeted \$000	2008/09 Estimated Actual \$000	2009/10 Budget \$000	Reporting Mechanism	Expiry of Funding Commitment
Crown Entities					
The Guardians of New Zealand Superannuation <ul style="list-style-type: none"> Guardians of New Zealand Superannuation 	487	487	504	Provider's annual report	Ongoing
Non-Government Organisations					
King Sturge International Property Consultants, London <ul style="list-style-type: none"> Management of New Zealand House 	1,000	1,000	1,000	Not required	2010
Connell Wagner Limited and other providers <ul style="list-style-type: none"> Management of Residual Geothermal Liabilities 	351	351	151	Not required	2011
Regulatory Responsibility Taskforce <ul style="list-style-type: none"> Regulatory Responsibility Taskforce 	166	166	266	Not required	2010

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

	2008/09		2009/10
	Budgeted \$000	Estimated Actual \$000	Budget \$000
Total Appropriation	2,106,000	2,106,000	2,153,000

Reasons for Change in Appropriation

The amount varies with interest rates 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
	Impairment of Loans to Taitokerau Forest
	National Provident Fund - Crown liability for Scheme Deficiency
	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

	2008/09		2009/10
	Budgeted \$000	Estimated Actual \$000	Budget \$000
Total Appropriation	674	674	230

Reasons for Change in Appropriation

The amount required is reducing over time as liabilities are resolved.

Expected Results

	2008/09		2009/10
	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

	2008/09		2009/10
	Budgeted \$000	Estimated Actual \$000	Budget \$000
Total Appropriation	500	500	500

Expected Results

	2008/09		2009/10
	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 year)	No events in year	Achieve for all such events (no more than one expected in 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

	2008/09		2009/10
	Budgeted \$000	Estimated Actual \$000	Budget \$000
Total Appropriation	50	50	50

Expected Results

	2008/09		2009/10
	Budgeted Standard	Estimated Actual Standard	Budget Standard
Board members' fees and disbursements are consistent with Cabinet Office Guidelines.	Achieve	Achieve	Achieve

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

	2008/09		2009/10
	Budgeted \$000	Estimated Actual \$000	Budget \$000
Total Appropriation	23,500	23,500	19,692

Reasons for Change in Appropriation

Custodial, investment and administration costs are lower due to a reduction in assets under fund management.

Expected Results

	2008/09		2009/10
	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.	\$23.5 million	\$23.5 million	\$19.692 million

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

	2008/09		2009/10
	Budgeted \$000	Estimated Actual \$000	Budget \$000
Total Appropriation	968,610	968,610	676,025

Reasons for Change in Appropriation

Current service and interest unwinding costs are forecast to be lower in 2009/10 relative to 2008/9 due to reductions in CPI indexation and discount rates.

Expected Results

	2008/09		2009/10
	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

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

	2008/09		2009/10
	Budgeted \$000	Estimated Actual \$000	Budget \$000
Total Appropriation	1,700	1,700	1,400

Reasons for Change in Appropriation

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

Expected Results

	2008/09		2009/10
	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	Unqualified audit opinion	Unqualified audit opinion

Current and Past Policy Initiatives

Policy Initiative	Year of First Impact	2008/09 Budgeted \$000	2009/10 Budget \$000	2010/11 Estimated \$000	2011/12 Estimated \$000	2012/13 Estimated \$000
Renegotiation of Crown loan to Taitokerau Forests Limited.	2008/09	1,700	1,400	800	800	800

National Provident Fund - Crown liability for Scheme Deficiency PLA (M31)

Scope of Appropriation

This appropriation is limited to the Crown's liability for deficiency in the accounts of National Provident Fund schemes established pursuant to section 38A(6) of the National Provident Fund Act 1950, authorised by section 72 of the National Provident Fund Restructuring Act 1990.

Expenses

	2008/09		2009/10
	Budgeted \$000	Estimated Actual \$000	Budget \$000
Total Appropriation	33,200	33,200	33,400

Reasons for Change in Appropriation

The Crown guarantee has been called on due to a reduction of income in the relevant National Provident Schemes to below 4%.

Expected Results

	2008/09		2009/10
	Budgeted Standard	Estimated Actual Standard	Budget Standard
The Crown's liability for deficiency in the accounts of the National Provident Fund schemes correctly recorded in the Financial Statements of the Government.	N/A	Unqualified audit opinion	Unqualified audit opinion

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

	2008/09		2009/10
	Budgeted \$000	Estimated Actual \$000	Budget \$000
Total Appropriation	71,000	71,000	62,000

Reasons for Change in Appropriation

The increase 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

	2008/09		2009/10
	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	Achieved	Achieved

New Zealand House, London (M31)

Scope of Appropriation

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

Expenses

	2008/09		2009/10
	Budgeted \$000	Estimated Actual \$000	Budget \$000
Total Appropriation	16,200	16,200	16,200

Expected Results

	2008/09		2009/10
	Budgeted Standard	Estimated Actual Standard	Budget Standard
Net rental from commercial space is optimised.	Achieve	Achieve	Achieve
New Zealand House is maintained to provide office accommodation of a suitable standard for New Zealand Government entities in London.	Achieve	Achieve	Achieve

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

	2008/09		2009/10
	Budgeted \$000	Estimated Actual \$000	Budget \$000
Total Appropriation	-	-	300

Reasons for Change in Appropriation

The grants commence from 2009/10.

Expected Results

	2008/09		2009/10
	Budgeted Standard	Estimated Actual Standard	Budget Standard
Grant payment is made in accordance with the Taitokerau Forests Limited agreement.	N/A	-	Achieved

Current and Past Policy Initiatives

Policy Initiative	Year of First Impact	2008/09 Budgeted \$000	2009/10 Budget \$000	2010/11 Estimated \$000	2011/12 Estimated \$000	2012/13 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

	2008/09		2009/10
	Budgeted \$000	Estimated Actual \$000	Budget \$000
Total Appropriation	250	250	250

Expected Results

	2008/09		2009/10
	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.	Achieve	Achieve	Achieve

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

	2008/09		2009/10
	Budgeted \$000	Estimated Actual \$000	Budget \$000
Total Appropriation	250	250	250

Expected Results

	2008/09		2009/10
	Budgeted Standard	Estimated Actual Standard	Budget Standard
Repayment of unclaimed money to claimants is performed in accordance with section 70(2) of the Public Finance Act 1989.	Achieve	Achieve	Achieve

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 - Crown liability for Scheme Deficiency	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
Taitokerau Forests Limited Loan Write-Down	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
Maintain and upgrade capability through routine replacement of the Treasury's information technology.	The 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 The Treasury, as authorised by section 24(1) of the Public Finance Act 1989.

Capital Expenditure

	2008/09		2009/10
	Budgeted \$000	Estimated Actual \$000	Budget \$000
Forests/Agricultural	-	-	-
Land	-	-	-
Property, Plant and Equipment	1,428	1,428	801
Intangibles	579	579	382
Other	-	-	-
Total Appropriation	2,007	2,007	1,183

Reasons for Change in Appropriation

The 2009/10 budgeted capital expenditure is less than 2008/09 largely owing to the timing of routine replacement and upgrade of the Department's information technology.

Expected Results

The budgeted capital expenditure for the 2009/10 financial year is 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 Department's Statement of Intent.

Part 6.2 - Non-Departmental Capital Expenditure

Intended Impacts, Outcomes and Objectives

Intended Impacts, Outcomes or Objectives of Appropriations	Appropriations
To compensate Landcorp for retaining protected land.	Landcorp Protected Land Agreement
Partially provide for the future cost of funding New Zealand Superannuation payments.	New Zealand Superannuation Fund - Contributions
To provide debt funding to Taitokerau Forests Limited for forest management and development.	Taitokerau Forests

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

	2008/09		2009/10
	Budgeted \$000	Estimated Actual \$000	Budget \$000
Total Appropriation	26,208	26,208	13,000

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 will be through the reinvestment of dividends spread over several years. However, during 2008/09 an additional cash payment of \$13.208 was made to Landcorp for a new farm transferred under the Protected Land Agreement.

Current and Past Policy Initiatives

Policy Initiative	Year of First Impact	2008/09 Budgeted \$000	2009/10 Budget \$000	2010/11 Estimated \$000	2011/12 Estimated \$000	2012/13 Estimated \$000
Protected Land Agreement with Landcorp.	2007/08	65,408	11,000	20,000	9,347	-

NZ Superannuation Fund - Contributions (M31)

Scope of Appropriation

This appropriation is limited to capital contributions to the New Zealand Superannuation Fund, for the present and future cost of New Zealand Superannuation.

Capital Expenditure

	2008/09		2009/10
	Budgeted \$000	Estimated Actual \$000	Budget \$000
Total Appropriation	2,242,000	2,242,000	250,000

Reasons for Change in Appropriation

The Government's fiscal management policy is to manage debt down to prudent levels. Therefore, contributions to the Fund will be reduced while the Crown's operating balance is in deficit.

Expected Results

	2008/09		2009/10
	Budgeted Standard	Estimated Actual Standard	Budget Standard
A fund will be established to partially provide for future superannuation payments.	\$15,900 million	\$13,275 million	\$14,590 million

Taitokerau Forests (M31)

Scope of Appropriation

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

Capital Expenditure

	2008/09		2009/10
	Budgeted \$000	Estimated Actual \$000	Budget \$000
Total Appropriation	1,700	1,700	1,400

Reasons for Change in Appropriation

Loans are made in accordance with the loan agreement.

Expected Results

	2008/09		2009/10
	Budgeted Standard	Estimated Actual Standard	Budget 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 First Impact	2008/09 Budgeted \$000	2009/10 Budget \$000	2010/11 Estimated \$000	2011/12 Estimated \$000	2012/13 Estimated \$000
Renegotiation of Crown loan to Taitokerau Forests Limited.	2008/09	340	1,400	800	800	800

Reporting Mechanisms

Appropriation	Reporting Mechanism
Landcorp Protected Land Agreement	Annual report of Landcorp Farming Limited
New Zealand Superannuation Fund - Contributions	Annual report of the Guardians of New Zealand Superannuation
Taitokerau Forests	Not required

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