

VOTE Treasurer

VOTE Treasurer

OVERVIEW

Departmental Appropriations

Departmental appropriations sought for Vote Treasurer in 1999/2000 total \$29.285 million. This is intended to be spent as follows:

- \$3.896 million (13% of total departmental appropriations in this Vote) on purchasing economic and fiscal advice spanning the whole economy.
- \$4.269 million (15% of departmental appropriations) on purchasing outputs relating to the preparation of macroeconomic, tax revenue and fiscal forecasts, and monitoring of the economy and tax flows.
- \$13.049 million (44% of departmental appropriations) on purchasing strategic advice on the most appropriate government actions to achieve the Government's policy outcomes, including the raising of revenue, regulation of markets and interventions relating to specific sectors of the economy.
- \$1.736 million (6% of departmental appropriations) on purchasing services associated with the management and operation of the Budget processes.
- \$6.335 million (22% of departmental appropriations) on purchasing services associated with management of the Crown's debt portfolio, and the central management of its financial investments.

Non-Departmental Appropriations

- \$2,474 million on debt servicing and related expenses.
- \$200 million on capital contributions to international financial institutions.
- \$18,000 for payment of honoraria to the Overseas Investment Commission.
- \$5,000 on the purchase of New Zealand coins for the Crown coin collection.
- \$138 million on debt repayment.

Crown Revenue and Receipts

- \$444.858 million of current revenue from interest on investments and the Reserve Bank surplus.
- \$1,970.803 million of capital revenue from net borrowing receipts and loan repayments.

Details of how these appropriations are to be applied appear in Parts B1 and C of this Vote. Details of Crown revenue appear in Part F.

Terms and Definitions Used

| | |
|-------|---|
| APEC | <i>Asia Pacific Economic Cooperation</i> |
| ECNZ | <i>Electricity Corporation of New Zealand</i> |
| FRA | <i>Fiscal Responsibility Act 1994</i> |
| FSR | <i>Fiscal Strategy Report</i> |
| IMF | <i>International Monetary Fund</i> |
| NZDMO | <i>New Zealand Debt Management Office</i> |

Footnotes

| | |
|--------|--|
| Note 1 | <i>Not applicable as Crown revenue is not appropriated.</i> |
| Note 2 | <i>Appropriations are stated GST inclusive (where applicable).</i> |
| Note 3 | <i>Expenses to be incurred pursuant to section 61(1) of the Public Finance Act 1989.</i> |
| Note 4 | <i>Expenses to be incurred pursuant to sections 60 and 61(1) of the Public Finance Act 1989.</i> |
| Note 5 | <i>Expenses to be incurred pursuant to section 5 of the International Finance Agreements Act 1961.</i> |
| Note 6 | <i>Expenses to be incurred pursuant to section 60 of the Public Finance Act 1989.</i> |

VOTE Treasurer

VOTE MINISTER: THE TREASURER
ADMINISTERING DEPARTMENT: THE TREASURY
The Treasurer is the Responsible Minister for the Treasury

Part A - Statement of Objectives and Trends

Part A1 - Objectives for Vote Treasurer

Related Government Outcomes

The appropriations in Vote Treasurer will make a contribution to the Government's overarching goals and strategic priorities. They will fund advice aimed at policies designed to foster a strong and innovative economy. Particular emphasis will be placed on:

- ensuring that there is a stable and secure overall economic policy climate, conducive to strong economic growth and development, which will generate more investment, export and employment opportunities, and encourage individuals and families to work, innovate, save and invest in skills
- developing tax policies that support the revenue, employment, fairness and growth objectives of the Government through a broad-based, low-rate tax system, with an effective administration that promotes voluntary compliance, and detects and deters non-compliance
- developing and maintaining a policy environment that encourages savings and investment within a more stable and neutral investment environment
- providing support for the Asia Pacific Economic Cooperation (APEC) Finance Ministers' process to help advance New Zealand's strategic objectives of further progressing trade and investment liberalisation.

These appropriations will also fund analysis and advice contributing to a number of goals and strategic priorities in other areas, including innovation, education, social cohesion and security, social assistance, environment, Treaty of Waitangi and New Zealand identity.

The appropriations will also fund the operational outputs of the New Zealand Debt Management Office (NZDMO). The objective is to maximise the long-term economic return on the Crown's debt and financial assets in the context of the Government's fiscal strategy, particularly its aversion to risk.

Output Classes

To achieve these objectives, the appropriations are intended to fund a wide range of activities, including policy advice on:

- general economic and fiscal strategies bearing on all sectors of the economy
- economic and fiscal forecasting
- the most appropriate government actions to achieve policy outcomes
- Budget processes, including the preparation of Budget documents.

In addition to advice in these areas, the appropriations will fund the management of the Crown's debt and financial investments.

Links Between the Output Classes and the Government's Outcomes

The services to be purchased under Vote Treasurer will contribute to the Government's overarching goals and strategic priorities as identified above.

The links between the Government's overarching goals and strategic priorities and the classes of outputs being purchased under Vote Treasurer are:

| Departmental Output Classes | Output Contribution | Government's Overarching Goals and Strategic Priorities |
|---|---|--|
| Policy Advice: General Economic and Fiscal Strategies | Contributing to sound fiscal and economic policies and enhancing the savings and investment environment | OG 1 Enterprise Economy |
| Economic and Fiscal Forecasting | | |
| Budget Management | Providing policy and process advice that assists the achievement of sound fiscal management | |
| Debt and Financial Asset Management | Reducing risk in the Crown's balance sheet, and the efficient funding of the Crown's activities | |
| Sectoral Policy Advice | Contributing to: an open, competitive, enterprise economy; and distributional objectives | OG 1 Enterprise Economy |

| Departmental Output Classes | Output Contribution | Government's Goals and Strategic Priorities |
|-----------------------------|--|---|
| | Providing advice, usually in a second-opinion role, on specific sectors of the economy, and on the most appropriate interventions to best achieve the policy outcomes sought by the Government | SP 1 Contestability SP 2 Investment Environment SP 3 Regulations SP 4 Trade OG 2 Innovation SP 5 Educated Workforce OG 3 Social Cohesion and Security OG 4 Social Assistance SP 7 Strengthening Families SP 8 Work Participation SP 9 Māori SP 10 Youth Offending OG 5 Environment SP 6 Biodiversity OG 6 Treaty of Waitangi OG 7 New Zealand Identity |

Part A2 - Trends in Vote Treasurer

Departmental Output Trends: 1994/95 to 1999/2000

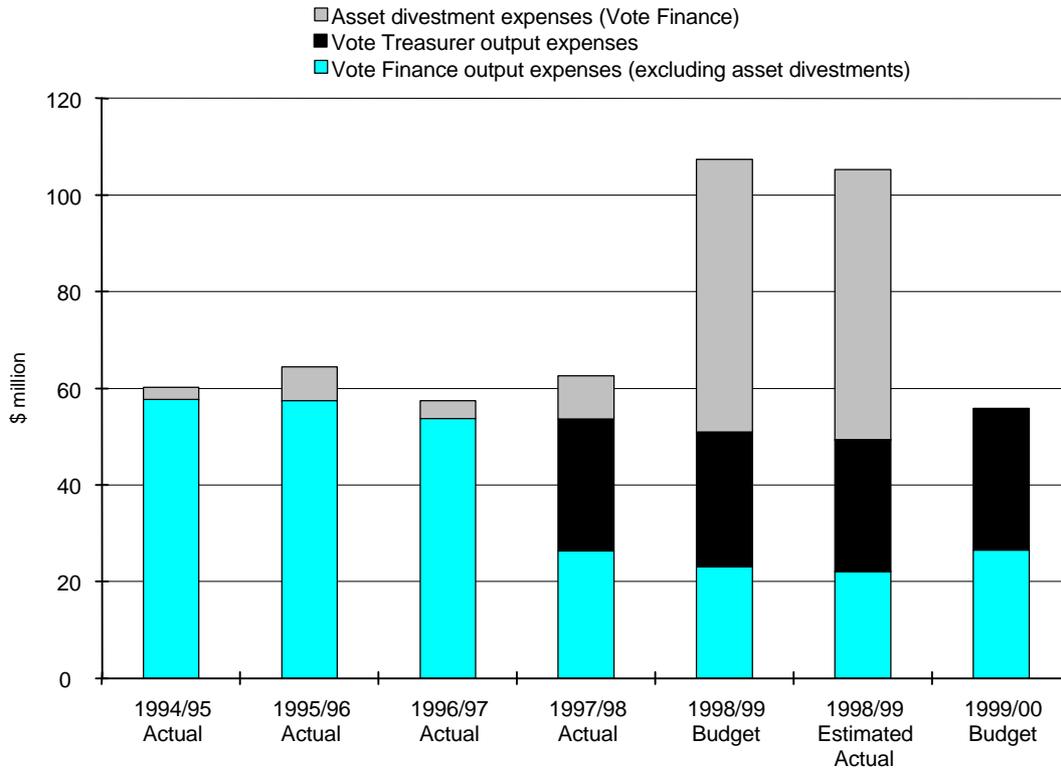
The establishment of the position of Treasurer resulted in a new Vote Treasurer being created in 1997/98 by splitting the former Vote Finance to reflect the respective responsibilities of the Treasurer and the Minister of Finance.

Part A2 in Vote Finance contains historical trend information prior to 1997/98.

The chart below shows the trend in total departmental output class appropriations over time. The total of both Vote Treasurer and Vote Finance outputs is shown to make the comparison across years meaningful.

As shown in the graph below, Vote Treasurer output class expenditure between 1997/98 and 1998/99 has been relatively stable. The increase in 1999/2000 is primarily due to an increased focus on forecasting outputs included in D2 Economic and Fiscal Forecasting, and increased costs in D3 Sectoral Policy Advice associated with the hosting of the APEC Finance Ministers' process.

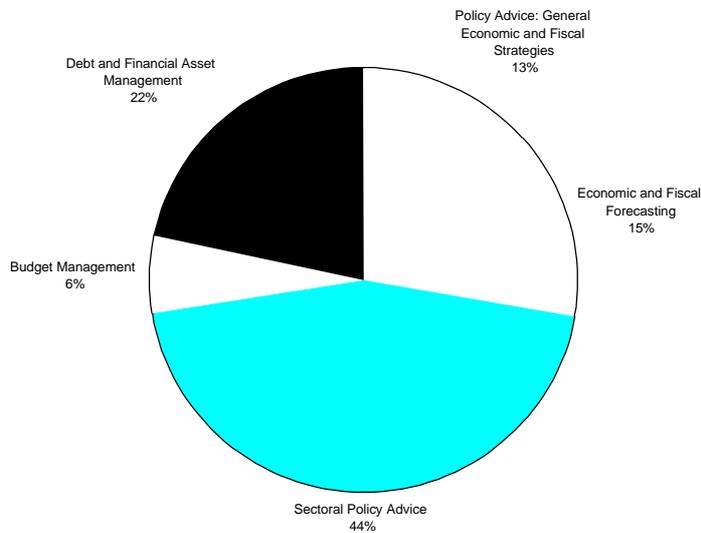
Figure 1 - Trends in Departmental Output Classes (Votes Treasurer and Finance combined)



Source: The Treasury

The chart below shows the proportion of each departmental output class to the total for Vote Treasurer in 1999/2000:

Figure 2 - Departmental Output Classes in 1999/2000



Source: The Treasury

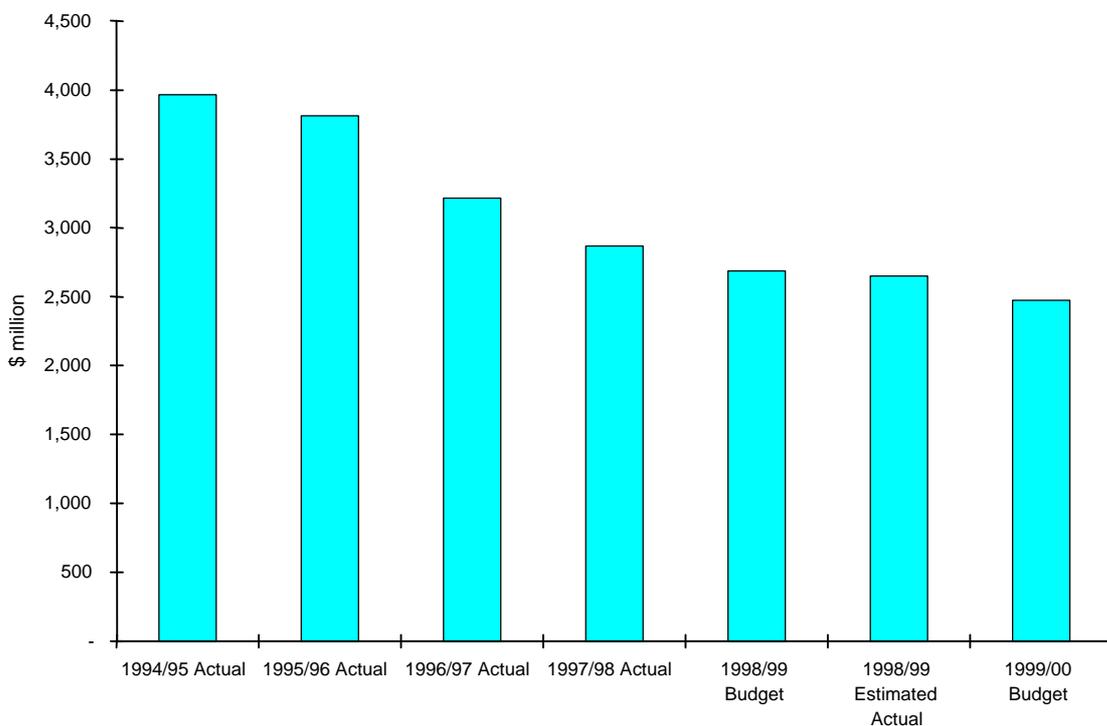
Non-Departmental Expenditure and Revenue Trends: 1994/95 to 1999/2000

The non-departmental expenses and revenue formerly in Vote Finance were allocated between Vote Treasurer and Vote Finance in 1997/98.

Two major categories of appropriations were transferred in whole from Vote Finance to Vote Treasurer in 1997/98:

- **Borrowing expenses:** these are primarily debt-servicing costs, which have trended downwards since 1994/95 as a result of debt reduction (funded from the proceeds of asset divestments and fiscal surpluses), together with changes in interest and exchange rates.
- **Repayment of debt:** prior to 1994/95, the Crown was a net borrower, and this item recorded repayments of Major Project Debt only. From 1994/95, the Crown has repaid more debt than it borrowed, and payments in this category have reflected the funds available (from asset divestments and fiscal surpluses) for debt repayment in each year.

Figure 3 - Trends in Borrowing Expenses from 1994/95 (this item was transferred from Vote Finance in 1997/98)



Source: The Treasury

Other appropriations are:

- capital contributions: payments relate to New Zealand's membership of the International Monetary Fund (IMF), the Asian Development Bank, the World Bank and the International Finance Corporation. The appropriation in 1997/98 was higher than in previous years, reflecting New Zealand's contribution to the IMF's package of assistance measures to the Republic of Korea. The 1997/98 appropriation also included provision for a standby loan facility to the Republic of Korea. The facility was not used in 1997/98, and was later transferred to 1998/99. In 1998/99 the appropriation included New Zealand's share of an increase in the IMF quota. In 1999/2000 the appropriation reverts to its previous level
- Crown current revenue: primarily affected by interest rates and the level of Crown financial assets (for interest receipts), and the surplus from the Reserve Bank
- Crown capital revenue: primarily affected by the level of borrowing receipts and loan repayments.

Analysis by Appropriation Type: 1998/99 and 1999/2000 Compared

Departmental output classes

Annual appropriations for the purchase of departmental outputs show an increase of \$1.303 million for 1999/2000 relative to 1998/99. This is primarily due to an increased focus on forecasting outputs included in D2 Economic and Fiscal Forecasting, and increased costs in D3 Sectoral Policy Advice associated with the hosting of the APEC Finance Ministers' process.

Borrowing expenses

Borrowing expenses are affected by the terms of existing debt instruments, prevailing interest and exchange rates, the volume and terms of outstanding debt, and the level of the Government's cash surplus. Borrowing expenses continue on a downward trend in 1999/2000.

Other Crown expenses

Honoraria paid to the Crown-appointed members of the Overseas Investment Commission is included in this category. This item was previously funded from a departmental output class.

Capital contributions

The appropriation for a loan facility to the Republic of Korea was a one-off event in 1997/98. The facility was not called upon that year, and the appropriation was transferred to 1998/99.

The appropriation for capital contributions to international financial institutions (IFIs) in 1998/99 was higher than usual, reflecting New Zealand's contribution to an increase in the IMF quota. This was agreed by member countries in early 1998. The appropriation reverts back to the normal level in 1999/2000.

Purchase or development of capital assets

There is no change in the appropriation for the Crown coin collection in 1999/2000 from 1998/99.

Repayment of debt

Changes between 1998/99 and 1999/2000 principally reflect the forecast fiscal surpluses available for debt repayment in each year. In 1998/99 the sale of Contact Energy resulted in a significant net repayment of debt.

Trends in Vote Treasurer - Summary of Appropriations and Crown Revenue

| Types of Appropriation | 1994/95 | 1995/96 | 1996/97 | 1997/98 | 1998/99 | | 1999/00 Appropriations to be Used | | | | |
|---|-----------------|-----------------|-----------------|-----------------|-----------------|------------------------------|---|----------------|--------------------------------------|----------------|----------------|
| | Actual \$000 | Actual \$000 | Actual \$000 | Actual \$000 | Budget \$000 | Estimated Actual \$000 | By the Department Administering the Vote | | For Non-Departmental Transactions | | Total \$000 |
| | | | | | | | Annual \$000 | Other \$000 | Annual \$000 | Other \$000 | |
| Operating Flows | | | | | | | | | | | |
| Classes of Outputs to be Supplied | - | - | - | 27,342 | 27,815 | 27,220 | 22,950 | 6,335 | - | - | 29,285 |
| Benefits and Other Unrequited Expenses | - | - | - | - | - | - | N/A | N/A | - | - | - |
| Borrowing Expenses | - | - | - | 2,863,007 | 2,686,000 | 2,650,000 | - | - | - | 2,474,000 | 2,474,000 |
| Other Expenses | - | - | - | - | 364 | 364 | - | - | 18 | - | 18 |
| Capital Flows | | | | | | | | | | | |
| Capital Contributions | - | - | - | 185,000 | 653,825 | 453,803 | - | - | - | 200,000 | 200,000 |
| Purchase or Development of Capital Assets | - | - | - | 2 | 5 | 5 | N/A | N/A | 5 | - | 5 |
| Repayment of Debt | - | - | - | 1,363,687 | 1,101,015 | 1,716,015 | - | - | - | 138,000 | 138,000 |
| Total Appropriations | - | - | - | 4,439,038 | 4,469,024 | 4,847,407 | 22,950 | 6,335 | 23 | 2,812,000 | 2,841,308 |
| Total Crown Revenue and Receipts (see note 1) | - | - | - | 1,832,333 | 2,997,890 | 469,890 | N/A | N/A | N/A | N/A | 2,415,661 |

Part B - Statement of Appropriations

Part B1 - Details of 1999/2000 Appropriations (see note 2)

| Appropriations | 1998/99 | | | | 1999/00 | | Description of 1999/00 Appropriations |
|--|---------------|--------------|------------------|--------------|---------------|--------------|---|
| | Vote | | Estimated Actual | | Vote | | |
| | Annual \$000 | Other \$000 | Annual \$000 | Other \$000 | Annual \$000 | Other \$000 | |
| Departmental Output Classes (Mode B Gross) | | | | | | | |
| D1 Policy Advice: General Economic and Fiscal Strategies | 3,812 | - | 3,745 | - | 3,896 | - | Provision of advice spanning the whole economy or substantial sections of it, including current and medium-term fiscal priorities and overall economic strategy. |
| D2 Economic and Fiscal Forecasting | 3,731 | - | 3,665 | - | 4,269 | - | Preparation and publication of macroeconomic, tax revenue and fiscal forecasts, and monitoring the domestic and international economies. |
| D3 Sectoral Policy Advice | 12,585 | - | 12,230 | - | 13,049 | - | Provision of strategic advice on the most appropriate government actions relating to specific sectors of the economy to achieve the Government's policy outcomes. |
| D4 Budget Management | 1,519 | - | 1,484 | - | 1,736 | - | Provision of services associated with the management and operation of the Budget processes. |
| D5 Debt and Financial Asset Management (see note 3) | - | 6,168 | - | 6,096 | - | 6,335 | Provision of policy advice on and the operational management of the Crown's debt portfolio and central management of its financial investments. |
| Total Appropriations for Departmental Output Classes (Mode B Gross) | 21,647 | 6,168 | 21,124 | 6,096 | 22,950 | 6,335 | |

| | | | | | | | |
|---|---------|-----------|-----|-----------|----|-----------|--|
| Borrowing Expenses | | | | | | | |
| Debt Servicing (see note 4) | - | 2,686,000 | - | 2,650,000 | - | 2,474,000 | Payment of interest and other finance costs relating to the Crown's NZ\$ and foreign currency debt. |
| Total Appropriations for Borrowing Expenses | - | 2,686,000 | - | 2,650,000 | - | 2,474,000 | |
| Other Expenses to be Incurred by the Department | | | | | | | |
| Provision for Retirement and Long Service Leave | 346 | - | 346 | - | - | - | A one-off accounting adjustment was made in 1998/99 to record a provision for retirement and long service leave on an actuarial basis. |
| Total Appropriations for Other Expenses to be Incurred by the Department | 346 | - | 346 | - | - | - | |
| Other Expenses to be Incurred by the Crown | | | | | | | |
| Overseas Investment Commission Honoraria | 18 | - | 18 | - | 18 | - | Honoraria paid to the Crown-appointed members of the Overseas Investment Commission. |
| Total Appropriations for Other Expenses to be Incurred by the Crown | 18 | - | 18 | - | 18 | - | |
| Capital Contributions to Other Persons or Organisations | | | | | | | |
| International Financial Institutions (see note 5) | - | 450,000 | - | 450,000 | - | 200,000 | Capital payments in respect of New Zealand's membership of the IMF, the Asian Development Bank, the World Bank and the International Finance Corporation. |
| Loan to Republic of Korea | 200,000 | - | - | - | - | - | The Government made a standby loan facility available to the Republic of Korea in 1998/99 for up to US\$100 million. An exchange rate of 0.50 was used to calculate the NZ\$ amount. |

Part B1 - Details of 1999/2000 Appropriations (Continued)

| | 1998/99 | | | | 1999/00 | | Description of 1999/00 Appropriations |
|---|-----------------|----------------|------------------|----------------|-----------------|----------------|--|
| | Vote | | Estimated Actual | | Vote | | |
| Appropriations | Annual \$000 | Other \$000 | Annual \$000 | Other \$000 | Annual \$000 | Other \$000 | |
| Capital Contributions to Other Persons or Organisations | | | | | | | |
| Loan to Wellington Stadium Trust | 3,825 | - | 3,803 | - | - | - | The Government made a short-term loan to the Wellington Regional Stadium Trust in 1998/99. No appropriation is required in 1999/00. |
| Total Appropriations for Capital Contributions to Other Persons or Organisations | 203,825 | 450,000 | 3,803 | 450,000 | - | 200,000 | |
| Purchase or Development of Capital Assets by the Crown | | | | | | | |
| Crown Coin Collection | 5 | - | 5 | - | 5 | - | Purchase of New Zealand coins for the Crown coin collection. |
| Total Appropriations for Purchase or Development of Capital Assets by the Crown | 5 | - | 5 | - | 5 | - | |
| Repayment of Debt | | | | | | | |
| ECNZ Debt (see note 6) | - | 11,015 | - | 11,015 | - | 101,000 | The Crown assumed some Electricity Corporation of New Zealand (ECNZ) debt when Contact Energy was separated from ECNZ in 1995/96. The appropriation provides for repayment of that debt. |
| Net Domestic Debt Repayment (see note 6) | - | - | - | 1,127,000 | - | - | The estimated net repayment of domestic debt. |

| | | | | | | | |
|---|---------|-----------|--------|-----------|--------|-----------|---|
| Net Foreign Debt Repayment (see note 6) | - | 1,090,000 | - | 578,000 | - | 37,000 | The estimated net repayment of foreign currency debt. |
| Total Appropriations for Repayment of Debt | - | 1,101,015 | - | 1,716,015 | - | 138,000 | |
| Total Appropriations | 225,841 | 4,243,183 | 25,296 | 4,822,111 | 22,973 | 2,818,335 | |

Part C - Explanation of Appropriations for Output Classes

Part C1 - Departmental Output Classes

Output Class D1 - Policy Advice: General Economic and Fiscal Strategies

Description

This class of outputs supports the achievement of the Government's overarching goals and strategic priorities by running sound fiscal and economic policies, and by enhancing the environment for savings and investment. It involves the provision of advice spanning the whole economy. During the 1999/2000 year, this advice will include the current and medium-term priorities to be considered when the Government prepares reports required by the Fiscal Responsibility Act 1994 (FRA). These reports are the 2000 *Budget Policy Statement* (required under the Act to be published before 31 March 2000) and the 2000 *Fiscal Strategy Report* (FSR) (to be tabled concurrently with the introduction of the first Appropriation Bill for 2000/01).

Performance measures

Quantity

Policy advice outputs on economic and fiscal strategies will be supplied on the basis agreed between the Treasurer and the Secretary to the Treasury (as amended from time to time) for 1999/2000. Quarterly and end-of-year reporting will enable the Treasurer to assess actual performance in output delivery against those expectations.

Quality

All reports will comply with the Treasury's quality standards for policy advice. Policy advice output quality will be assessed as follows:

- The Treasurer will be formally requested, at least every six months, to indicate his level of satisfaction with the overall quality of the outputs produced.
- Managerial and peer (internal and external) review will be maintained to ensure that the quality standards are met. These reviews will be formally monitored on a six-monthly basis by the Senior Management Group through a quality assurance process.
- The Treasurer will expect advice to be delivered in accordance with the following quality standards:
 - Reports will clearly state their purpose and address any questions raised by the Treasurer.
 - Assumptions behind the advice will be explicit, and the argument logical and supported by facts.

- Forecasts will be credible at the time they are produced and will take into account all relevant information.
- All material facts will be included.
- An adequate range of options will be presented and assessed for benefits, costs and consequences to the economy.
- Evidence will exist of adequate consultation with interested parties, where applicable, and possible objections to proposals will be identified.
- Problems of implementation, technical feasibility, timing and consistency with other policies will be considered.
- Material presented will be effectively summarised, concise, in appropriate language and style, and free of spelling and grammatical errors.

The Treasurer will expect the Treasury to implement suitable quality control procedures to support the expectations for policy advice delivered under this output class.

Where appropriate, written and verbal advice tendered to the Treasurer will accurately reflect:

- economic implications
- revenue and expense implications (quantified where possible)
- administrative implications and costs (quantified where possible).

Timeliness

Timeframes will be agreed between the Treasurer and the Secretary to the Treasury for the financial year. Quarterly and end-of-year reporting will enable the Treasurer to assess actual performance in the timeliness of output delivery against those expectations. Ministerial correspondence, parliamentary questions and Official Information Act requests will be responded to within agreed and statutory timeframes.

Cost

This output class will be provided within the appropriated sum of \$3.896 million (inclusive of GST).

| Year | Cost GST incl \$000 | Cost GST excl \$000 | Total Revenue GST excl \$000 | Revenue Crown GST excl \$000 | Revenue Other GST excl \$000 |
|---------|---------------------------|---------------------------|---------------------------------------|---------------------------------------|---------------------------------------|
| 1999/00 | 3,896 | 3,463 | 3,463 | 3,451 | 12 |
| 1998/99 | 3,812 | 3,389 | 3,389 | 3,377 | 12 |

Output Class D2 - Economic and Fiscal Forecasting

Description

This class of outputs involves the preparation and publication of macroeconomic, tax revenue and fiscal forecasts, and monitoring of the domestic and international economies. Under the requirements of the FRA, three-year economic and fiscal forecast updates are to be published prior to the 1999 General Election and, depending upon the timing of the *Pre-Election Economic and Fiscal Update*, during December 1999, and again with the 2000 Budget.

Performance measures

The Treasurer will expect all purchases under this output class to be subject to the policy advice performance expectations specified in output class D1.

Cost

This output class will be provided within the appropriated sum of \$4.269 million (inclusive of GST).

| Year | Cost GST incl \$000 | Cost GST excl \$000 | Total Revenue GST excl \$000 | Revenue Crown GST excl \$000 | Revenue Other GST excl \$000 |
|-------------|------------------------------------|------------------------------------|---|---|---|
| 1999/00 | 4,269 | 3,795 | 3,795 | 3,783 | 12 |
| 1998/99 | 3,731 | 3,316 | 3,316 | 3,304 | 12 |

Output Class D3 - Sectoral Policy Advice

Description

This class of outputs involves the provision of strategic advice on the most appropriate government actions, including: the regulation of markets affecting the demand for, and supply of, goods and services, labour and capital; the raising of revenue; and purchase, ownership, regulation and other interventions relating to specific sectors of the economy to achieve the Government's policy outcomes. The outputs cover:

- strategic advice on management and negotiation of generic policy for Treaty of Waitangi claims
- policy advice on the Crown's ownership strategy for Crown companies, appropriate organisational form, and whether to divest Crown-held assets
- advising on social policy including health, education, welfare, housing, accident compensation, labour force, justice and issues affecting Māori
- advising on the implementation of any accident compensation reforms

- advice on tax strategy
- policy advice relating to: competition policy framework; network industries; local government; the Resource Management Act 1991; climate change; producer boards; and defence
- advice on policy and operations affecting the quality of the links between the New Zealand economy and the rest of the world, with special emphasis on: New Zealand's chairing of the APEC Finance Ministers' process; removing impediments to international economic flows; and promoting the effective liberalisation of international trade in goods and services, investment and capital.

Performance measures

The Treasurer will expect all purchases under this output class to be subject to the policy advice performance expectations specified in output class D1.

Cost

This output class will be provided within the appropriated sum of \$13.049 million (inclusive of GST).

| Year | Cost GST incl \$000 | Cost GST excl \$000 | Total Revenue GST excl \$000 | Revenue Crown GST excl \$000 | Revenue Other GST excl \$000 |
|---------|---------------------------|---------------------------|---------------------------------------|---------------------------------------|---------------------------------------|
| 1999/00 | 13,049 | 11,599 | 11,599 | 11,560 | 39 |
| 1998/99 | 12,585 | 11,187 | 11,187 | 11,148 | 39 |

Output Class D4 - Budget Management

Description

This class of outputs covers the operational activities of the Budget process. For the 1999/2000 year, this will include management of:

- the 2000 Budget baseline round
- the 2000 Budget initiatives process
- the 1999/2000 Supplementary Estimates and associated Appropriation Bill process
- the 2000/01 Main Estimates and associated Appropriation Bill process.

Also included in this class is the production of the Budget documents and related material required to be published under the FRA, eg, *Main Estimates* and *Supplementary Estimates* books.

Performance measures

The Treasurer will expect all purchases under this output class to be subject to the policy advice performance expectations specified in output class D1.

In addition, the Treasurer will expect outputs produced under this output class to:

- meet the agreed standard for publication of parliamentary papers
- be prepared within the timetable agreed by Parliament, the Government's timetable and the statutory time limits of the Public Finance Act 1989 and the FRA.

Cost

This output class will be provided within the appropriated sum of \$1.736 million (inclusive of GST).

| Year | Cost GST incl \$000 | Cost GST excl \$000 | Total Revenue GST excl \$000 | Revenue Crown GST excl \$000 | Revenue Other GST excl \$000 |
|---------|---------------------------|---------------------------|---------------------------------------|---------------------------------------|---------------------------------------|
| 1999/00 | 1,736 | 1,543 | 1,543 | 1,533 | 10 |
| 1998/99 | 1,519 | 1,350 | 1,350 | 1,340 | 10 |

Output Class D5 - Debt and Financial Asset Management*Description*

This class of outputs concerns advice on, and the operational management of, the Crown's debt portfolio and the central management of its financial investments.

The management of the Crown's domestic and foreign currency portfolio includes all costs associated with running the debt and financial assets portfolio. All expenses for this output class are incurred under section 61 of the Public Finance Act 1989. The specific activities are:

Portfolio policy

- development and maintenance of a portfolio framework which promotes the Crown's debt management policies.

The portfolio framework encompasses a portfolio structure and management practices which enable an appropriate trade-off to be made between risk and cost of debt.

Domestic portfolio management

- developing and implementing strategies to efficiently manage the domestic debt portfolio
- issuing domestic government debt
- cash management for government departments
- intermediating the debt of Crown entities.

Foreign currency portfolio management

- maintaining a diversified funding base and funding the Reserve Bank's foreign currency reserves
- maintaining hedges of long-dated foreign currency debt which cannot be bought back from investors
- seeking to add value to the Crown in undertaking these activities, while conforming to a risk-averse management framework.

Gross foreign-currency debt is expected to be in the range of NZ\$6,000 million to NZ\$6,500 million, whilst net foreign currency debt is expected to be nil.

Performance measures

The Treasurer will expect all purchases under this output class to be subject to the policy advice performance expectations specified in output class D1.

In addition, the Treasurer will expect:

- the Secretary to the Treasury to monitor the operation of the NZDMO with the assistance of an Advisory Board. Performance in settlements, debt issuance, portfolio management and project management will be reported regularly to the Secretary to the Treasury and the Advisory Board, and to the Treasurer in the context of quarterly and year-end reviews. It is expected that operating performance will conform to international best practice
- policies regarding instruments and currencies for transactions, limits and credit exposures, as explicitly agreed with the Treasurer, to be adhered to
- established internal control standards for transactions to be met
- transparent and predictable issuance of domestic debt
- benchmarking of operational costs against comparable organisations.

Cost

This output class will be provided within the appropriated sum of \$6.335 million (inclusive of GST).

| Year | Cost GST incl \$000 | Cost GST excl \$000 | Total Revenue GST excl \$000 | Revenue Crown GST excl \$000 | Revenue Other GST excl \$000 |
|-------------|------------------------------------|------------------------------------|---|---|---|
| 1999/00 | 6,335 | 5,631 | 5,631 | 5,612 | 19 |
| 1998/99 | 6,167 | 5,482 | 5,482 | 5,463 | 19 |

Part D - Explanation of Appropriations for Other Operating Flows

Part D1 - Benefits and Other Unrequited Expenses

There is no appropriation for Part D1.

Part D2 - Borrowing Expenses

Information about these appropriations is provided in Part B1.

Part D3 - Other Expenses

Information about these appropriations is provided in Part B1.

Part E - Explanation of Appropriations for Capital Flows

Part E1 - Capital Contributions

Information about these appropriations is provided in Part B1.

Net Worth of Entities Owned

The Treasurer is the Responsible Minister for the Government's ownership interest in the Treasury (including the Crown Company Monitoring Advisory Unit). The data below correspond to taxpayers' funds in the Treasury's Statement of Financial Position.

Statement of Estimated and Forecast Net Worth

| | Balance Date | Estimated Net Worth 1999 \$ million | Forecast Net Worth 2000 \$ million |
|--------------|-------------------------|--|---|
| The Treasury | 30 June | 5.519 | 5.519 |

Part E2 - Purchase or Development of Capital Assets of the Crown

Information about these appropriations is provided in Part B1.

Part E3 - Repayment of Debt

Information about these appropriations is provided in Part B1.

Part F - Crown Revenue and Receipts

Part F1 - Current and Capital Revenue and Receipts

| | 1998/99 | | 1999/00 | Description of 1999/00 Crown Revenue |
|---|-------------------|------------------------------|-----------------|--|
| | Budgeted \$000 | Estimated Actual \$000 | Budget \$000 | |
| Current Revenue | | | | |
| Non-Tax Revenue | | | | |
| Interest - Investments | 305,000 | 318,000 | 315,000 | Interest earned on the Crown's official overseas reserves, bank accounts and domestic bond assets. |
| Reserve Bank Surplus | 151,890 | 151,890 | 129,858 | Surplus funds transferred to the Crown under the Reserve Bank Act 1989. |
| Total Non-Tax Revenue | 456,890 | 469,890 | 444,858 | |
| Total Current Revenue | 456,890 | 469,890 | 444,858 | |
| Capital Receipts | | | | |
| Net Domestic Borrowing | 2,541,000 | - | 1,967,000 | Net borrowing by the Crown on the New Zealand domestic market. |
| Stadium Trust Loan Repayment | - | - | 3,803 | Repayment of loan by the Wellington Regional Stadium Trust. |
| Total Capital Receipts | 2,541,000 | - | 1,970,803 | |
| Total Crown Revenue and Receipts | 2,997,890 | 469,890 | 2,415,661 | |