

VOTE *Finance*

Terms and Definitions Used

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| CCMAU | Crown Company Monitoring Advisory Unit |
| CRI | Crown research institute |
| ECNZ | Electricity Corporation of New Zealand Ltd |
| EQC | Earthquake Commission |
| HCNZ | Housing Corporation of New Zealand |
| HHS | Hospital and Health Services |
| PREFU | Pre-Election Economic and Fiscal Update |
| PTO | Public Trust Office |
| SOE | State-owned enterprise |

Footnotes

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| Note 1 | Appropriations are stated GST inclusive (where applicable). |
| Note 2 | Expenses to be incurred pursuant to Section 59(4) of the Public Finance Act 1989. |
| Note 3 | Expenses to be incurred pursuant to section 74(5) of the Public Finance Act 1989. |

Finance

VOTE MINISTER: Minister of Finance

ADMINISTERING DEPARTMENT: The Treasury

The Minister of Finance is the Responsible Minister for the Treasury

Part B - Statement of Appropriations (see note 1)

Summary of 1999/2000 Appropriations

| Types of Appropriation | Appropriations to be Used | | | | Total Appropriations \$000 |
|--|---|----------------|--------------------------------------|----------------|-------------------------------|
| | By the Department Administering the Vote | | For Non-Departmental Transactions | | |
| | Annual \$000 | Other \$000 | Annual \$000 | Other \$000 | |
| Operating Flows | | | | | |
| Classes of Outputs to be Supplied | 25,476 | - | 956 | - | 26,432 |
| Benefits and Other Unrequited Expenses | - | - | - | - | - |
| Borrowing Expenses | - | - | - | 15,000 | 15,000 |
| Other Expenses | - | - | 593,834 | 500 | 594,334 |
| Capital Flows | | | | | |
| Capital Contributions | - | - | 259,366 | - | 259,366 |
| Purchase or Development of Capital Assets | - | - | 1,680 | - | 1,680 |
| Repayment of Debt | - | - | - | - | - |
| Total Appropriations for 1999/2000 | 25,476 | - | 855,836 | 15,500 | 896,812 |
| Total 1999/2000 Main Estimates Appropriations | 26,563 | - | 618,306 | 500 | 645,369 |

Part B1 - Details of 1999/2000 Appropriations

| Appropriations | 1999/2000 | | | | | | Purpose of and Reasons for Change in 1999/2000 Appropriations |
|--|-----------------|----------------|-------------------------|----------------|-----------------|----------------|---|
| | Main Estimates | | Supplementary Estimates | | Cumulative Vote | | |
| | Annual \$000 | Other \$000 | Annual \$000 | Other \$000 | Annual \$000 | Other \$000 | |
| Departmental Output Classes (Mode B Gross) | | | | | | | |
| D1 Policy Advice: Revenue, Expenditure and Balance Sheet Management | 11,104 | - | (986) | - | 10,118 | - | Provision of advice on actions to achieve the Government's overall strategic objectives, the means of funding them and the assessment of the financial performance of departments and Crown entities. The reduction largely reflects a shift in output demand from vote analysis to strategic advice. A fiscally neutral transfer to Vote Treasurer was made to fund this change in demand. |
| D2 Policy Advice: Ownership and Performance of Crown Companies and Financial Institutions, and Management of Crown Overseas Properties | 5,957 | - | (1,860) | - | 4,097 | - | Provision of advice on the Crown's financial position and ownership interests in SOEs, CRIs, and other Crown entities; on the Crown's ownership, guarantee and indemnity obligations in respect of the Crown's financial institutions, and advice on the management of the Crown's overseas properties. Savings have been made as a result of changed priorities in respect to PTO corporatisation, Housing Capital Structure Review and At Work Insurance. These savings have been used to fund an increase in demand for Public Sector Management outputs in Output Class D4. A transfer to Vote SOE's was also made to reflect the transfer of responsibility of monitoring some SOE's to CCMAU. |
| D3 Management of Commercial Liabilities and Specific Claims against the Crown | 4,303 | - | (410) | - | 3,893 | - | Management of various contractual and commercial issues arising from the Crown's previous or ongoing involvement in the energy sector, from the wind-up of the Crown's ownership interests in financial institutions, liabilities which remain with the Crown following the completion of divestment processes and policy advice on the management and negotiation of specific Treaty claims. The reduction largely represents savings made as the result of reduced work in relation to the Maui Gas Contracts. |

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|--|--------|---|---------|--------|--------|--------|---|
| D4 Policy Advice: Crown Financial Management | 2,691 | - | 1,616 | - | 4,307 | - | Provision of policy advice on Crown financial and public sector management. The increase largely reflects a shift in resources to increased Public Sector Management outputs, and was funded by fiscally neutral transfers from Output Classes D2 and D5. |
| D5 Crown Financial Reporting | 2,474 | - | (327) | - | 2,147 | - | Preparation and publication of regular reports on the Crown's finances, operation of the Controller function and management of Crown bank accounts, reviews of department's management controls and the 1998/99 unappropriated expenditure approval process. The reduction is largely due to fewer Financial Management Reviews being undertaken pending a review of the Financial Management Review process. |
| D6 Implementation of Asset Divestments | 34 | - | 880 | - | 914 | - | Provision of advice on, and implementing divestment processes for Crown assets, once the Government has made a decision to divest. The increase largely reflects the funding to cover the costs of the Vehicle Testing NZ sale process. The balance of the increase relates to administration costs of the Capital Properties NZ shares second instalment, which were funded by a fiscally neutral transfer from Output Class D2. |
| Total Appropriations for Departmental Output Classes (Mode B Gross) | 26,563 | - | (1,087) | - | 25,476 | - | |
| Non-Departmental Output Classes | | | | | | | |
| O1 Management of the Lease on Heaphy House | 56 | - | - | - | 56 | - | Cost of managing the Crown's obligations under the lease of Heaphy House, Wellington. |
| O2 Operation and Management of Crown Overseas Properties | 1,500 | - | (600) | - | 900 | - | Property management costs for the Crown's overseas property portfolio. The Supplementary Estimates adjustment provides for reclassifying some of the appropriation as "Other Crown Expenses". |
| Total Appropriations for Non-Departmental Output Classes | 1,556 | - | (600) | - | 956 | - | |
| Borrowing Expenses | | | | | | | |
| Crown Indemnities (see note 2) | - | - | - | 15,000 | - | 15,000 | This appropriation is to cover certain potential liabilities arising from indemnities issued by the Crown. |
| Total Appropriations for Borrowing Expenses | - | - | - | 15,000 | - | 15,000 | |

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

| Appropriations | 1999/2000 | | | | | | Purpose of and Reasons for Change in 1999/2000 Appropriations |
|---|-----------------|----------------|-------------------------|----------------|-----------------|----------------|--|
| | Main Estimates | | Supplementary Estimates | | Cumulative Vote | | |
| | Annual \$000 | Other \$000 | Annual \$000 | Other \$000 | Annual \$000 | Other \$000 | |
| Other Expenses to be Incurred by the Crown | | | | | | | |
| Compensation Payments | 150 | - | 758 | - | 908 | - | This appropriation is primarily for the settlement of asbestosis claims against the Crown. The Supplementary Estimates adjustment reflects the transfer of the unspent balance from 1998/99 into 1999/00. |
| Crown Forestry Management Ltd | 10,500 | - | 2,500 | - | 13,000 | - | Crown Forestry Management Ltd manages those Crown commercial forestry interests which have not been corporatised or sold. The appropriation is to cover operating expenditure (operating revenue is recorded in Part F under the item "Income from Crown Trading Entities"). The Supplementary Estimates adjustment reflects a revised forecast out-turn for the year. |
| Crown Residual Liabilities | 400 | - | 463 | - | 863 | - | Residual obligations arising from administration of the Crown's sale and purchase agreements with SOEs and Crown entities and from the sale of Crown investments. The Supplementary Estimates adjustment reflects the transfer of the unspent balance of the 1998/99 appropriation into 1999/2000. |
| Geothermal Trading | 3,000 | - | (600) | - | 2,400 | - | Geothermal Trading manages the Crown's geothermal interests. The appropriation covers operating expenditure (operating revenue is recorded in Part F under the item "Income from Crown Trading Entities"). During the year Geothermal Trading successfully commissioned a new well, and as a result the costs of drilling the well were capitalised. The Supplementary Estimates adjustment reflects the transfer of these costs to "Purchase or development of capital assets", together with a revised forecast out-turn for the year. |
| Heaphy House Rental and Related Expenses | 2,300 | - | 200 | - | 2,500 | - | Rental costs and outgoings arising from the lease on Heaphy House, Wellington. The Supplementary Estimates adjustment reflects a revised forecast out-turn for the year. |

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|--|---------|-----|----------------|---|---------|-----|---|---|
| Heaphy House - Buy Out of Lease | - | - | 8,863 | - | 8,863 | - | - | During 1999/2000 an opportunity arose for the Crown to exit from the lease over Heaphy House. The Supplementary Estimates appropriation covers the cost of buying out of the lease. |
| Housing Corporation of New Zealand (HCNZ) Suspensory Loan Write-Offs | 9,000 | - | 18,000 | - | 27,000 | - | - | HCNZ manages a suspensory loan scheme to support Housing New Zealand tenants who wish to purchase their rental property, as well as two redundant loan schemes, the Tenancy Savings Scheme and the Building Industry Suspensory Loan Scheme. Under each scheme, loans are written off when certain conditions are met. During the year, the Homebuy scheme was cancelled, and the Supplementary Estimates adjustment appropriates the full liability incurred under existing loans and associated cancellation costs. |
| Maui Gas Contracts | 377,000 | - | 25,000 | - | 402,000 | - | - | Payments made in relation to the Crown's participation in the Maui gas field and related contracts. (Revenue from the on-sale of gas is recorded in Part F under "Maui Gas Contracts"). The amount required depends on demand, weather and spot prices for gas. The Supplementary Estimates adjustment reflects a re-forecast of the likely out-turn. The increase is offset by a similar increase in the revenue received from the sale of the gas. |
| Operational Expenses for Crown Overseas Properties | - | - | 1,300 | - | 1,300 | - | - | Operational costs for the Crown's overseas property portfolio. The Supplementary Estimates adjustment provides for reclassifying some of the appropriation from "Non-departmental outputs", the effect of a lower exchange rate on the NZ dollar value of the expenses, and reporting some expenses on a gross basis when they were previously netted off against revenue. |
| West Coast Package | - | - | 135,000 | - | 135,000 | - | - | The Government has developed a package consisting of a one-off cash payment to assist the West Coast economy to adjust (recognising that the Government's policy on indigenous logging will mean that a more speedy adjustment process is required). This appropriation allows for a cash payment of \$135 million, including GST. |
| Unclaimed Money (see note 3) | - | 500 | - | - | - | 500 | - | Provision for repayment of unclaimed money deposited with the Crown. |
| Total Appropriations for Other Expenses to be Incurred by the Crown | 402,350 | 500 | 191,484 | - | 593,834 | 500 | - | |

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

| Appropriations | 1999/2000 | | | | | | Purpose of and Reasons for Change in 1999/2000 Appropriations |
|---|-----------------|----------------|-------------------------|----------------|-----------------|----------------|---|
| | Main Estimates | | Supplementary Estimates | | Cumulative Vote | | |
| | Annual \$000 | Other \$000 | Annual \$000 | Other \$000 | Annual \$000 | Other \$000 | |
| Capital Contributions to Other Persons or Organisations | | | | | | | |
| At Work Insurance | 185,000 | - | - | - | 185,000 | - | This appropriation is for the capitalisation of the company formed as part of the work accident insurance reforms. |
| Housing Corporation Loans | 22,500 | - | 2,500 | - | 25,000 | - | This appropriation is for net advances to HCNZ to finance the Corporation's net new lending and the purchase and development of community houses. The Supplementary Estimates adjustment provides for an increased requirement following the withdrawal of a third party lender from the Homebuy programme. |
| Quotable Value New Zealand Ltd | 3,000 | - | - | - | 3,000 | - | This appropriation is for a possible capital injection into Quotable Value New Zealand. |
| New Zealand Symphony Orchestra | - | - | 3,000 | - | 3,000 | - | This appropriation is for a capital injection into the New Zealand Symphony Orchestra. |
| Solid Energy | - | - | 39,466 | - | 39,466 | - | During the year the Crown made loans available to Solid Energy to assist the company with its recapitalisation programme. The Supplementary Estimates appropriation covers the amount of the loans. |
| Taitokerau Forests | 3,900 | - | - | - | 3,900 | - | Advances to Taitokerau Forests Ltd to meet the company's ongoing forest management and development costs. |
| Total Appropriations for Capital Contributions to Other Persons or Organisations | 214,400 | - | 44,966 | - | 259,366 | - | |

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|--|---------|-----|--------------|--------|---------|--------|---|
| Purchase or Development of Capital Assets by the Crown | | | | | | | |
| Development of Crown Overseas Properties | - | - | 580 | - | 580 | - | Cost of capital upgrades to the Crown's overseas properties. The Supplementary Estimates adjustment provides for an extension to the New Delhi chancery. |
| Geothermal Trading | - | - | 1,100 | - | 1,100 | - | During the year Geothermal Trading successfully commissioned a new well, and as a result the costs of drilling the well were capitalised. The Supplementary Estimates adjustment transfers the appropriation from "Other Crown Expenses". |
| Total Appropriations for Purchase or Development of Capital Assets by the Crown | - | - | 1,680 | - | 1,680 | - | |
| Total Appropriations | 644,869 | 500 | 236,443 | 15,000 | 881,312 | 15,500 | |

Part F - Crown Revenue and Receipts

Part F1 - Current and Capital Revenue and Receipts

| | 1999/2000 | | | Explanation of 1999/2000 Crown Revenue |
|--|-------------------------|-------------------------------------|-------------------------|--|
| | Main Estimates \$000 | Supplementary Estimates \$000 | Total Budgeted \$000 | |
| Current Revenue | | | | |
| Non-Tax Revenue | | | | |
| Capital Charge | 1,041,443 | - | 1,041,443 | A charge paid by government departments on the Crown's investment. |
| Capital Charge from Crown Health Service Providers | 108,800 | - | 108,800 | A charge paid by Crown health service providers on the Crown's investment. |
| Contact Energy Ltd Crown Margin | 20,200 | (4,200) | 16,000 | Income from the Maui take-or-pay agreement with Contact Energy Ltd for the supply of gas. The Supplementary Estimates adjustment reflects a re-forecast of the expected out-turn. |
| Dividends from Crown Entities | 122,961 | (23,736) | 99,225 | Dividends from Crown Entities. The Supplementary Estimates adjustment reflects a re-forecast of the expected out-turn for the PREFU. |
| Dividends from SOEs | 152,351 | 178,812 | 331,163 | Dividends from SOEs. The Supplementary Estimates adjustment reflects a re-forecast of the expected out-turn for the PREFU. The major movement is a special dividend from Meridian Energy Ltd following the sale of the Cobb power station. |
| Dividends - Other | 1,685 | 8,042 | 9,727 | Dividends from regional airport companies and other investments. The Supplementary Estimates adjustment primarily reflects a special dividend from Christchurch Airport. |
| Earthquake Commission Guarantee fee | 10,000 | - | 10,000 | Guarantee fee paid by the EQC to the Crown. |
| Income from Crown Trading Entities | 22,500 | 5,600 | 28,100 | Operational revenue of Crown Forestry Management Ltd and Geothermal Trading. The Supplementary Estimates adjustment reflects a re-forecast of the expected out-turn. |

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|--|------------------|---------------|------------------|--|
| Interest: | | | | |
| - Contact Energy Ltd | 21,000 | - | 21,000 | Interest on loans to Contact Energy Ltd. |
| - Housing Corporation of New Zealand | 3,200 | - | 3,200 | Interest on loans to the Housing Corporation. |
| - Other | 4,120 | 1,090 | 5,210 | Miscellaneous interest receipts. The Supplementary Estimates adjustment primarily reflects a re-forecast of the expected out-turn. |
| Maui Gas Contracts | 335,111 | 21,889 | 357,000 | Revenue received from the on-sale of Maui gas (the cost of purchasing the gas is included in part B above). The Supplementary Estimates adjustment reflects a re-forecast of the expected out-turn. |
| Net Surplus from SOEs and Crown Entities | 374,453 | (152,713) | 221,740 | The net surplus of SOEs and Crown Entities after distribution of dividends. The Supplementary Estimates adjustment reflects a re-forecast of the expected out-turn for the PREFU. The major movement is a special dividend from Meridian Energy (see above) which reduces net surplus. |
| Rentals from Crown Overseas Properties | 15,339 | 419 | 15,758 | Revenue from overseas properties owned by the Crown. The Supplementary Estimates adjustment reflects a re-forecast of the expected out-turn. |
| Unclaimed Money | 500 | - | 500 | Unclaimed money deposited with the Crown. |
| Other Current Revenue | 3,126 | 24,875 | 28,001 | Miscellaneous revenue. The Supplementary Estimates adjustment primarily reflects a payment to the Crown in settlement of the INCIS dispute. |
| Total Non-Tax Revenue | 2,236,789 | 60,078 | 2,296,867 | |
| Total Current Revenue | 2,236,789 | 60,078 | 2,296,867 | |
| Capital Receipts | | | | |
| Capital Withdrawals from Crown Companies | 34,000 | 87,000 | 121,000 | Capital withdrawals from Crown companies. The Supplementary Estimates adjustment primarily reflects repayment of capital by At Work Insurance Ltd. |
| Contact Energy Limited Crown Margin | 19,800 | - | 19,800 | Capital portion of the revenue from the Maui take-or-pay agreement with Contact Energy for the supply of gas. |
| Repayments from Crown entities: | | | | |
| Loan Repayments from Contact Energy Ltd | 101,000 | 170 | 101,170 | Repayment of loans by Contact Energy Ltd. The Supplementary Estimates adjustment reflects a re-forecast of the expected out-turn. |

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

| | 1999/2000 | | | Explanation of 1999/2000 Crown Revenue |
|---|-------------------------|-------------------------------------|-------------------------|--|
| | Main Estimates \$000 | Supplementary Estimates \$000 | Total Budgeted \$000 | |
| Capital Receipts - cont'd | | | | |
| Loan Repayments from the Housing Corporation of New Zealand | - | 29,000 | 29,000 | Repayment of loans by HCNZ. The Supplementary Estimates adjustment reflects a loan repayment following the sale of mortgages by HCNZ. |
| Loan Repayments from Other Parties | 2,946 | (2,750) | 196 | Other loan repayments. The Supplementary Estimates adjustment reflects a re-forecast of the expected out-turn. |
| Sale of Physical Assets | - | 45,193 | 45,193 | Revenue from the sale of forests and other assets to Ngai Tahu, as part of their Treaty of Waitangi settlement. This item is not forecast as a matter of policy. |
| Sale of Investments | - | 19,203 | 19,203 | Revenue from the sale of Vehicle Testing New Zealand. This item is not forecast as a matter of policy. |
| Total Capital Receipts | 157,746 | 177,816 | 335,562 | |
| Total Crown Revenue and Receipts | 2,394,535 | 237,894 | 2,632,429 | |