

Performance Information for Appropriations

Vote Finance

MINISTER(S) RESPONSIBLE FOR APPROPRIATIONS: Minister of Finance (M31), Minister for State Owned Enterprises (M65), Minister of Science and Innovation (M84)

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 2012/13 financial year which cover the following:

- Over \$20 million for the provision of services which support the performance of the State sector including fiscal reporting, forecasting and monitoring, provision of Export Credit, managing, administering and monitoring Crown Guarantee Schemes, Crown Lending, Crown Investments, and Crown Bank accounts.
- Over \$35 million for the provision of advice (including second opinion advice and contributions to policy advice led by other agencies) to support decision-making by Ministers on government policy matters relating to Finance.
- Nearly \$103 million for the implementation and direct costs associated with the Mixed Ownership Model in a Multi-Year appropriation covering the period 2011/12 to 2014/15.
- Over \$8 million for the provision of shared services to other entities and agencies.
- Nearly \$3,700 million for the payment of interest and other costs relating to the Crown's debt.
- Nearly \$720 million for superannuation costs, primarily The Government Superannuation Fund.
- \$220 million for capital payments to International Financial Institutions.
- Over \$17 million for costs for administering New Zealand House, London.
- Nearly \$2 million for providing and administering grants and loans to Taitokerau Forests Limited.
- Nearly \$2 million for Treasury departmental capital expenditure.
- Over \$3 million for unclaimed money, additional farm costs payable to Landcorp, managing the Crown's residual liabilities, and provisions for meeting liabilities associated with Geothermal Wells, and \$30 million for the unwind of the AMI discount rate expense.
- Over \$5 million for inquiries and research into productivity-related matters.

The Minister of Finance is also responsible for Crown revenue and receipts in the Vote for the 2012/13 financial year which accounts for over \$3,200 million in non-tax revenue for return on investments including capital charge, dividends from State-owned enterprises and interest on securities and deposits.

The Minister for State Owned Enterprises is responsible for one appropriation in Vote Finance for the 2012/13 financial year which covers over \$4.600 million for Crown company monitoring, governance, and ownership advice.

The Minister of Science and Innovation is responsible for one appropriation in Vote Finance for the 2012/13 financial year which covers nearly \$800,000 for Crown Research Institutes governance and ownership advice.

Details of these appropriations are set out in Parts 2-6 below.

Part 1.2 - High-Level Objectives of the Vote

Contribution of Appropriations to Government Priorities and Outcomes

Government Priorities	Government Outcomes	Appropriations
Build a more competitive and productive economy	<p>Improved economic performance</p> <p>Improving New Zealand's economic growth is crucial for a better standard of living and relies on smarter use of the country's financial, physical, human, social and natural capital. The Treasury will continue to provide advice on the wide range of policies affecting economic growth.</p> <ul style="list-style-type: none"> Improved domestic business environment New Zealand has a more internationally competitive economy Enhanced human capital and labour supply 	<p>Department</p> <p>Policy Advice - Finance</p> <p>Provision of Financial Operations Services and Operational Advice</p> <p>Provision of Financial Services to the New Zealand Local Government Funding Agency</p> <p>Non-Department</p> <p>Inquiries and Research into Productivity Related Matters MCOA</p> <p>Inquiries into Productivity - Related Matters output class</p> <p>Research into and Promotion of Productivity - Related Matters output class</p>
	<p>A stable and sustainable macroeconomic environment</p> <p>Treasury's focus is on the institutional frameworks that promote macro stability and the sound operation of fiscal policy. The aim is to reduce NZ economy's vulnerability in order to provide a strong platform for growth.</p> <ul style="list-style-type: none"> A stable macroeconomic environment Fiscal position returns to a sustainable footing 	<p>Department</p> <p>Administration of Crown Borrowing</p> <p>Administration of Derivative Transactions</p> <p>Administration of Investment of Public Money</p> <p>Policy Advice - Finance</p> <p>Provision of Financial Operations Services and Operational Advice</p> <p>Administration of Guarantees and Indemnities given by the Crown.</p> <p>Shared Support Services</p>
	<p>A more efficient and effective State sector</p> <p>The quality of expenditure, regulation and other interventions by State sector agencies impacts both directly and indirectly on New Zealand's economic performance.</p> <p>The Treasury provides advice to ensure the State sector represents value for money in achieving the Government's aims and objectives. This includes advice on policy and regulatory settings, the public management system, and the management, and return on, the Crown's assets and liabilities.</p> <ul style="list-style-type: none"> State institutions deliver sustained improvement in results and capability The Crown's balance sheet is managed efficiently and effectively 	<p>Department</p> <p>Administration of Crown Borrowing</p> <p>Administration of Derivative Transactions</p> <p>Administration of Investment of Public Money</p> <p>Crown Company Monitoring Advice to the Minister of Science and Innovation and the Minister for Economic Development</p> <p>Crown Company Monitoring Advice to the Minister for State-Owned Enterprises and Other Responsible Ministers</p> <p>Implementation of Mixed Ownership Model</p> <p>Policy Advice - Finance</p> <p>Provision of Financial Operations Services and Operational Advice</p> <p>Shared Support Services</p>

Government Priorities	Government Outcomes	Appropriations
<p>Deliver better public services to New Zealanders</p> <p>Responsibly manage the Government's finances.</p>	<p>A more efficient and effective State sector</p> <p>The Government has set a challenge for the State sector to make more progress on a number of key results and to deliver better services within lower allowances for new spending.</p> <p>The Treasury provides advice to ensure the State sector represents value for money in achieving the Government's aims and objectives. This includes advice on policy and regulatory settings, the public management system, and the management, and return on, the Crown's assets and liabilities.</p> <ul style="list-style-type: none"> • State institutions deliver sustained improvement in results and capability • The Crown's balance sheet is managed efficiently and effectively 	<p>Department</p> <p>Administration of Crown Borrowing Administration of Derivative Transactions Administration of Investment of Public Money Crown Company Monitoring Advice to the Minister of Science and Innovation and the Minister for Economic Development Crown Company Monitoring Advice to the Minister for State-Owned Enterprises and Other Responsible Ministers Implementation of Mixed Ownership Model Policy Advice - Finance Provision of Financial Operations Services and Operational Advice Shared Support Services</p> <p>Non-Department</p> <p>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 International Financial Institutions Landcorp Protected Land Agreement Management of the Crown's Obligations for Geothermal Wells Management of New Zealand House, London Management of New Zealand Superannuation Fund National Provident Fund Schemes - Liability Under Crown Guarantee New Zealand House, London New Zealand House, London, capital Taitokerau Forests Limited Grant Taitokerau Forests Unclaimed Money Unclaimed Trust Money</p>
	<p>A stable and sustainable macroeconomic environment</p> <p>The Government is committed to returning to surplus in 2014/15.</p> <p>Treasury provides advice on fiscal policy, strategy and frameworks. It is responsible for Budget production and fiscal monitoring, reporting and forecasting.</p> <p>Fiscal position returns to a sustainable footing.</p>	<p>Department</p> <p>Administration of Crown Borrowing Administration of Derivative Transactions Administration of Investment of Public Money Policy Advice - Finance Provision of Financial Operations Services and Operational Advice Shared Support Services</p>

Part 1.3 - Trends in the Vote

Summary of Financial Activity

	2007/08	2008/09	2009/10	2010/11	2011/12		2012/13			2013/14	2014/15	2015/16
	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	59,016	129,724	66,104	67,810	113,399	111,483	91,442	6,707	98,149	84,708	79,221	78,921
Benefits and Other Unrequited Expenses	-	-	-	-	-	-	N/A	-	-	-	-	-
Borrowing Expenses	2,049,665	2,087,220	2,284,955	3,040,302	3,457,514	3,457,514	-	3,689,533	3,689,533	3,707,463	4,026,360	3,878,310
Other Expenses	1,368,463	2,659,771	687,060	2,436,638	727,199	724,065	-	808,613	808,613	832,171	901,051	943,947
Capital Expenditure	2,295,419	4,468,886	306,508	943,443	691,591	680,643	1,900	223,550	225,450	51,638	53,985	(94,115)
Intelligence and Security Department Expenses and Capital Expenditure	-	-	-	-	-	-	-	N/A	-	-	-	-
Total Appropriations	5,772,563	9,345,601	3,344,627	6,488,193	4,989,703	4,973,705	93,342	4,728,403	4,821,745	4,675,980	5,060,617	4,807,063
Crown Revenue and Capital Receipts												
Tax Revenue	-	-	-	-	-	-	N/A	-	-	-	-	-
Non-Tax Revenue	3,060,825	2,656,939	3,679,686	3,527,438	3,667,196	3,667,196	N/A	3,236,679	3,236,679	3,159,862	3,280,244	3,198,136
Capital Receipts	55,587	433,361	22,667	176,205	477	477	N/A	1,607	1,607	-	-	403,255
Total Crown Revenue and Capital Receipts	3,116,412	3,090,300	3,702,353	3,703,643	3,667,673	3,667,673	N/A	3,238,286	3,238,286	3,159,862	3,280,244	3,601,391

New Policy Initiatives

Policy Initiative	Appropriation	2011/12 Budgeted \$000	2012/13 Budget \$000	2013/14 Estimated \$000	2014/15 Estimated \$000	2015/16 Estimated \$000
Accountability and Funding Arrangements to Implement and Investment Approach to the Benefit System	Policy Advice - Finance Departmental Output Expenses	1,000	-	-	-	-
Formation of NewCo	Crown Asset Management Limited (CAML) Equity Injection Non-Departmental Capital Expenditure	500,000	-	-	-	-
Setting up the implementation of mixed ownership model	Implementation of Mixed Ownership Model (MYA) Departmental Output Expenses	10,000	15,000	4,000	1,000	-
Direct Sale costs for Implementation of Mixed Ownership Model	Direct Sale costs for Implementing the Mixed Ownership Model (MYA) Non-Departmental Other Expenses	25,000	35,000	6,000	4,000	-
Local Government Funding Agency	Provision of Financial Services to the New Zealand Local Government Funding Agency (RDA) Departmental Output Expenses	250	465	465	465	465
SSRSS and KiwiSaver funding removal	Administration of Guarantees and Indemnities given by the Crown	-	(22)	(22)	(22)	(22)
	Administration of Crown Borrowing	-	(97)	(97)	(97)	(97)
	Administration of Derivative Transactions	-	(20)	(20)	(20)	(20)
	Administration of Investment of Public Money	-	(4)	(4)	(4)	(4)
	Crown Company Monitoring Advice to the Minister of Science and Innovation and the Minister for Economic Development	-	(11)	(11)	(11)	(11)
	Crown Company Monitoring Advice to the Minister for State Owned Enterprises and Other Responsible Ministers	-	(34)	(34)	(34)	(34)
	Provision of Financial Operations Services and Operational Advice	-	(123)	(123)	(123)	(123)
	Policy Advice - Finance Departmental Output Expenses	-	(855)	(916)	(916)	(916)
Efficiency Savings	Administration of Guarantees and Indemnities given by the Crown	-	(9)	(8)	(8)	(8)
	Administration of Crown Borrowing	-	(51)	(49)	(45)	(45)

Policy Initiative	Appropriation	2011/12 Budgeted \$000	2012/13 Budget \$000	2013/14 Estimated \$000	2014/15 Estimated \$000	2015/16 Estimated \$000
	Administration of Derivative Transactions	-	(16)	(15)	(14)	(14)
	Administration of Investment of Public Money	-	(8)	(8)	(7)	(7)
	Crown Company Monitoring Advice to the Minister of Science and Innovation and the Minister for Economic Development	-	(10)	(10)	(9)	(9)
	Crown Company Monitoring Advice to the Minister for State-Owned Enterprises and Other Responsible Ministers	-	(52)	(50)	(46)	(46)
	Provision of Financial Operations Services and Operational Advice	-	(38)	(36)	(33)	(33)
	Policy Advice - Finance Departmental Output Expenses	-	(667)	(585)	(522)	(522)
Budget 2012: Expense transfer to address expenses in 2015/2016	Policy Advice - Finance Departmental Output Expenses	(700)	-	-	-	700
Budget 2012: Better Services for Less - Pipeline funding	Policy Advice - Finance Departmental Output Expenses	3,000	-	-	-	-
Budget 2012: IMF Capital Increase	International Financial Institutions PLA Non-Departmental Capital Expenditure	-	100,000	-	-	-
Budget 2012: Landcorp Protected Land Agreement	Landcorp Protected Land Agreement Non-Departmental Capital Expenditure	2,000	2,000	2,000	2,000	2,000

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 due to movements in capital expenditure and movements in the debt servicing costs.

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

Departmental Output Expenses

Baselines decrease by nearly \$15 million in 2012/13 in comparison to the previous year due to:

- lower forecasted expenditure for the implementation of the mixed ownership model by \$15 million
- removal of one off 2011/12 funded initiatives including Better Services for Less - Pipeline Funding of \$3 million and for work associated with accountability and funding arrangements to implement an investment approach to the benefit system of \$1 million

- reduction in funding of \$2 million for the management and administration of Crown Guarantee Schemes, and
- a \$2 million reduction for efficiency savings and the removal the Government subsidy for KiwiSaver and SSRSS employer contributions.

These baseline decreases are offset by:

- an increase of \$5 million, attributable to the shared services for finance, human resources, information management and information technology being supplied to the Department of the Prime Minister and Cabinet (DPMC) and the State Services Commission (SSC), and
- a transfer of efficiency savings of \$1.500 million from 2011/12 to 2012/13 for banking tender and business improvements projects.

Baselines increased by \$41 million in 2011/12 in comparison to 2010/11 due to:

- an increase of \$30 million for the policy work and implementation of the mixed ownership model
- an increase of nearly \$5 million as a result of the disestablishment of Vote State-Owned Enterprises and Vote Crown Research Institutes output expenses and the transfer of these to Vote Finance from 2011/12
- an increase of \$3 million for shared services to DPMC and SSC, and
- expense transfers from 2010/11 totalling nearly \$3 million.

Non-Departmental Output Expenses

This appropriation category has increased by almost \$500,000 due to small budgeted increases in the costs of the New Zealand Productivity Commission and costs for Management of the New Zealand Superannuation Fund.

Between 2010/11 and 2011/12 this appropriation category increased by almost \$4 million, with the New Zealand Productivity Commission operating for their first full financial year.

Expenditure was higher in 2008/09 to fund the purchase of non-commercial rail services from New Zealand Railways Corporation. Rail-related appropriations were transferred to Vote Transport from 2009/10.

Non-Departmental Borrowing Expenses

Debt servicing costs are forecast to increase by about \$150 million in 2012/13. The increase depends on the interest rates and amount of debt outstanding.

Non-Departmental Other Expenses

This appropriation has increased by \$56 million in 2012/2013.

The Government Superannuation Fund Unfunded Liability is forecast to increase by \$143 million in 2012/13 reflecting changes in discount rate; the Direct Sale Costs for Implementing the Mixed Ownership Model will increase by \$6 million; and the unwind of the AMI discount rate increases by \$23 million reflecting a full year.

Offsetting this is the removal of one-off 2011/2012 funding of \$108 million for the Rugby World Cup.

Expenditure decreases from a peak in 2008/09, largely owing to rail-related appropriations being transferred to Vote Transport from 2009/10. The 2010/11 year includes a budget of \$1.500 million for payments in respect of guarantees and indemnities, \$150 million for other costs associated with the Deposit Guarantee Scheme and \$146.100 million for payments to the Earthquake Commission as a result of the September 2010 Canterbury Earthquake.

Non-Departmental Capital Expenditure

There is a one-off increase of \$500 million in 2011/12 for the establishment of Capital Asset Management Limited.

Crown Revenue

Non-tax Crown Revenue largely comprises capital charge, interest from securities and deposits, and dividends from State-Owned Enterprises and Crown Entities, and is broadly stable. The increase since 2009/10 is a result of increased dividends from some of the Energy State-Owned Enterprises due to improved profits. Forecast dividends include those anticipated from entities considered for mixed ownership. These are removed when consolidated into the Financial Statements of Government.

Crown Capital Receipts

Variations in Crown Capital Receipts are largely due to International Monetary Fund capital returns, repayment of loans, and capital withdrawals from Crown companies.

Part 1.4 - Reconciliation of Changes in Appropriation Structure

2011/12 Appropriations in the 2011/12 Structure	2011/12 (Current) \$000	Appropriations to which Expenses (or Capital Expenditure) have been Moved from or to	Amount Moved \$000	2011/12 Appropriations in the 2012/13 Structure	2011/12 (Restated) \$000	2012/13 \$000
Policy Advice-Finance	48,385	From Policy Advice - Finance	(14,000)	Policy Advice - Finance	34,385	35,291
		To Provision of Financial Operations Services and Operational Advice	14,000	Provision of Financial Operations Services and Operational Advice	22,222	19,335
Management and Administration of Financial Operations on behalf of the Crown	8,222	To Provision of Financial Operations Services and Operational Advice	8,222			
		From Management and Administration of Financial Operations on behalf of the Crown	(8,222)			
Total Appropriations	56,607		-		56,607	54,626

Management and Administration of Financial Operations on behalf of the Crown was renamed Provision of Financial Operations Services and Operational Advice from 2012/13 reflecting the necessary restructuring of the departmental output expense appropriations to give effect to Cabinet's decision to standardise the definition of policy advice.

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>Improved economic performance</p> <p>Impacts:</p> <ul style="list-style-type: none"> Improved domestic business environment New Zealand has a more internationally competitive economy Enhanced human capital and labour supply 	<p>Department</p> <p>Policy Advice - Finance</p> <p>Provision of Financial Operations Services and Operational Advice</p> <p>Provision of Financial Services to the New Zealand Local Government Funding Agency</p>
<p>A stable and sustainable macroeconomic environment</p> <p>Impacts:</p> <ul style="list-style-type: none"> A stable macroeconomic environment Fiscal position returns to a sustainable footing 	<p>Department</p> <p>Administration of Crown Borrowing</p> <p>Administration of Derivative Transactions</p> <p>Administration of Guarantees and Indemnities given by the Crown</p> <p>Administration of Investment of Public Money</p> <p>Policy Advice - Finance</p> <p>Provision of Financial Operations Services and Operational Advice</p>
<p>A more efficient and effective State sector</p> <p>Impacts:</p> <ul style="list-style-type: none"> State institutions deliver sustained improvement in results and capability The Crown's balance sheet is managed efficiently and effectively 	<p>Department</p> <p>Administration of Crown Borrowing</p> <p>Administration of Derivative Transactions</p> <p>Administration of Investment of Public Money</p> <p>Crown Company Monitoring Advice to the Minister of Science and Innovation and the Minister for Economic Development</p> <p>Crown Company Monitoring Advice to the Minister for State-Owned Enterprises and Other Responsible Ministers</p> <p>Implementation of Mixed Ownership Model</p> <p>Policy Advice - Finance</p> <p>Provision of Financial Operations Services and Operational Advice</p> <p>Shared Support Services</p>

For further information on the intended impacts, outcomes and objectives of the departmental output expense appropriations, please see the Statement of Intent for the Treasury.

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

	2011/12		2012/13
	Budgeted \$000	Estimated Actual \$000	Budget \$000
Total Appropriation	4,374	4,374	5,010
Revenue from Crown	4,276	4,276	5,009
Revenue from Other	98	98	1

Reasons for Change in Appropriation

In 2011/2012 the appropriation has reduced reflecting lower costs of administering Crown borrowing due to the strong New Zealand dollar. In 2012/13 the appropriation returns to the original budgeted level.

Output Performance Measures and Standards

Performance Measures	2011/12		2012/13
	Budgeted Standard	Estimated Actual Standard	Budget Standard
Cost of new core Crown borrowing is less than the long-term average cost of the New Zealand Government.	Cost of new borrowing is less than 6%	4%	Cost of new borrowing is less than 5.5%
Tender efficiency: Average domestic bond tender cover ratio.	Average tender cover ratio is greater than 2	2.5	Average tender cover ratio is greater than 2
Tender efficiency: Average range of successful bids in domestic bond tenders.	Average range of successful bids is less than 5 basis points	2.5 basis points	Average range of successful bids is less than 5 basis points
Funding risk: The nearest bond maturity will be at least 50% funded from the NZDMO's holdings of cash and short-term liquid assets within six months of maturity, and fully funded within three months.	Funding Target met	Funding Target met	Funding Target met
Compliance with risk management policies and parameters for portfolio management and debt issuance.	No more than four breaches	Two breaches	No more than four breaches
Losses incurred from the credit-related sale of securities, or from default by a counter-party.	No losses	No losses	No losses
Number of settlement errors, and financial value of losses arising from settlement errors.	No more than twelve errors; losses do not exceed \$10,000	Two errors; No losses	No more than six 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 the three PLA output classes.

Conditions on Use of Appropriation

Reference	Conditions
Section 61(1) of the Public Finance Act 1989	Any expenses incurred in connection with any of the following matters may be incurred without further appropriation, and must be paid without further authority, than this section: (a) negotiating the borrowing of money by the Crown; or (b) undertaking the borrowing, or (c) managing the borrowing, or (d) servicing the borrowing, or (e) converting the borrowing, or (f) repaying the borrowing.

Current and Past Policy Initiatives

Policy Initiative	Year of First Impact	2011/12 Budgeted \$000	2012/13 Budget \$000	2013/14 Estimated \$000	2014/15 Estimated \$000	2015/16 Estimated \$000
SSRSS and KiwiSaver funding removal	2012/13	-	(97)	(97)	(97)	(97)
Efficiency savings	2012/13	-	(51)	(49)	(45)	(45)

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

	2011/12		2012/13
	Budgeted \$000	Estimated Actual \$000	Budget \$000
Total Appropriation	951	951	1,126
Revenue from Crown	929	929	1,124
Revenue from Other	22	22	2

Reasons for Change in Appropriation

The lower costs in 2011/12 reflect the lower costs of administering derivative transactions. In 2012/13 the appropriation returns to the original level.

Output Performance Measures and Standards

Performance Measures	2011/12		2012/13
	Budgeted Standard	Estimated Actual Standard	Budget Standard
Other Performance measures for this Output expense are aggregated in the Administration of Crown Borrowing PLA.	Refer Budget Standard Administration of Crown Borrowing PLA	Refer Budget Standard Administration of Crown Borrowing PLA	Refer Budget Standard Administration of Crown Borrowing PLA

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 the three output classes. The full set of measures, including targets for 2012/13 and relevant notes, are published in the Administration of Crown Borrowing PLA.

Conditions on Use of Appropriation

Reference	Conditions
Section 65H(2) of the Public Finance Act	Any expenses incurred in connection with any of the following matters may be incurred without further appropriation, and must be paid without further authority, than this section: (a) negotiating a derivative transaction, or (b) managing the derivative transaction, or (c) servicing the derivative transaction, or (d) making payments under the derivative transaction.

Current and Past Policy Initiatives

Policy Initiative	Year of First Impact	2011/12 Budgeted \$000	2012/13 Budget \$000	2013/14 Estimated \$000	2014/15 Estimated \$000	2015/16 Estimated \$000
SSRSS and KiwiSaver funding removal	2012/13	-	(20)	(20)	(20)	(20)
Efficiency savings	2012/13	-	(16)	(15)	(14)	(14)

Administration of Guarantees and Indemnities given by the Crown PLA (M31)

Scope of Appropriation

This appropriation is limited to expenses incurred in connection with administering of guarantees and indemnities given by the Crown, as authorised by section 65ZG of the Public Finance Act 1989.

Expenses and Revenue

	2011/12		2012/13
	Budgeted \$000	Estimated Actual \$000	Budget \$000
Total Appropriation	1,820	1,820	1,069
Revenue from Crown	1,798	1,798	1,069
Revenue from Other	22	22	-

Reasons for Change in Appropriation

The Crown Retail Guarantee Scheme was wound down by 31 December 2011. There are no remaining guaranteed entities, and all payouts under the Crown Retail Guarantees scheme have been completed. The budget for 2012/13 is for the remaining Wholesale Guarantee Funding Facility.

Output Performance Measures and Standards

Performance Measures	2011/12		2012/13
	Budgeted Standard	Estimated Actual Standard	Budget Standard
No unnecessary delays in processing applications.	Achieved	Achieved	N/A
Accuracy of payouts.	100%	100%	N/A
Non-complex claims processed within one month of receipt of the claim.	100%	100%	N/A

Conditions on Use of Appropriation

Reference	Conditions
Section 65ZG of the Public Finance Act	Any money paid by the Crown under a guarantee or indemnity given under section 65ZD and any expenses incurred by the Crown in relation to the guarantee or indemnity may be incurred without further appropriation, and must be paid without further authority, than this section.

Current and Past Policy Initiatives

Policy Initiative	Year of First Impact	2011/12 Budgeted \$000	2012/13 Budget \$000	2013/14 Estimated \$000	2014/15 Estimated \$000	2015/16 Estimated \$000
SSRSS and KiwiSaver funding removal	2012/13	-	(22)	(22)	(22)	(22)
Efficiency savings	2012/13	-	(9)	(8)	(8)	(8)

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

	2011/12		2012/13
	Budgeted \$000	Estimated Actual \$000	Budget \$000
Total Appropriation	609	609	772
Revenue from Crown	605	605	772
Revenue from Other	4	4	-

Reasons for Change in Appropriation

In 2011/12 the appropriation has reduced reflecting lower costs of administering investments due to the strong New Zealand dollar. In 2012/13 the appropriation returns to the original budgeted level.

Output Performance Measures and Standards

Performance Measures	2011/12		2012/13
	Budgeted Standard	Estimated Actual Standard	Budget Standard
Other Performance measures for this Output expense are aggregated in the Administration of Crown Borrowing PLA.	Refer Budget Standard Administration of Crown Borrowing PLA	Refer Budget Standard Administration of Crown Borrowing PLA	Refer Budget Standard Administration of Crown Borrowing PLA

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 2012/13 and relevant notes, are published in the Administration of Crown Borrowing PLA.

Conditions on Use of Appropriation

Reference	Conditions
Section 65J of the Public Finance Act	Costs, charges and expenses incurred with connection with Section 65J(2).

Current and Past Policy Initiatives

Policy Initiative	Year of First Impact	2011/12 Budgeted \$000	2012/13 Budget \$000	2013/14 Estimated \$000	2014/15 Estimated \$000	2015/16 Estimated \$000
SSRSS and KiwiSaver funding removal	2012/13	-	(4)	(4)	(4)	(4)
Efficiency savings	2012/13	-	(8)	(8)	(7)	(7)

Crown Company Monitoring Advice to the Minister for State-Owned Enterprises and Other Responsible Ministers (M65)

Scope of Appropriation

This appropriation is limited to the provision of ownership, performance monitoring and governance advice to the Minister for State Owned Enterprises and other responsible Ministers in respect of the Ministers' shareholding responsibilities or as responsible Ministers for the New Zealand Lotteries Commission and Public Trust.

Expenses and Revenue

	2011/12		2012/13
	Budgeted \$000	Estimated Actual \$000	Budget \$000
Total Appropriation	4,131	3,931	4,617
Revenue from Crown	4,097	3,897	4,617
Revenue from Other	34	34	-

Reasons for Change in Appropriation

The increase in budget in 2012/13 is primarily attributable to personnel efficiency savings of \$350,000 that were transferred from 2011/12 to 2012/13 to apply to business improvement projects. Estimated actuals are lower than budget by \$200,000 as it is expected that the development of a new training programme for board directors may be delayed until 2012/13.

Output Performance Measures and Standards

Performance Measures	2011/12		2012/13
	Budgeted Standard	Estimated Actual Standard	Budget Standard
Policy advice complies with Treasury's Quality Standards for Policy (See Conditions of Use in the Policy Advice - Finance appropriation).	Achieved	Achieved	N/A
Advice to Government regarding ownership, performance monitoring and governance complies with the same quality standards agreed for Treasury policy advice (See Conditions of Use in the Policy Advice - Finance appropriation).	N/A	N/A	Achieved
2011 Annual Portfolio Report builds on the analysis developed in 2010 and provides more detailed and comprehensive performance information on the entities that the Crown Monitoring Unit monitors.	Achieved	Achieved	N/A
2012 Annual Portfolio Report produced, which enables assessment of Crown company and Crown Financial Institution performance.	N/A	N/A	Achieved
Board appointments completed for State-Owned Enterprises' directors and directors for other entities.	N/A	N/A	41 State-Owned Enterprises' directors and 40 directors for other entities.

Statement of Estimated and Forecast Net Worth of Entities Owned

The Minister for State Owned Enterprises is the responsible Minister for the Government's ownership interests in SOEs (the Minister of Finance is the other shareholding Minister). Other Ministers are responsible for the Government's ownership interest in Crown Entity Companies (CECs) and Crown entities (in most cases the Minister of Finance is the other shareholding Minister). The estimated net worth (total assets less total liabilities) of SOEs, CECs and Crown entities that are monitored under this appropriation are listed in the table below.

Changes in net worth result from the net effects of profit (after tax), dividends paid and capital injections or withdrawals. The data for these organisations are based on forecasts provided for inclusion in the 2012 Budget.

The figures below are the best available at present.

State-Owned Enterprises	Balance Date	2011 Actual Net Worth \$000	2012 Estimated Net Worth \$000	2013 Estimated Net Worth \$000
Airways Corporation of New Zealand Ltd	30 June	44,375	44,375	44,375
AMI		139,395	104,666	126,820
Animal Control Products Ltd	30 June	5,728	5,728	5,728

State-Owned Enterprises	Balance Date	2011 Actual Net Worth \$000	2012 Estimated Net Worth \$000	2013 Estimated Net Worth \$000
AsureQuality Ltd	30 June	35,207	35,207	35,207
Electricity Corporation of New Zealand Ltd	30 June	1,371	-	-
Genesis Power Ltd	30 June	1,712,012	1,799,077	1,851,719
Kordia Group Ltd	30 June	81,630	85,735	93,427
Landcorp Farming Ltd	30 June	1,354,100	1,355,035	1,359,720
Learning Media Ltd	30 June	5,979	5,979	5,979
Meridian Energy Ltd	30 June	4,931,305	4,847,883	4,956,991
Meteorological Service of New Zealand Ltd	30 June	14,321	14,321	14,321
Mighty River Power Ltd	30 June	2,906,542	2,860,638	2,909,444
New Zealand Post Ltd	30 June	647,730	687,830	765,130
New Zealand Railways Corporation Ltd (KiwiRail Group)	30 June	12,638,300	12,852,838	12,821,698
Quotable Value New Zealand Ltd	30 June	19,627	19,627	19,627
Solid Energy New Zealand Ltd	30 June	519,375	559,118	562,604
Transpower New Zealand Ltd	30 June	1,560,463	1,618,063	1,452,803
Crown Entity Companies:				
Radio New Zealand Ltd	30 June	49,209	49,209	49,209
Television New Zealand Ltd	30 June	184,303	183,947	188,492
Crown Entities:				
New Zealand Lotteries Commission	30 June	34,913	34,913	34,913
Public Trust	30 June	21,667	29,377	33,241
Crown's share of the Crown Companies reported at value calculated by the equity method:				
Christchurch International Airport Ltd (25% share)	30 June	145,790	148,730	150,171
Invercargill Airport Ltd (45% share)	30 June	2,865	1,524	1,569
Dunedin International Airport Ltd (50% share)	30 June	13,636	15,579	15,627
Hawkes Bay Airport Ltd (50% share)	30 June	7,028	7,614	7,862

Current and Past Policy Initiatives

Policy Initiative	Year of First Impact	2011/12 Budgeted \$000	2012/13 Budget \$000	2013/14 Estimated \$000	2014/15 Estimated \$000	2015/16 Estimated \$000
KiwiRail monitoring	2008/09	280	314	-	-	-
SSRSS and KiwiSaver funding removal	2012/13	-	(34)	(34)	(34)	(34)
Efficiency savings	2012/13	-	(52)	(50)	(46)	(46)

Crown Company Monitoring Advice to the Minister of Science and Innovation and the Minister for Economic Development (M84)

Scope of Appropriation

This appropriation is limited to the provision of ownership, performance monitoring, and governance advice to the Minister of Science and Innovation and other responsible Ministers in respect of the Ministers' shareholding responsibilities.

Expenses and Revenue

	2011/12		2012/13
	Budgeted \$000	Estimated Actual \$000	Budget \$000
Total Appropriation	778	778	757
Revenue from Crown	767	767	757
Revenue from Other	11	11	-

Output Performance Measures and Standards

Performance Measures	2011/12		2012/13
	Budgeted Standard	Estimated Actual Standard	Budget Standard
Policy advice complies with Treasury's Quality Standards for Policy (refer to Conditions on Use in the Policy Advice - Finance appropriation).	Achieved	Achieved	N/A
Advice to Government regarding ownership, performance monitoring and governance complies with the same quality standards agreed for Treasury policy advice (See Conditions of Use in the Policy Advice - Finance appropriation).	N/A	N/A	Achieved
Board appointments completed for Crown Research Institutes and other entities.	N/A	N/A	23 directors

Statement of Estimated and Forecast Net Worth of Entities Owned

The Minister for Science and Innovation and the Minister for Economic Development are responsible Ministers for the Government's ownership interests in CRIs, REANNZ and NZVIF (the Minister of Finance is the other shareholding Minister). The estimated net worth (total assets less total liabilities) of CRIs, REANNZ and NZVIF, which are monitored under this appropriation, are listed in the table below.

Changes in net worth result from the net effects of profit (after tax), dividends paid, and capital injections or withdrawals. The data for these organisations are based on forecasts provided for inclusion in the 2012 Budget.

	Balance date	2011 Actual Net Worth \$000	2012 Estimated Net Worth \$000	2013 Forecasted Net Worth \$000
Crown Research Institutes:				
AgResearch Ltd	30 June	195,084	199,319	222,461
Institute for Environmental Science & Research Ltd	30 June	35,480	35,480	35,480
Institute of Geological & Nuclear Sciences Ltd	30 June	23,421	23,421	23,421
Industrial Research Ltd	30 June	39,204	39,204	39,204
Landcare Research New Zealand Ltd	30 June	26,976	26,976	26,976
National Institute of Water & Atmospheric Research Ltd	30 June	90,206	90,206	90,206
New Zealand Forest Research Institute Ltd	30 June	25,946	25,946	25,946
The New Zealand Institute for Plant & Food Research Ltd	30 June	68,239	68,239	68,239
Crown Entities:				
New Zealand Venture Investment Fund Ltd	30 June	78,895	78,895	78,895
Research and Education Advanced Network of New Zealand Ltd	30 June	13,328	25,830	19,371

Current and Past Policy Initiatives

Policy Initiative	Year of First Impact	2011/12 Budgeted \$000	2012/13 Budget \$000	2013/14 Estimated \$000	2014/15 Estimated \$000	2015/16 Estimated \$000
SSRSS and KiwiSaver funding removal	2012/13	-	(11)	(11)	(11)	(11)
Efficiency savings	2012/13	-	(10)	(10)	(9)	(9)

Implementation of Mixed Ownership Model (M31)

Scope of Appropriation and Expenses

Type, Title, Scope and Period of Appropriations	Appropriations, Adjustments and Use	\$000
<i>Implementation of Mixed Ownership Model (M31)</i>	Original Appropriation	46,802
This appropriation is limited to the policy, operational, and transactional work to implement the Mixed Ownership Model.	Adjustments to 2010/11	-
	Adjustments for 2011/12	-
Commences: 15 December 2011	Adjusted Appropriation	46,802
Expires: 30 June 2015	Actual to 2010/11 Year End	-
	Estimated Actual for 2011/12	26,802
	Estimated Actual for 2012/13	15,000
	Estimated Appropriation Remaining	5,000

Revenue

	Budget \$000
Revenue from the Crown to end of 2012/13	41,802
Revenue from Others to end of 2012/13	-
Total Revenue	41,802

Reasons for Change in Appropriation

In December 2011, Cabinet approved a new Departmental Output Expenses Multi Year Appropriation for costs incurred in implementing the mixed ownership model. Policy work leading up to the establishment of this appropriation, was undertaken under the Departmental Output Expense: Extending the Mixed Ownership Model appropriation and funding of \$2.802 million was transferred from that appropriation. Funding of \$14 million was also transferred from the Non-Departmental Other Expense Multi Year Appropriation: Direct Sale costs for Implementing the Mixed Ownership Model.

Output Performance Measures and Standards

Performance Measures	2011/12		2012/13
	Budgeted Standard	Estimated Actual Standard	Budget Standard
Advice to Government regarding the implementation of the mixed ownership model complies with the same quality standards agreed for Treasury policy advice (refer Conditions of Use in the Policy Advice - Finance appropriation).	N/A	N/A	Achieved
Sufficient domestic demand is created that 85 - 90% of shares are held by New Zealanders.	N/A	N/A	Achieved
The process for each Initial Public Offering exceeds an agreed reserve value.	N/A	N/A	Achieved
The costs of the sale programme do not exceed 2% of the sale proceeds.	N/A	N/A	Achieved

Current and Past Policy Initiatives

Policy Initiative	Year of First Impact	2011/12 Budgeted \$000	2012/13 Budget \$000	2013/14 Estimated \$000	2014/15 Estimated \$000	2015/16 Estimated \$000
Setting up the Implementation of Mixed Ownership Model	2011/12	10,000	15,000	4,000	1,000	-

Policy Advice - Finance (M31)

Scope of Appropriation

This appropriation is limited to the provision of advice (including second opinion advice and contributions to policy advice led by other agencies) to support decision-making by Ministers on government policy matters relating to Finance.

Expenses and Revenue

	2011/12		2012/13
	Budgeted \$000	Estimated Actual \$000	Budget \$000
Total Appropriation	48,385	47,119	35,291
Revenue from Crown	47,611	46,345	35,279
Revenue from Other	774	774	12

Reasons for Change in Appropriation

The reduction in budget relates to a transfer of \$14 million from Policy Advice-Finance to the Provision of Financial Operations Services and Operational Advice appropriation for 2012/13 and out years reflecting the necessary restructuring of departmental output expense appropriations to give effect to Cabinet's decision to standardise the definition of policy advice. The comparative budget is outlined in Part 1.4 Reconciliation of Changes in Appropriation Structure.

Output Performance Measures and Standards

Performance Measures	2011/12		2012/13
	Budgeted Standard	Estimated Actual Standard	Budget Standard
Policy Advice complies with Treasury's Quality standards for Policy (refer to Conditions on Use in the Policy Advice - Finance appropriation).	Achieved	Achieved	N/A
Reports provided to the Minister will be subject to an internal quality assurance process and signed-off by a person with delegated authority as meeting Treasury's quality of policy advice standard.	N/A	N/A	100%
PIF reviews show an increasing proportion of the agencies reviewed as 'well placed' or 'strong' in the critical areas of sector contribution; collaboration and partnerships with stakeholders.	N/A	N/A	The percentage of agencies who receive 'strong' or 'well-placed' PIF ratings is 40% for sector contribution and 60% for collaboration and partnerships with stakeholders

Performance Measures	2011/12		2012/13
	Budgeted Standard	Estimated Actual Standard	Budget Standard
Changes to the Public Finance Act are made which enable greater collaboration around results and system leadership.	N/A	N/A	Achieved
Welfare Reform is delivered on time and to budget, and achieves the desired result of a reduction in long-term benefit receipt.	N/A	N/A	Achieved
The operating and capital funding models used within the schooling sector are sustainable and consistent with the Government's fiscal objectives.	N/A	N/A	Achieved
The long-term fiscal statement (published in March 2013) is credible and robust.	N/A	N/A	Achieved
Treasury remains amongst the top two forecasters of the New Zealand economy in forecasting GDP and CPI over a rolling 10-year period.	N/A	N/A	Achieved
Budget decisions are in line with short term fiscal intentions in the Budget Policy Statement (BPS).	N/A	N/A	Achieved
Expenditure decisions are in line with fiscal strategy and Budget Policy Statement (BPS).	Achieved	Achieved	N/A
Definitions and performance measures for policy appropriations are in place that include reporting on whether cost benefit analysis (CBA) or similar processes have been followed for all significant policy and expenditure proposals.	Achieved	Partly achieved	N/A
Regulatory Impact Statements meet most or all of Regulatory Impact Analysis Requirements.	75%	75%	85%
Research on the impact of New Zealand's approach to capital taxation on growth and the options for reforming New Zealand's capital taxation system to better support economic growth is completed and meets Treasury's Quality standard for policy advice.	Achieved	Achieved	N/A
Ministers' decisions on the earthquake recovery are well coordinated, guided by an overall framework, informed by good risk assessment, and take into account fiscal implications and risks.	Achieved	Achieved	N/A-
Completion of research on barriers to growth in trade and recommended policy changes.	Achieved	Achieved	N/A
Memorandum of Understanding in place for Treasury-to-Treasury dialogues with one or more countries of economic significance to New Zealand.	Achieved	Not Achieved	N/A
The long-term liability to the Crown associated with the working-age benefit population is accurately measured.	Achieved	Achieved	N/A
Youth Guarantee proposals to Cabinet are cost-effective and likely to deliver high-quality qualifications.	Achieved	Achieved	N/A
Youth Pipeline proposals to Cabinet are evidence-based and cost-effective, well integrated to Youth Guarantee and welfare changes.	Achieved	Achieved	N/A
A welfare reform package is agreed by the end of 2011/12.	Achieved	Achieved	N/A
Follow-up processes are in place and being implemented to monitor progress on PIF action plans.	Achieved	Achieved	N/A
Fewer, but clearer, decision points for key outcome areas are agreed and some of these have been established.	Achieved	Achieved	N/A

Performance Measures	2011/12		2012/13
	Budgeted Standard	Estimated Actual Standard	Budget Standard
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 (refer to Conditions on Use of Appropriations).	Achieved	Achieved	N/A
A sample of indicators of efficiency and effectiveness of State sector operations is developed.	Achieved	Achieved	N/A
Management and resolution of liabilities and claims within parameters set by Ministers (refer to Conditions on Use of Appropriations).	Achieved	Achieved	N/A
Tax revenue forecast error on one-year-ahead forecasts.	Less than 3%	Within the stated range	Less than +/- 3%
Advice and processes required as part of the annual Budget process to assist the Government to pursue its policy priorities are in accordance with the principles of responsible fiscal management, and support effective and efficient management of public financial resources.	Achieved	Achieved	N/A
Audit opinion issued by the Controller and Auditor-General on the Financial Statements of Government.	Unqualified	Unqualified	N/A
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, major models are externally Quality Assured and, where appropriate, assumptions are tested with suitably qualified external experts.	Achieved	Achieved	Achieved

Conditions on Use of Appropriation

Reference	Conditions
Audit opinion issued by the Controller and Auditor-General on the Financial Statements of Government.	This measure is being migrated to the Provision of Financial Operations Services and Operational Advice (M31) appropriation for 2012/13.
Management and resolution of liabilities and claims within parameters set by Ministers.	<p>This measure 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.</p> <p>The nature of the advice that this performance measure focuses on is largely operational and therefore for 2012/13 this measure is being incorporated into the Provision of Financial Operations Services and Operational Advice (M31) appropriation.</p> <p>This measure for 2012/13 has been revised to "Management of liabilities and investigation of mechanisms to discharge the Crown's obligations in a timely manner ensuring any costs from the materialisation of liabilities are contained."</p>
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 (refer to Conditions on Use of Appropriations).	<p>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; and accountability documents.</p> <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. <p>Annual review is undertaken with stakeholders to identify changes to improve future processes.</p>

Reference	Conditions
Quality standards for Policy Advice.	<p>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.</p> <p>When undertaking a piece of work, explicit consideration needs to be given to the following:</p> <ul style="list-style-type: none"> • 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 Policy Advice

Analytically Rigorous (Analysis)	Set in a Wider Strategic Context (Applied Analysis)	Customer-focused and Persuasive (Advice)
<p>Relevant Frameworks</p> <p>Appropriate analytical frameworks are used, and: knowledge is up-to-date and informed by recent thinking and literature in the field.</p> <p>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).</p> <p>Consideration has been given to less traditional frameworks and whether they would add innovative or useful perspectives.</p>	<p>Strategic</p> <p>Advice is set in the context of the Treasury's results and informed by a strategic view about what is important.</p> <p>We are explicit about the relative importance and materiality of the issue in fiscal, economic and strategic terms.</p> <p>Connections across policy issues are made, ensuring that Ministers receive a whole-of-government perspective.</p> <p>Advice considers the long-term implications of decisions and provides a perspective that goes beyond immediate impacts.</p> <p>We frame issues and help set the agenda.</p>	<p>Clear</p> <p>Advice is compellingly presented. It is: brief and concise - key messages should be readily apparent to the reader.</p> <p>Easy to read - has a clear and logical structure, avoids technical jargon and uses visual devices such as charts and tables where possible.</p> <p>Pitched to suit the target audience - uses appropriate language, style and level of detail.</p> <p>Framed in terms of how it fits with previous advice and communications with the Minister.</p>
<p>Robust Reasoning and Logic</p> <p>Advice has a clear purpose, problem definition, evaluation of options against criteria, and assessment of risks and opportunities.</p> <p>We come to a conclusion and give action-oriented recommendations.</p>	<p>Practical</p> <p>Issues of implementation, technical feasibility, practicality and timing are considered and advice accurately identifies compliance, transitional, legislative, revenue and administrative implications and costs.</p>	<p>Timely</p> <p>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>
<p>Evidence-based</p> <p>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.</p> <p>We draw on New Zealand experience of current and past policy interventions and, where relevant, the experience of other countries.</p> <p>We give our best judgement despite data imperfections; we acknowledge information limitations and advise within them.</p>	<p>Public Sector Consultation</p> <p>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.</p> <p>Where possible, advice is developed in conjunction with relevant government agencies.</p>	<p>Politically Aware Advice</p> <p>Demonstrates awareness of the wider environment and political situation.</p> <p>Is based on a clear understanding of the desired outcomes of the Minister/Government.</p> <p>Relates to the perspectives of Ministers, even if suggesting something that tests those perspectives.</p> <p>Recognises choices and constraints Ministers face, and includes a range of options to address these.</p>

Current and Past Policy Initiatives

Policy Initiative	Year of First Impact	2011/12 Budgeted \$000	2012/13 Budget \$000	2013/14 Estimated \$000	2014/15 Estimated \$000	2015/16 Estimated \$000
Accountability and funding arrangements - Investment Approach to Benefit System	2011/12	1,000	-	-	-	-
Better Services for Less - Pipeline funding	2011/12	3,000	-	-	-	-
SSRSS and KiwiSaver funding removal	2012/13	-	(855)	(916)	(916)	(916)
Expense transfer	2011/12	(700)	-	-	-	700
Efficiency savings	2012/13	-	(667)	(585)	(522)	(522)

Provision of Financial Operations Services and Operational Advice (M31)

Scope of Appropriation

This appropriation is limited to the provision of services which support the performance of the State sector, including fiscal reporting, forecasting and monitoring; provision of Export Credit; and the management, administration and monitoring of Crown Guarantee Schemes, Crown Lending, Crown Investments and Crown Bank Accounts.

Expenses and Revenue

	2011/12		2012/13
	Budgeted \$000	Estimated Actual \$000	Budget \$000
Total Appropriation	8,222	7,872	19,335
Revenue from Crown	6,598	6,248	19,334
Revenue from Other	1,624	1,624	1

Reasons for Change in Appropriation

The increase in budget is due to a transfer of \$14 million to Provision of Financial Operations Services and Operational Advice from Policy Advice-Finance for 2012/13 and out years reflecting the necessary restructure of departmental output expense appropriations to give effect to Cabinet's decision to standardise the definition of policy advice. The comparative budget is outlined in Part 1.4 Reconciliation of Changes in Appropriation.

Output Performance Measures and Standards

Performance Measures	2011/12		2012/13
	Budgeted Standard	Estimated Actual Standard	Budget Standard
Policy advice complies with Treasury's Quality Standards for Policy (refer Conditions on Use in the Policy Advice - Finance appropriation).	Achieved	Achieved	N/A
Management of liabilities and investigation of mechanisms to discharge the Crown's obligations in a timely manner ensuring any costs from the materialisation of liabilities are contained.	N/A	N/A	Achieved

Performance Measures	2011/12		2012/13
	Budgeted Standard	Estimated Actual Standard	Budget Standard
Departments meet all their statutory requirements for the PFA.	N/A	N/A	Achieved
Agencies' Four-year Budget Plans outline a credible medium-term plan for living within baselines and delivering the Government's priorities.	N/A	N/A	100%
All new significant operating expenditure proposals are subject to cost benefit analysis (or similar).	N/A	N/A	100%
Improvement in Better Administrative and Support Services effectiveness and efficiency indicators.	N/A	N/A	Achieved
Audit opinion issued by the Controller and Auditor-General on the Financial Statements of Government. (See Conditions of Use).	N/A	N/A	Unqualified
Two Economic and Fiscal Updates produced, clearly explained and with conclusions tested with external panels.	N/A	N/A	Achieved
Monthly Financial Statements of Government produced in accordance with the PFA requirements and free from material errors.	N/A	N/A	Achieved
Infrastructure State of the Nation report produced by 30 June 2013.	N/A	N/A	Achieved
Capital business cases requiring Cabinet consideration are prepared in accordance with the Better Business Cases standard.	N/A	N/A	100%
Asset performance indicators developed for key social assets.	N/A	N/A	Indicators agreed, collection automated, and low-compliance, analytical tools for use developed
Compliance with risk management policies and parameters for management of Crown lending and Crown bank accounts.	No breaches	No breaches	No breaches
New Policies underwritten (see Conditions of Use).	\$8 million	N/A	N/A
New Policies underwritten (see Conditions of Use).	88	90	75
New exports supported.	\$202 million	\$350 million	\$305 million
New Exposure.	\$140 million	\$167 million	\$165 million
Operating Expense/Earned Premium plus Application Fees ratio.	Less than or equal to 60%	Achieved	Maintained or declining
Compliance with International Guidelines (OECD and WTO) and Delegated Mandate.	100%	100%	100%
Complaints received regarding delivery of services or complaints are due to issues outside of NZECO's mandate.	None	None	None
Claims and Provisions are maintained within year to date profit.	Achieved	Achieved	Achieved
Claims and Provisions/Total exposure and undrawn commitments ratio.	Lower than or comparable to other ECA long-run ratios of between 4% - 9%	Achieved	Lower than or comparable to other ECA long-run ratios of between 4% - 9%
Forecast total external engagements in 2011/12.	420	446	420

Conditions on Use of Appropriation

Reference	Conditions
Quality Standards for Policy Advice.	Refer to Policy Advice - Finance (M31) Output Expense where the quality standard is published in full.
Management of liabilities and investigation of mechanisms to discharge the Crown's obligations in a timely manner ensuring any costs from the materialisation of liabilities are contained (2012/13 measure).	<p>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.</p> <p>The nature of the advice that this performance measure focuses on is largely operational and therefore for 2012/13 this measure is being incorporated into the Provision of Financial Operations Service and Operational Advice (M31) appropriation.</p> <p>The measure was formally stated as "Management and resolution of liabilities and claims within parameters set by Ministers".</p>
New Policies underwritten.	The target for new policies underwritten in 2011/12 was incorrectly recorded as \$8 million. It should have been recorded as 88. Performance information for the year and a revised target for 2012/13 have been provided in the above table.
Departments meet all their statutory requirements for the PFA.	Individual PFA failures are the responsibility of the agency involved but the Treasury is responsible for the overall system. The focus of this performance measure is the integrity of the system.
Audit opinion issued by the Controller and Auditor-General on the Financial Statements of Government.	This measure is being migrated to the Provision of Financial Operations Services and Operational Advice (M31) appropriation for 2012/13. It previously appeared in the Policy - Finance appropriation.

Current and Past Policy Initiatives

Policy Initiative	Year of First Impact	2011/12 Budgeted \$000	2012/13 Budget \$000	2013/14 Estimated \$000	2014/15 Estimated \$000	2015/16 Estimated \$000
SSRSS and KiwiSaver funding removal	2012/13	-	(123)	(123)	(123)	(123)
Efficiency Savings	2012/13	-	(38)	(36)	(33)	(33)

Provision of Financial Services to the New Zealand Local Government Funding Agency RDA (M31)

Scope of Appropriation

This appropriation is limited to expenses incurred in connection with the provision of financial services on a commercial basis to the New Zealand Local Government Funding Agency (LGFA).

Expenses and Revenue

	2011/12		2012/13
	Budgeted \$000	Estimated Actual \$000	Budget \$000
Total Appropriation	250	250	465
Revenue from Crown	-	-	-
Revenue from Other	250	250	465

Reasons for Change in Appropriation

In December 2011, Cabinet agreed that the New Zealand Debt Management Office would provide a standby liquidity facility and outsourced service to the New Zealand Local Government Authority. A revenue-dependent appropriation was established and an annual fee negotiated between the two parties to recover the cost of providing the service. Treasury and the New Zealand Local Government Funding Agency have established a service level agreement for services to be provided in 2012/13. The increase in budget reflects a full year of service.

Output Performance Measures and Standards

Performance Measures	2011/12		2012/13
	Budgeted Standard	Estimated Actual Standard	Budget Standard
Agreed service level standards are met.	Achieved	Achieved	Achieved

Current and Past Policy Initiatives

Policy Initiative	Year of First Impact	2011/12 Budgeted \$000	2012/13 Budget \$000	2013/14 Estimated \$000	2014/15 Estimated \$000	2015/16 Estimated \$000
Provision of Financial Services to the New Zealand Local Government Funding Agency	2011/12	250	465	465	465	465

Shared Support Services (M31)

Scope of Appropriation

This appropriation is limited to provision of support services to other agencies.

Expenses and Revenue

	2011/12		2012/13
	Budgeted \$000	Estimated Actual \$000	Budget \$000
Total Appropriation	3,000	3,000	8,000
Revenue from Crown	-	-	-
Revenue from Other	3,000	3,000	8,000

Reasons for Change in Appropriation

During March 2012, the new Central Agencies Shared Service, (CASS) took effect. CASS will deliver finance, human resources, information technology and information management services to Treasury, State Services Commission and the Department of the Prime Minister and Cabinet. A new revenue dependent output class has been established for the recoverable costs associated with the provision of shared services. A service level agreement is expected to be completed before the start of the new financial year. The increase in budget reflects a full year of service in 2012/13.

Output Performance Measures and Standards

Performance Measures	2011/12		2012/13
	Budgeted Standard	Estimated Actual Standard	Budget Standard
Service level standards are met to the standards and timeframes agreed with the three central agencies.	N/A	N/A	Achieved

Part 2.2 - Non-Departmental Output Expenses

Intended Impacts, Outcomes and Objectives

Intended Impacts, Outcomes or Objectives of Appropriations	Appropriations
Outcome: A smaller and more effective State sector. Impact: The Crown's balance sheet is managed efficiently and effectively.	Management of New Zealand House, London Management of the Crown's Obligations for Geothermal Wells Management of the New Zealand Superannuation Fund
Outcome: Improved economic performance. Impact: Improved business environment.	Inquiries and Research into Productivity - Related Matters MCOA <i>Inquiries into Productivity- Related Matters</i> <i>Research into and Promotion of Productivity-Related Matters</i>

Inquiries and Research into Productivity Related Matters MCOA (M31)

Scope of Appropriation

Inquiries into Productivity - Related Matters
This output class is limited to inquiries undertaken by the New Zealand Productivity Commission in accordance with the New Zealand Productivity Commission Act 2010.
Research into and Promotion of Productivity - Related Matters
This output class is limited to the New Zealand Productivity Commission undertaking research into and promoting public understanding of productivity related matters in accordance with the New Zealand Productivity Commission Act 2010.

Explanation for Use of Multi-Class Output Expense Appropriation

The two output classes are limited to inquiries, research and promotion of productivity related matters.

Expenses

	2011/12		2012/13
	Budgeted \$000	Estimated Actual \$000	Budget \$000
Total Appropriation	4,691	4,691	5,028
Inquiries into Productivity - Related Matters	4,222	4,222	4,525
Research into and Promotion of Productivity - Related Matters	469	469	503

Output Performance Measures and Standards

Performance Measures	2011/12		2012/13
	Budgeted Standard	Estimated Actual Standard	Budget Standard
Work on the first inquiry referred to the Commission is underway within one month of the Commission becoming operational on 1 April 2011.	N/A	Achieved	N/A
The Board of the New Zealand Productivity Commission manage and administer in accordance with their Statement of Intent.	N/A	N/A	Achieved

Current and Past Policy Initiatives

Policy Initiative	Year of First Impact	2011/12 Budgeted \$000	2012/13 Budget \$000	2013/14 Estimated \$000	2014/15 Estimated \$000	2015/16 Estimated \$000
Enquiries , Reviews and Research into Productivity - Related Matters	2010/11	4,691	4,691	5,028	5,030	5,030

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

Total Appropriation	2011/12		2012/13
	Budgeted \$000	Estimated Actual \$000	Budget \$000
	1,000	1,000	1,000

Output Performance Measures and Standards

Performance Measures	2011/12		2012/13
	Budgeted Standard	Estimated Actual Standard	Budget Standard
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

	2011/12		2012/13
	Budgeted \$000	Estimated Actual \$000	Budget \$000
Total Appropriation	216	216	151

Reasons for Change in Appropriation

A one-off expense of \$65,000 was budgeted for in 2011/12 to perform remedial work on redundant geothermal assets at Wairakei.

Output Performance Measures and Standards

	2011/12		2012/13
	Budgeted Standard	Estimated Actual Standard	Budget Standard
Performance Measures			
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

	2011/12		2012/13
	Budgeted \$000	Estimated Actual \$000	Budget \$000
Total Appropriation	348	348	528

Reasons for Change in Appropriation

One-off savings have been made during 2011/12. Spending is expected to revert to the higher level in 2012/13.

Output Performance Measures and Standards

	2011/12		2012/13
	Budgeted Standard	Estimated Actual Standard	Budget Standard
Performance Measures			
The Guardians of New Zealand Superannuation manage and administer the Fund in accordance with their Statement of Intent.	Achieved	Achieved	Achieved

Summary of Service Providers for Non-Departmental Outputs

Provider	2011/12 Budgeted \$000	2011/12 Estimated Actual \$000	2012/13 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 	348	348	528	Providers annual report	Ongoing
The New Zealand Productivity Commission <ul style="list-style-type: none"> MCOA: Inquiries and Research into Productivity - Related Matters 	4,691	4,691	5,028	Providers annual report	Ongoing
Non-Government Organisations					
King Sturge International Property Consultants, London <ul style="list-style-type: none"> Management of New Zealand House, London 	1,000	1,000	1,000	Not required	Ongoing
Aurecon Limited and other providers <ul style="list-style-type: none"> Management of the Crown's Obligations for Geothermal Wells 	216	216	151	Not required	Ongoing

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

Intended Impacts, Outcomes and Objectives

Intended Impacts, Outcomes or Objectives of Appropriations	Appropriations
Outcome: A smaller and more effective State sector. Impact: The Crown's balance sheet is managed efficiently and effectively.	Debt Servicing

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

	2011/12		2012/13
	Budgeted \$000	Estimated Actual \$000	Budget \$000
Total Appropriation	3,457,514	3,457,514	3,689,533

Reasons for Change in Appropriation

The change reflects forecast interest rate movements 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
<p>Outcome: A smaller and more effective State sector.</p> <p>Impact: The Crown's balance sheet is managed efficiently and effectively.</p>	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 Limited 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

	2011/12		2012/13
	Budgeted \$000	Estimated Actual \$000	Budget \$000
Total Appropriation	230	230	230

Expected Results

	2011/12		2012/13
	Budgeted Standard	Estimated Actual Standard	Budget Standard
Settlements are within limits agreed by the Minister.	Achieved	Achieved	Achieved

Direct Sale costs for Implementing the Mixed Ownership Model (M31)

Scope of Appropriation and Expenses

Type, Title, Scope and Period of Appropriations	Appropriations, Adjustments and Use	\$000
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Type, Title, Scope and Period of Appropriations	Appropriations, Adjustments and Use	\$000
<i>Direct Sale costs for Implementing the Mixed Ownership Model (M31)</i> This appropriation is limited to the direct sales costs of implementing the Mixed Ownership Model. Commences: 15 December 2011 Expires: 30 June 2015	Original Appropriation	56,000
	Adjustments to 2010/11	-
	Adjustments for 2011/12	-
	Adjusted Appropriation	56,000
	Actual to 2010/11 Year End	-
	Estimated Actual for 2011/12	20,000
	Estimated Actual for 2012/13	26,000
	Estimated Appropriation Remaining	10,000

Reasons for Change in Appropriation

In December 2011, Cabinet approved a new Non-Departmental Other Expense Multi Year Appropriation for costs incurred in implementing the mixed ownership model. Funding of \$14 million was later transferred to the Departmental Output Expenses Multi Year Appropriation: Implementing the Mixed Ownership Model, \$5 million from 2011/12 and \$9 million from 2012/13.

Current and Past Policy Initiatives

Policy Initiative	Year of First Impact	2011/12 Budgeted \$000	2012/13 Budget \$000	2013/14 Estimated \$000	2014/15 Estimated \$000	2015/16 Estimated \$000
Direct Sale cost for Implementing the Mixed Ownership Model	2011/2012	25,000	35,000	6,000	4,000	-

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

	2011/12		2012/13
	Budgeted \$000	Estimated Actual \$000	Budget \$000
Total Appropriation	500	-	500

Expected Results

	2011/12		2012/13
	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 a year)	Achieve for all such events (no more than one expected in a year)	Achieve for all such events (no more than one expected in a 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

	2011/12		2012/13
	Budgeted \$000	Estimated Actual \$000	Budget \$000
Total Appropriation	50	50	50

Expected Results

	2011/12		2012/13
	Budgeted Standard	Estimated Actual Standard	Budget Standard
Board members' fees and disbursements are consistent with Cabinet Office Guidelines.	Achieved	Achieved	Achieved

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

	2011/12		2012/13
	Budgeted \$000	Estimated Actual \$000	Budget \$000
Total Appropriation	24,760	24,760	24,599

Expected Results

	2011/12		2012/13
	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.	Achieved	Achieved	Achieved

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

	2011/12		2012/13
	Budgeted \$000	Estimated Actual \$000	Budget \$000
Total Appropriation	515,291	515,291	657,776

Reasons for Change in Appropriation

The Government Superannuation Fund Unfunded Liability is expected to increase by \$143 million in 2012/13 reflecting changes in the discount rate.

Expected Results

	2011/12		2012/13
	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

Current and Past Policy Initiatives

Policy Initiative	Year of First Impact	2011/12 Budgeted \$000	2012/13 Budget \$000	2013/14 Estimated \$000	2014/15 Estimated \$000	2015/16 Estimated \$000
Budget 2010 Tax Package	2011/12	17,000	17,000	17,000	17,000	17,000

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

	2011/12		2012/13
	Budgeted \$000	Estimated Actual \$000	Budget \$000
Total Appropriation	1,500	250	800

Reasons for Change in Appropriation

The timing of draw-downs on the loan agreement is uncertain. It is expected that expenditure will be lower in 2011/12 than previously anticipated.

Expected Results

	2011/12		2012/13
	Budgeted Standard	Estimated Actual Standard	Budget Standard
Impairment of loans to Taitokerau Forest Limited correctly recorded in the Financial Statements of the Government.	Achieved	Achieved	Achieved

Current and Past Policy Initiatives

Policy Initiative	Year of First Impact	2011/12 Budgeted \$000	2012/13 Budget \$000	2013/14 Estimated \$000	2014/15 Estimated \$000	2015/16 Estimated \$000
Renegotiation of Crown loan to Taitokerau Forests Limited.	2008/09	800	800	800	800	800

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

	2011/12		2012/13
	Budgeted \$000	Estimated Actual \$000	Budget \$000
Total Appropriation	29,000	29,000	37,000

Reasons for Change in Appropriation

The lower costs in 2011/12, relative to 2012/13 reflect a revised forecast for the expected interest costs in relation to the National Provident Fund liability.

Expected Results

	2011/12		2012/13
	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.	Unqualified audit opinion	Unqualified audit opinion	Unqualified audit opinion

New Zealand House, London (M31)*Scope of Appropriation*

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

Expenses

	2011/12		2012/13
	Budgeted \$000	Estimated Actual \$000	Budget \$000
Total Appropriation	16,200	16,200	15,450

Reasons for Change in Appropriation

A new Non-Departmental Capital expenditure appropriation New Zealand House, London has been established and \$750,000 has been transferred from appropriation in 2012/13 to that, to fund future capital expenditure requirements for the building.

Expected Results

	2011/12		2012/13
	Budgeted Standard	Estimated Actual Standard	Budget Standard
Net rental from commercial space is optimised.	Achieved	Achieved	Achieved
New Zealand House is maintained to provide office accommodation of a suitable standard for New Zealand Government entities in London.	Achieved	Achieved	Achieved

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

	2011/12		2012/13
	Budgeted \$000	Estimated Actual \$000	Budget \$000
Total Appropriation	683	51	200

Reasons for Change in Appropriation

The change in appropriation level reflects the uncertainty surrounding the timing of the harvest of forests.

Expected Results

	2011/12		2012/13
	Budgeted Standard	Estimated Actual Standard	Budget Standard
Grant payment is made in accordance with Taitokerau Forests Limited agreement	Achieved	Achieved	Achieved

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

	2011/12		2012/13
	Budgeted \$000	Estimated Actual \$000	Budget \$000
Total Appropriation	250	250	250

Expected Results

	2011/12		2012/13
	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.	Achieved	Achieved	Achieved

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

	2011/12		2012/13
	Budgeted \$000	Estimated Actual \$000	Budget \$000
Total Appropriation	250	250	250

Expected Results

	2011/12		2012/13
	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.	Achieved	Achieved	Achieved

Unwind of Discount Rate used in the Present Value Calculation of Payment under Crown Deed of Support with AMI (M31)

Scope of Appropriation

This appropriation is limited to the expense incurred in unwinding the discount rate used in the present value calculation of the liability as the liability nears settlement.

Expenses

	2011/12		2012/13
	Budgeted \$000	Estimated Actual \$000	Budget \$000
Total Appropriation	7,000	7,000	30,000

Reasons for Change in Appropriation

This is a new appropriation to provide for the interest expenses that arise as a natural consequence of the equity injection in AMI which must be re-valued annually with no impact on the operating balance. The appropriation was established on 5 April 2012. The increase in appropriation in 2012/13 reflects a full year.

Reporting Mechanisms

Appropriation	Reporting Mechanism
Crown Residual Liabilities	Not required
Direct Sale Costs for Implementing Mixed Ownership Model	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 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
Unclaimed Money	Not required
Unclaimed Trust Money	Not required
Unwind of Discount Rate used in the Present Value Calculation of Payment under Crown Deed of Support with AMI	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
Outcome: A smaller and more effective State sector. Impact: State institutions can and do deliver sustained performance improvement.	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 Treasury, as authorised by section 24(1) of the Public Finance Act 1989.

Capital Expenditure

	2011/12		2012/13
	Budgeted \$000	Estimated Actual \$000	Budget \$000
Forests/Agricultural	-	-	-
Land	-	-	-
Property, Plant and Equipment	1,438	1,440	912
Intangibles	1,953	1,953	988
Other	-	-	-
Total Appropriation	3,391	3,393	1,900

Reasons for Change in Appropriation

Capital expenditure in 2012/13 is currently expected to be \$1.500 million lower than in 2011/12. Expenditure was higher in 2011/12 due to the timing of routine replacement of the Treasury's financial information technology as it moved onto a common central agencies platform and expenditure on achieving the foundations to a common IT platform across the three central agencies.

Expected Results

The forecast capital expenditure will support the efficient delivery of services as set out in the Treasury's Statement of Intent. A capital plan for all central agencies is being developed by the new Central Agencies Shared Services. This may result in subsequent revisions to the 2012/13 capital expenditure budget.

Part 6.2 - Non-Departmental Capital Expenditure

Intended Impacts, Outcomes and Objectives

Intended Impacts, Outcomes or Objectives of Appropriations	Appropriations
Outcome: A smaller and more effective State sector. Impact: The Crown's balance sheet is managed efficiently and effectively.	International Financial Institutions Taitokerau Forests Landcorp Protected Land Agreement New Zealand House, London Capital

International Financial Institutions PLA (M31)

Scope of Appropriation

This appropriation is limited to capital expenditure for shares subscribed to by New Zealand as a member of International Financial Institutions, authorised by section 5 of the International Finance Agreements Act 1961.

Capital Expenditure

	2011/12		2012/13
	Budgeted \$000	Estimated Actual \$000	Budget \$000
Total Appropriation	220,000	175,000	220,000

Reasons for Change in Appropriation

Forecasts have been aligned to latest information provided by International Financial Institutions on anticipated requests for additional capital.

Expected Results

	2011/12		2012/13
	Budgeted Standard	Estimated Actual Standard	Budget Standard
Payment of agreed subscriptions are made by due date.	Achieved	Achieved	Achieved
Payment made to countries through the IMF Financial Transactions Plan are made by due date.	Achieved	Achieved	Achieved

Current and Past Policy Initiatives

Policy Initiative	Year of First Impact	2011/12 Budgeted \$000	2012/13 Budget \$000	2013/14 Estimated \$000	2014/15 Estimated \$000	2015/16 Estimated \$000
Budget 2011: Increase in Capital in IMF	2012/13	-	180,000	-	-	-
Budget 2012: New arrangements to borrow	2012/13	-	100,000	-	-	-

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

	2011/12		2012/13
	Budgeted \$000	Estimated Actual \$000	Budget \$000
Total Appropriation	11,700	2,000	2,000

Reasons for Change in Appropriation

When protected land properties transfer from LandCorp Holdings to the Crown, the costs on each farm need to be settled, including accumulated capital costs, management fees and net accumulated losses/(profits). Recognition of costs only takes place once the likely date of transfer is known. In 2011/12, an expense transfer from 2010/11 was approved for \$9.700 million reflecting the timing of anticipated transfers. The anticipated value of costs is expected to increase by \$2 million annually.

Current and Past Policy Initiatives

Policy Initiative	Year of First Impact	2011/12 Budgeted \$000	2012/13 Budget \$000	2013/14 Estimated \$000	2014/15 Estimated \$000	2015/16 Estimated \$000
Budget 2011: Capital annual increase for interest and any required capital expenditure	2011/12	2,000	2,000	2,000	2,000	2,000

New Zealand House, London, capital (M31)

Scope of Appropriation

This appropriation is limited to capital expenditure in relation to New Zealand House, London.

Capital Expenditure

	2011/12		2012/13
	Budgeted \$000	Estimated Actual \$000	Budget \$000
Total Appropriation	-	-	750

Reasons for Change in Appropriation

This is a new appropriation set up to fund future New Zealand House, London capital expenditure requirements with funding transferred from Non-Departmental Other Expense New Zealand House, London.

Expected Results

	2011/12		2012/13
	Budgeted Standard	Estimated Actual Standard	Budget Standard
New Zealand House is maintained to provide office accommodation of a suitable standard for New Zealand Government entities in London.	N/A	N/A	Achieved

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

	2011/12		2012/13
	Budgeted \$000	Estimated Actual \$000	Budget \$000
Total Appropriation	1,500	250	800

Reasons for Change in Appropriation

The change in appropriation reflects the uncertainty in the timing of draw-downs of the Taitokerau Forests Limited loan facility.

Expected Results

	2011/12		2012/13
	Budgeted Standard	Estimated Actual Standard	Budget Standard
Loans will be provided in accordance with the terms of the loan agreement.	Achieved	Achieved	Achieved

Current and Past Policy Initiatives

Policy Initiative	Year of First Impact	2011/12 Budgeted \$000	2012/13 Budget \$000	2013/14 Estimated \$000	2014/15 Estimated \$000	2015/16 Estimated \$000
Renegotiation of Crown loan to Taitokerau Forests Limited.	2008/09	800	800	800	800	800

Reporting Mechanisms

Appropriation	Reporting Mechanism
International Financial Institutions	Not required
New Zealand House, London Capital	Annual report of the New Zealand Government Property Corporation
Taitokerau Forests	Not required
Landcorp Protected Land Agreement	Not required

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