

# A Snapshot of the 2011 Financial Statements of the New Zealand Government

**Over 2,500 entities make up the Government entity. In total they recorded nearly \$82 billion in revenue and spent almost \$100 billion resulting in a deficit of just over \$18 billion. The deficit included net costs of the earthquakes (so far) of \$9.1 billion. The Government owns assets worth \$245 billion and owes a total of \$164 billion.**

Embargo: Contents not for communication in any form before 11.30am on Tuesday 11 October 2011.

Disclaimer: This publication is not audited. It is not intended to be read as a full picture of the New Zealand Government's financial performance or position.

<http://www.treasury.govt.nz/financialstatements/yearend/jun11snapshot>



New Zealand Government

# Where does the Government's money come from?

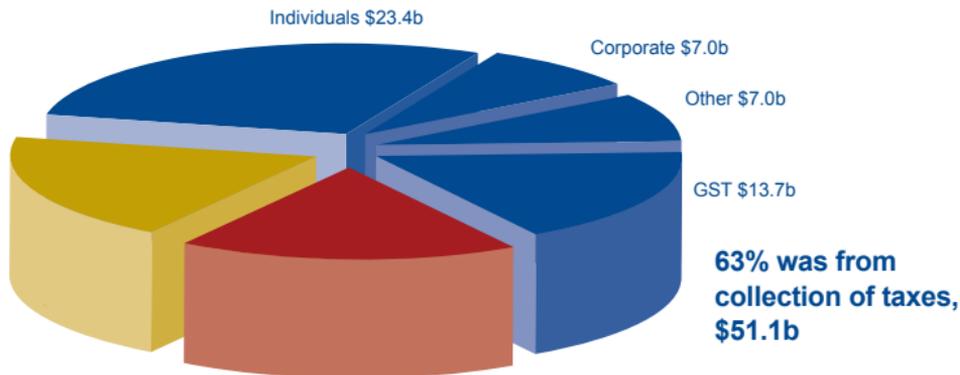
## 18% was from selling goods and services, \$15.1b

Most of this revenue (80%) comes from activities of the SOEs, including:

- postal services
- supplying electricity
- airfares

Departments also charge fees for some services to offset their costs, for example:

- issuing passports,
- building levies, and
- immigration fees

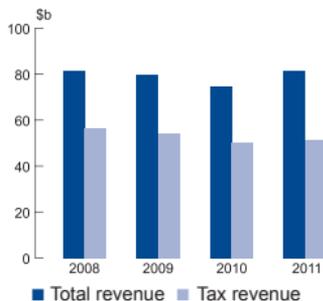


## 19% was from other sources, \$15.4b

This included ACC levies of \$3.6b, fire service and EQC levies of \$0.4b and fines through the court system of \$0.2b.

Total revenue was \$82b in 2011, an increase of \$7b from 2010

This was the first increase in both total Crown revenue and tax revenue in three years, largely due to the economy recovering since the global financial crisis.



## Facts and figures

3.3 million New Zealanders paid tax of \$23.4b in 2011. This equates to an average of \$7,000 in tax per person.

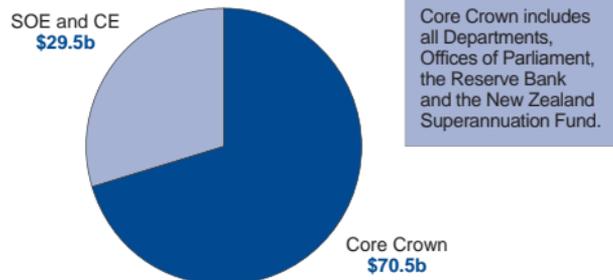
### Who pays income tax, and how much?

| Income              | % of people | pay % of tax |
|---------------------|-------------|--------------|
| Under 30,000        | 57          | 14           |
| \$30,000 – \$70,000 | 31          | 37           |
| Over \$70,000       | 12          | 49           |

Note: this data is based on 31 March 2011 forecast.

# Your tax dollar – where was it spent?

Total Crown expenses were \$100b in 2011

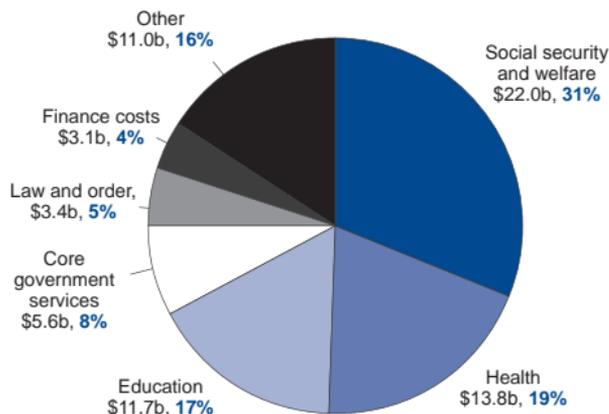


Core Crown expenses increased \$6.4b from 2010

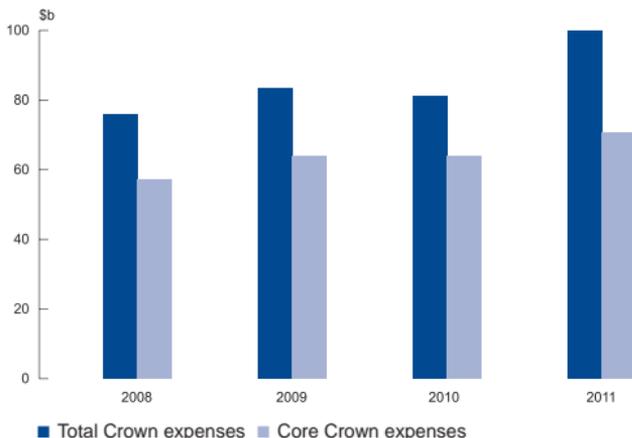
The biggest movers were:

- **Core government services:** Earthquake related costs were the main reason and are discussed in more detail below. **\$2.6b**
- **Welfare:** Inflation, the ageing population and earthquake-related assistance caused benefit costs to increase. **\$0.8b**
- **Finance costs:** As debt levels rise, so too do finance costs. **\$0.8b**
- **Housing:** The cost of implementing the repair scheme for leaky homes was recognised this year. **\$0.6b**

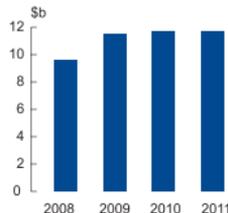
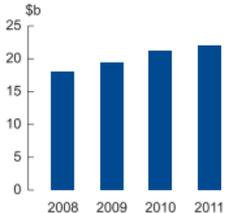
67% of core Crown spending was for Welfare, Health and Education



The trend in expenses over the years



# Your dollar provided...



## Social welfare spending of \$22.0b

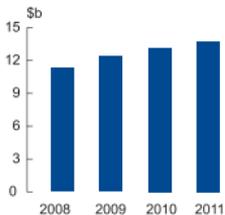
The largest single area of welfare spending was for New Zealand Superannuation, with the Government spending **\$8.8b** providing 561,000 superannuitants with income support.

The Government also spent **\$4.7b** on benefit payments to 343,000 people receiving the unemployment, sickness, invalids, and domestic purposes benefits.

## Education expenses of \$11.7b

As of March 2011, there were approximately 211,000 enrolments in over 5,100 early childhood education services, employing 19,800 teachers and there were approximately 764,000 students in 2,481 schools, employing 52,000 teachers.

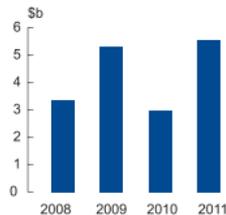
The Government spent around **\$2.3b** subsidising education at tertiary institutions. This funding allowed over 650,000 students to enrol in higher education institutions or participate in industry training.



## Health spending of \$13.8b

Funding provided to the 20 District Health Boards (DHBs) totalled just over **\$11b** this year, an increase of 4% from 2010.

This funding allowed for approximately 48,000 nurses and 14,000 doctors to provide healthcare across the country and DHBs to report a record total of 145,000 elective surgical discharges this year.



## Core government services worth \$5.6b

The largest expense was related to the earthquake, totalling **\$1.4b**. This is not the total cost of the earthquake as some costs were for welfare assistance. A full breakdown of all earthquake costs so far is provided below.

Also included in this category was **\$0.5b** of official development assistance payments, half of which were to Pacific Island nations.

# Canterbury Earthquakes: the cost so far & what's to come?

The earthquakes that struck Canterbury caused wide scale destruction and were a key contributor to the large increase in Government expenses in 2011.

*So far... the net cost to the Government is \$9.1b.*

The gross costs recognised so far for the earthquake amount to \$13.6b, largely the cost of claims filed with EQC. Other significant costs include the Government's support for homeowners in the red zone, welfare payments for Canterbury residents, and support of AMI.

Insurance recoveries of \$4.5b offset these costs.

|              | Costs       | Income     | Net cost   |
|--------------|-------------|------------|------------|
| EQC          | 11.8        | 4.2        | 7.6        |
| Red Zone     | 0.7         | -          | 0.7        |
| Welfare      | 0.4         | -          | 0.4        |
| AMI          | 0.3         | -          | 0.3        |
| Other        | 0.4         | 0.3        | 0.1        |
| <b>Total</b> | <b>13.6</b> | <b>4.5</b> | <b>9.1</b> |

## Facts and figures

- 8,666 earthquakes struck Canterbury from 4 September 2010 to 26 September 2011
- Over 400,000 claims from homeowners received by EQC
- 6,000 houses in the red zone
- \$4m paid per day by EQC since 4 September 2010



*There are still costs to come....*

- **Policy decisions:** One example of a decision to be made is whether orange zone properties will be zoned red or green. If more properties are zoned red, this will increase the Government's costs.
- **Estimations:** Some costs have not been able to be estimated, for example local infrastructure including water and sewerage systems and local roads. More information is needed on damage and plans for rebuilding and repair in order to estimate costs reliably.
- **New costs:** There are still other costs that are yet to be incurred, for example further demolition of buildings.

The total cost of the earthquake is still uncertain and will only be known once the rebuild is completed.

*While the total costs are uncertain, the Government has contingencies in place for future funding*

The Canterbury Earthquake Recovery Fund (CERF) was set up in Budget 2011 and included \$5.5b of funding over the next six years.

\$1.6b of this was used in the 2011 financial year, meaning there is \$3.9b remaining for future costs.

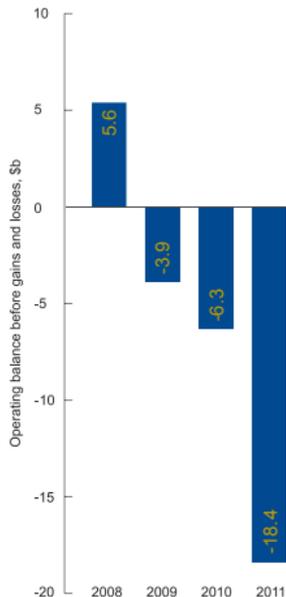
# Government spending exceeded income

## Spending exceeded revenue by over \$18b

The gap between total Crown expenses and revenue this year was a deficit of \$18.4b, the largest ever recorded.

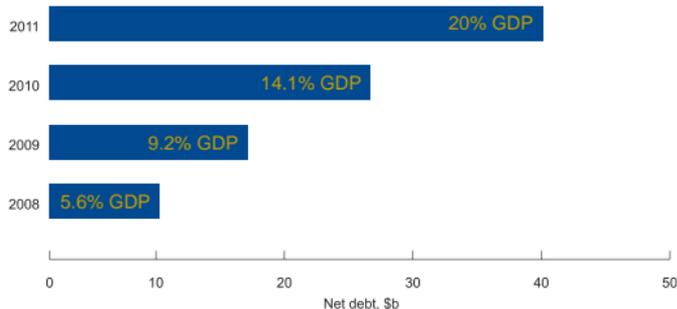
Excluding the Canterbury earthquake, the deficit would have been significantly less.

The net cost of the earthquakes so far has been \$9.1b, therefore, the deficit would have been \$9.3b without these costs.



## Operating deficit → cash deficit → borrowing

If the Government spends more cash than it receives it borrows to meet the shortfall. The deficit this year lead to net debt (the Government's net borrowing position) increasing significantly.



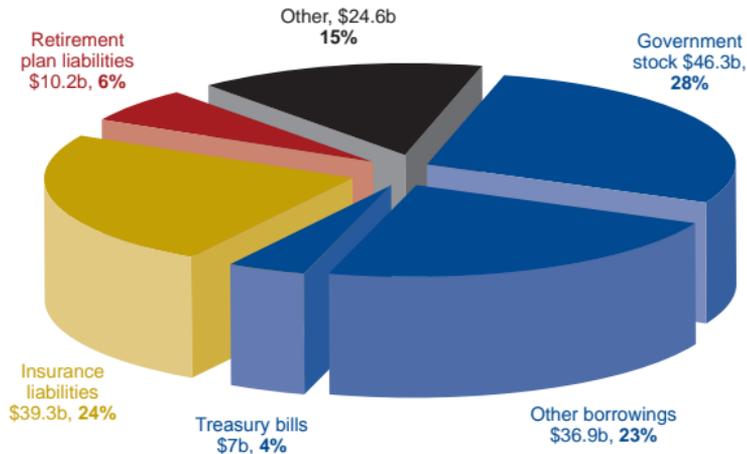
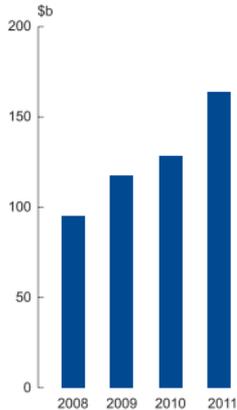
## Facts and figures

- The Government issued \$19.5b of domestic market bonds in the 2011 financial year.
- This equates to gross borrowing of \$390m per week, based on 50 weekly tenders during the year.
- Estimated overseas holdings of these bonds by non-residents increased by \$10.8b in 2011.

# What does the Government owe?

**Total liabilities as at 30 June 2011 were \$164b**

Trend over the years



## Borrowings at 30 June 2011 were \$90b

Issuing Government bonds and Treasury bills are the main form of Crown borrowing used by the New Zealand Debt Management Office.

Other borrowings are mostly undertaken by State-owned enterprises and Crown entities, for example \$10.6b of this is Kiwibank deposits.

## Retirement plan liabilities remained relatively consistent with previous years

The largest of the funds is the Government Superannuation Fund. While the fund closed to new entrants in 1992, there were still 60,272 members at 30 June 2011 (78% retired).

While the fund has some assets to offset the total obligation, the unfunded amount is \$10.2b.

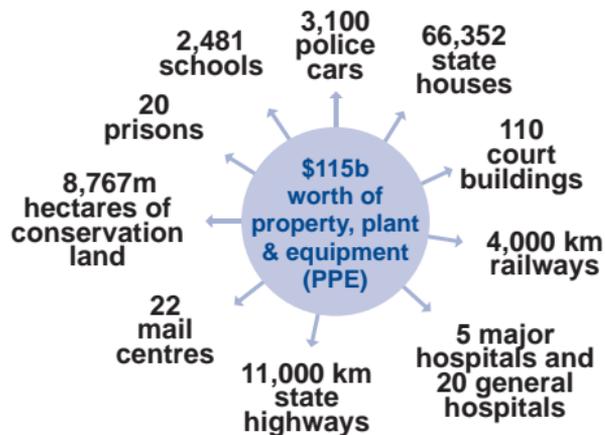
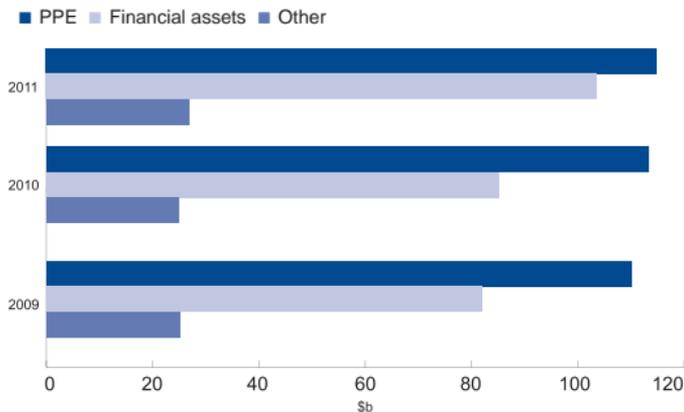
## Insurance liabilities increased \$12.2b largely due to the earthquake

There are three large insurers controlled by the Government. The obligation represents the expected cost of claims by policy holders.

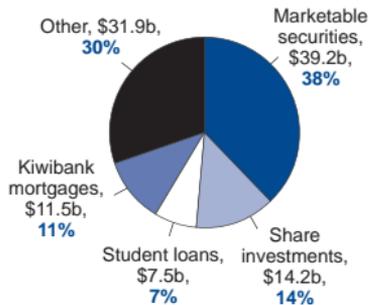
| Insurer      | Obligation     | Type of insurance                            |
|--------------|----------------|--|
| ACC          | \$26.9b        | Workplace and accident insurance cover       |
| EQC          | \$10.6b        | Cover for damage caused by natural disasters |
| AMI          | \$2.1b         | General private insurance cover              |
| Other        | (\$0.3b)       |  |
| <b>Total</b> | <b>\$39.3b</b> |  |

# What does the Government own?

Total assets as at 30 June 2011 were \$245b



\$104b worth of financial assets



## Facts and figures

- 53% of marketable securities are held in US dollars.
- The Kiwibank mortgage book increased 10% from 2010.
- The Government lent \$1.5b to over 200,000 students in 2011.
- "Other" is mostly made up of cash and receivables.

