

THE TREASURY Annual Report 2019/20

and Minister of Finance's Reports on Non-Departmental Appropriations

The cover of this report features the pātiki (flounder), a symbol taken from the tukutuku (woven panels) in our wharenui, representing abundance, wealth and wellbeing.

This pātiki features the colours of the four capitals in our Living Standards Framework: the skills and knowledge of our people, the natural environment we live in; the social connections, community and institutions we have; as well as the buildings and machines we use. Collectively, these capital stocks generate wellbeing now and in the future.



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Annual Report presented to the House of Representatives pursuant to section 44 of the Public Finance Act 1989

Report on Non-Departmental Appropriations by the Minister of Finance presented to the House of Representatives pursuant to section 19B of the Public Finance Act 1989

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Chief Executive's Introduction

The Treasury is the government's lead economic and financial advisor. In our 180-year history, seldom has the expertise we bring to this role been more crucial than it is now.

From the time COVID-19 began to cast a shadow on New Zealand's economy, the Treasury provided policy advice for the Government's economic response to the pandemic. This included wage subsidies, business loan schemes, tax initiatives and coordination of the provision of funding required by the Government, along with many other examples you will read about in this Annual Report.

All of this work was carried out within the context of rapid change, considerable uncertainty and large information gaps. It demanded adaptability and responsiveness in the way we operate.

We quickly reprioritised effort to ensure our core work was delivered, while creating capacity to provide specific advice to the Government on its COVID-19 response. Risk management and staff wellbeing are among our top priorities, which meant changing many of our physical work practices. And the need for timely information on economic impacts has seen us working closely with public and private sector partners to track real-time data, as well as conducting broad and frequent virtual engagement to get immediate feedback from businesses, iwi, industry sectors and communities.

The Treasury's adaptability came to the fore in our preparation of Budget 2020. In exceptional circumstances and tight timeframes, we met the challenge to support the Minister of Finance to deliver a Budget that reflected the real-life impact that COVID-19 is having on New Zealanders' lives and livelihoods.

Across our work, we apply wellbeing analysis and evidence using our Living Standards Framework (LSF). The LSF helps us provide high-quality advice by more systematically considering the broader impacts of policy, including taking account of distributional impacts and risk. We continue to refresh the LSF to better capture different aspects of wellbeing.

The LSF has also guided our stewardship focus in applying a medium to long-term, whole-of-system view to core public sector systems. This is evident in our work on investment and asset management capability, the Public Finance (Wellbeing) Amendment to the Public Finance Act 1989, the Finance Development Programme and Baseline Reviews, among other things.

Over the course of the 2019/20 year, we have focused on four areas of organisational development: strength, stewardship, capability and culture. We have implemented changes designed to strengthen our governance, risk management, information security and incident response, so that we have the systems to support us to succeed.

Commitment to inclusion and diversity has been a foundation of the Treasury's culture for several years. We make the most of our capabilities by building a rich diversity of thought into our work, and fostering an inclusive working environment to harness it. During the year we prioritised several initiatives to build our cultural competence and capabilities to engage effectively with Māori and Pacific communities. Evidence of this commitment is our aim to increasingly use He Ara Waiora, a te ao Māori view of wellbeing, in our work alongside the LSF.

I joined the Treasury in September 2019 and since day one it has been a privilege to be part of this organisation. I wish to acknowledge the many people in and outside the public service who have supported the Treasury's work this year. Most of all, thank you to everyone at the Treasury for the professionalism, know-how and deep commitment to public service and raising living standards that you bring to your work.

Statement of Responsibility

I am responsible, as the Secretary to the Treasury, for:

- the preparation of the Treasury's Financial Statements, and Statements of Expenses and Capital Expenditure, and for the judgements expressed in them
- having in place a system of internal control designed to provide reasonable assurance as to the integrity and reliability of financial reporting
- ensuring that end-of-year performance information on each appropriation administered by the Treasury is provided in accordance with sections 19A to 19C of the Public Finance Act 1989, whether or not that information is included in this Annual Report
- the accuracy of any end-of-year performance information prepared by the Treasury, whether or not that information is included in the Annual Report.

In my opinion:

- the Financial Statements fairly reflect the financial position of the Treasury as at 30 June 2020 and its operations for the year ended on that date
- the Forecast Financial Statements fairly reflect the forecast financial position of the Treasury as at 30 June 2021 and its operations for the year ending on that date.

Dr Caralee McLieshSecretary to the Treasury
27 November 2020

SECTION ONE

Who We Are and What We Do

AT A GLANCE

2019/20 Annual Report

A world-leading Treasury working towards higher living standards for New Zealanders.

WE APPLY A BROAD, ROBUST ECONOMIC APPROACH ACROSS OUR WORK

THE ECONOMY

We want New Zealand to be prosperous, and for that prosperity to also be sustainable and inclusive.

We support the Government and Ministers to make informed policy decisions for New Zealanders, with a particular focus on policies that support economic development. In doing so, we take account of impacts on social, natural, human and financial/physical capital.

In 2019/20 this saw us lead work across government on New Zealand's economic response to COVID-19 to:

- re-orient economic and fiscal forecasts to include scenarios that reflect the inherent uncertainty of the pandemic
- inform our understanding of the impacts of COVID-19 on New Zealanders, particularly Māori with the He Ara Waiora wellbeing framework
- re-cast and deliver Budget 2020 to reflect the impact of immediate and some longer-lasting effects of COVID-19
- provide additional financial support for the public health system
- advise on the wage subsidy and income support policies
- advise on setting up additional support for business via the banking and tax systems
- · advise on infrastructure projects.

We also:

- progressed reviews of key pieces of legislation to shape economic outcomes, including the Public Finance (Wellbeing) Amendment Act, which amended the Public Finance Act 1989; the Overseas Investment Act 2005; and development of new policy and legislation to reform the governance of the Reserve Bank of New Zealand and its powers and functions
- deepened New Zealand's Early Stage Capital Markets by establishing the Elevate NZ Venture Fund
- supported the establishment of New Zealand's Infrastructure Commission, Te Waihanga as an autonomous Crown entity that coordinates, develops and promotes infrastructure and services that improve the wellbeing of New Zealanders
- contributed to the ongoing Christchurch recovery by supporting the timely, fair and enduring resolution of earthquake claims through our advice to the Minister Responsible for the Earthquake Commission, and our work to negotiate a funding agreement for the Christchurch Multi-Use Arena, among other work.

THE STATE SECTOR

We want New Zealand's State sector to be characterised by the efficient and effective delivery of government initiatives and objectives.

We work towards improving State sector performance through:

- · our policy advice on State sector management and institutional settings
- programmes designed to build the capability of agencies' key finance officials to direct and improve the financial management of their agencies.

In 2019/20 this saw us:

- provide guidance to the State sector on planning and reporting obligations within the context of COVID-19
- support agencies to work through the implications of COVID-19 on their accounts, funding and legislative reporting requirements
- work closely with Te Kawa Mataaho Public Service Commission¹ to support the passage of the Public Service Act 2020, including amendments to the Public Finance Act 1989
- advise the Government on the performance of agencies in the State sector and the fiscal and economic implications of Government policy
- support the New Zealand Defence Force with a baseline review to better understand their current and future spending priorities
- advise the Government on how investment management and asset performance in the State services can be delivered in a way that supports a wellbeing focus
- continue to provide specialist support for, and assurance on, individual investments.

CROWN FINANCES

Our advice on fiscal policy and strategy, and operational effectiveness, ensures the government is able to manage and use the Crown's balance sheet in a sustainable manner.

In 2019/20 this saw us:

- Deliver New Zealand's second wellbeing budget (Budget 2020).
- Coordinate the provision of funding required by the Government:
 - 2019/20 borrowing programme increased from the forecast \$10 billion to close the year at \$29 billion
 - successful tap syndication of the 31 May New Zealand Government Bond (NZGB)
 - launch of a new 2024 NZGB via syndication, which saw the largest syndication ever achieved (\$7 billion), twice as large as any previous syndication.

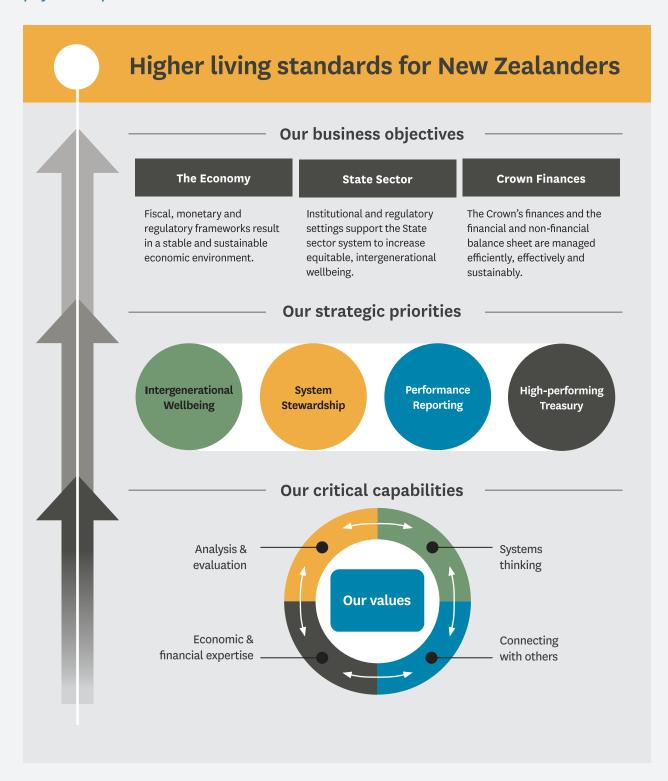
- During challenging conditions created by COVID-19, the increased borrowing programme was implemented alongside sound and effective liquidity management, with no breaches occurring.
- Strong domestic and international investor interest and confidence in New Zealand Government Bonds was maintained through proactive (virtual) engagements and regular economic and COVID-19 updates.
- Extending the Local Government Funding Agency (LGFA) liquidity facility to provide assurance to prospective lenders so that LGFA is able to continue to borrow at competitive interest rates.

¹ Formerly the State Services Commission.

AT A GLANCE

Our Strategy

Our vision of being a world-leading Treasury drives us to achieve higher living standards for New Zealanders by improving the country's human, social, natural and financial/physical capital.



Our business objectives

Our business objectives represent the three areas where our work has the most impact on the wellbeing of New Zealand and its people: the economy, the State sector and the Crown's finances. This report presents our achievements across these areas in 2019/20, and how we have used our Living Standards Framework (LSF) to inform our efforts.

COVID-19 has challenged us to reprioritise and refocus the work we do under each of these objectives to ensure the Government can continue delivering benefits to New Zealanders through the overarching economic framework and fiscal strategy, while at the same time achieving value for money from its investments and adapting and responding to the immediate crisis.

The economy

We support the government and Ministers to make informed decisions on macroeconomic and microeconomic policy to deliver outcomes for New Zealanders. This includes providing fiscal policy and advice on the monetary policy framework, economic development and innovation, capital markets, tax, resource management, productivity, labour markets and skills, investment and trade, and regulation.

At the same time, we contribute to:

- the Government's economic strategy² we collaborated with the Ministry of Business, Innovation and Employment (MBIE) and other economic agencies to drive the Government's economic strategy. This saw us supporting strategic discussions amongst Ministers at the Economic Development Cabinet Committee and drafting associated public speeches by the Minister of Finance
- supporting exporters we enabled exporters to access additional finance and trade with confidence into 55 countries. Through New Zealand Export Credit's services, a total of \$130 million of risk exposure was underwritten in support of export contracts worth a total of \$288 million
- facilitating the economic transition to a low emissions economy we worked with other agencies to advise the Government on its decisions on the Climate Change Response (Zero Carbon) Amendment Bill³, the review of the New Zealand Emissions Trading Scheme and the establishment of the Independent Climate Change Commission. Our fiscal and economic analysis covered the distributional impacts of Emissions Trading Scheme (ETS) changes on New Zealand households, advice on the timing and content of ETS reforms, and also included advice on options for the use of ETS revenues
- education, skills and labour market policy that supports the Future of Work focus – we worked closely with Ministers, agencies and key stakeholders to support the Future of Work Tripartite Forum⁴ and advised and promoted alignment across the Government's education, welfare, immigration and labour market work programmes and broader economic strategy.

The State sector

Our greatest contribution to the efficient and effective delivery of government initiatives and objectives is through our advice on State sector management and institutional settings, and through programmes designed to build the ability of key finance officials in agencies to direct and improve the financial management of their agencies:

- public finance modernisation we modified the public finance system by:
 - providing advice to support amendments to the Public Finance Act 1989
 - administering the Finance Development Programme to lift strategic financial capability across the State sector
 - working with the government finance community to improve processes and technology.
- investment and asset management we led a key part of New Zealand's public finance system, known as the investment management system, to ensure the system (processes, rules, capabilities, information and behaviours) works smoothly and optimises the value over time of existing assets and new investments managed by government agencies and Crown entities. We worked with agencies to improve their asset management capability through a combination of advice, assessments and sharing of best practice
- Health and Disability System Review we provided support and advice to the independent Health and Disability System Review (HDSR) via secondment of staff and advice on health capital settings. We worked with other agencies and supported Ministers by providing advice on the Government's initial response to the review and the process for the next stage of work. This sat alongside our existing work with the Ministry of Health on District Health Board performance.

Crown finances

We ensure the government can manage and use the Crown's balance sheet efficiently and effectively, and in a sustainable manner. This sees us providing advice through our management of cost-benefit and other value-for-money assessment processes, and through facilitating financial asset management.

The Treasury produces the audited annual Financial Statements of Government in accordance with New Zealand Generally Accepted Accounting Practice (NZ GAAP). These provide information on the government's assets and liabilities, revenue and expenses and cash flows to inform the fiscal forecasts, which also report on the forecast financial and physical capital for government. The Financial Statements of Government for 2019 and the monthly financial statements were all published within legislative deadlines and to the standards of our auditors.

² Further information on the strategy is presented on page 20 of this report.

³ The Government made significant commitments in climate policy over 2019/20, including the Zero Carbon Act, which sets long-term emission reduction goals out to 2050.

⁴ The purpose of this forum is to support the work of government, business, workers and others to meet the challenges and take the opportunities of a rapidly-changing world of work. It offers the opportunity for the perspective of all the key social partners in the economy to be included, and for feedback to be incorporated into government work programmes. The Forum draws on expertise from its social partners and from other interested parties such as academia, cultural organisations and community groups.

We also provide and contribute to:

- fiscal strategy we provided fiscal strategy advice for the Budget Policy Statement 2020 and Fiscal Strategy Report 2020
- statutory requirements for the Budget in addition to providing advice on, and delivering the Budget on time and with substantial reorientation to COVID-19, we delivered:
 - economic and fiscal updates outlining the Treasury's view of the New Zealand economy and the government's books, and the risks associated with them
 - Appropriation Acts and Imprest Supply Acts, which provide authority from Parliament to spend public money.
- government borrowing requirements and associated investment and risk management activities – we ensure the government has ready access to debt funding markets to finance public expenditure. We ensure long-term borrowing costs are minimised while managing associated risks. We also ensure Crown liquidity needs are well managed. These activities require building and maintaining strong relationships with investors, intermediaries and credit rating agencies
- performance of the Crown's commercial and financial assets we provided advice to shareholding and responsible Ministers, with the objective of improving asset performance and managing risks to the Crown, and advised on the appointments of directors to boards. We supported Ministers through the development and provision of advice and options to support the Crown's key policy objective of deepening New Zealand's capital markets.

Our strategic priorities

Our strategic priorities allow us to align and prioritise our key programmes of work. They also reflect our commitment to directing government investment towards what matters, and to monitoring the creation of value to improve the wellbeing of all New Zealanders now and in the future.

INTERGENERATIONAL WELLBEING

Intergenerational wellbeing is about ensuring New Zealand's economic system benefits successive generations of New Zealanders.

It's also about ensuring that New Zealand's human, social, natural and financial/physical capital are taken due account of in a 'comprehensive' balance sheet view of capabilities to support living standards, which we then provide advice on to government to:

- optimise the Crown's long-term net worth for the benefit of New Zealanders
- manage the Government's current and future financial and non-financial resources.

PERFORMANCE REPORTING

Delivering wellbeing outcomes to New Zealanders calls for agencies to have a clear, concise, integrated story that explains how their resources create value.

This sees us taking steps to improve the State Sector's financial and non-financial planning and reporting, while at the same time reviewing and rationalising agency reporting requirements to determine the best vehicles to collect and report non-financial information.

SYSTEM STEWARDSHIP

Our system stewardship priority is about taking a medium to long-term, whole-of-system view to core State sector systems (rules, processes and tools) to set or influence the strategic vision and system-level direction and better understand the range of levers available to shift incentives and behaviours.

A HIGH-PERFORMING TREASURY

As the government's lead economic and financial advisor, our vision is to be a world-leading Treasury working towards higher living standards for New Zealanders.

Achieving this means building deep expertise and strong technical skills and also embracing diverse thinking, adopting inclusive ways of working and engaging with a broad range of communities.

We make this happen by applying rigorous analysis and a diversity of thought to our work. As we do so, we take steps to ensure our information security and business processes are robust and fit-for-purpose.



LEARN MORE ABOUT OUR STRATEGIC PRIORITIES AND THE CRITICAL CAPABILITIES WE USE TO DELIVER THEM GOT TO HTTPS://BIT.LY/33GYUWR

The Way We Go About Our Business

As the government's lead economic and financial advisor, our advice informs the government's overarching economic framework, its fiscal strategy and its approach to achieving value for money from its investments.

Within this context, we implement government decisions and take responsibility for the Financial Statements of Government. We also publish economic and fiscal forecasts and provide effective management of assets and liabilities on the Crown's balance sheet.

We use our Living Standards Framework (LSF) to ensure our advice takes wellbeing impacts and evidence into account, and ultimately helps achieve higher living standards for New Zealanders. We do this by using the framework to inform our understanding of, and to shape our advice on, New Zealand's human, social, natural and financial/physical capital.

As we do so, we recognise the importance of the inclusion of diverse thinking in building a trusted, professional State sector. We embody kaitiakitanga (stewardship) by supporting the Treaty of Waitangi partnership between Māori and the Crown, and we are objective, impartial, transparent and free and frank in our advice to ministers and other stakeholders.



TO LEARN MORE ABOUT THE LSF

A year of transition, strengthening and response

Strengthening our information security

In 2019/20 Te Kawa Mataaho Public Service Commission completed its inquiry into concerns about the security of our Budget process, following an incident in 2019 that led to information from embargoed Budget documents being made public prior to Budget day.

This and other incidents, together with the findings of the inquiry, indicated that there was more we could do to manage our information security and supporting business processes. We launched an ongoing internal programme of work to strengthen the aspects of our business that were referred to in the inquiry's findings.

We established an Information Technology Governance Committee, which includes external members, as a subcommittee of our Executive Leadership Team (ELT) to provide strategic oversight of the management of IT assets and IT delivery. A Budget Governance Group was also set up, again with an external member, to oversee the business and technical aspects of Budget production and the ownership of Budget risks.

Other actions being taken as part of the programme include:

- · strengthening our core systems and processes
- creating a culture of operational excellence where the robustness of the Treasury's operations is as much of a focus as its policy advice
- maintaining the benefits of our current operating model while strengthening our governance and capability to manage risk
- reviewing our internal policies to ensure compliance with all requirements
- undertaking an independent review of information management practices and behaviours
- implementing new governance and security arrangements for the production of key deliverables such as the Budget.

Refreshing our operating model

COVID-19 called for us to make swift changes to the way we work and organise ourselves in order to provide robust and timely advice moving forward.

We will now work to embed the benefits identified from the operating model we put in place during our initial response to the pandemic:

Embedding new ways of working

Our response to the pandemic was enabled by a new centralised deployment function, streamlining the deployment of Treasury staff to support COVID-19 advice and critical functions.

The deployment function captured requests for resources and matched these with staff from across the business. Over 80 redeployments were made across the Treasury from March to July 2020, including the establishment of virtual project teams, demonstrating a new and more agile way of working.

These redeployments made it possible to tackle complex work within short timeframes, provided development opportunities for staff to work on new issues, and helped to protect staff wellbeing by spreading workload.

Centralised deployment has also helped in the development of a more detailed Treasury work programme to support prioritisation and resourcing decisions. By the end of 2019/20, we established a dedicated Agile team – a flexible pool of people to be deployed on high-priority areas of work when additional resources are needed. This team's initial focus in 2020/21 is the Treasury's response to post-election priorities.

Optimising our flexible work arrangements

The Treasury's flexible working policy was established and operating prior to COVID-19, making the large-scale transition to remote working during the lockdown a relatively easy exercise. We are continuing to fine-tune our flexible work practices while at the same time building on gains in productivity, wellness and employee satisfaction. We will continue to support managers in leading teams working flexibly, including providing principles and guidance for flexible working to meet people's preferences and the needs of the organisation.

Governance and accountability

To strengthen our governance framework we have established three new sub-committees of the Executive Leadership Team (ELT), comprising joint membership from ELT and Kaiurungi (our third tier leadership group) as well as relevant Treasury managers and experts. The new committees are:

- · People, Culture and Capability
- · Risk and Assurance
- Finance and Prioritisation

In addition to these new sub-committees, we are clarifying accountabilities for work across the organisation, particularly for projects that cut across multiple functional areas.

Building our capability

Our critical capabilities enable us to achieve our strategic intent and deliver our work, both now and into the future:

Economic and financial expertise

We are the Government's lead economic and financial advisor and the quality and relevance of our expertise matters for our impact, reputation and credibility.

Connecting with others

We cannot have all the information, experience or answers. Connecting with others enables us to pool resources, share wisdom and practice, and learn from the practical experience of others.

The inclusion of diverse thinking leads to better ideas and results.

Effective implementation requires buy-in from others.

Analysis and evaluation

Robust analysis and evaluation can help us determine what works and where we must focus effort for intended results.

Systems thinking

We are dealing with universal, complex and cross-cutting issues; a better understanding of systems enables us to identify the leverage points for desired outcomes.

In 2019/20 we continued to embed a series of capability frameworks across our organisation to strengthen the ability of our people to apply these capabilities. We also developed and introduced a capability framework designed specifically for our people leaders.

Developing leader capability

Leaders are key to building our capability and shaping our culture – the way people think and behave. They set the context within which our people work to deliver excellence and achieve our strategic intent. Our continued focus on developing leaders recognises the high impact we know leaders have on the performance, engagement and wellbeing of their teams, and ultimately, the Treasury.

The world in which we operate is complex, interconnected and changing rapidly, and we see these changes reflected in our workforce, workplace and the technologies we use. The People Leader Capability Framework, introduced in 2019/20, aims to support our leaders to develop their leadership practice, regardless of their level of experience. It sets out capabilities of leaders at different levels and provides a range of options to develop the knowledge, skills and behaviours required to lead flexibly and strategically for results; to connect with and influence people both inside and outside the organisation; to harness diverse perspectives for innovation and change; and to build personal and organisational capability. The framework is also being used by aspiring leaders to chart their development to a leadership role.

We continue to leverage leader training from the Te Kawa Mataaho Public Service Commission Leadership Development Centre and supplement that with in-house offerings.

Building and maintaining our economic capability

Responding to COVID-19 has significantly tested and built the Treasury's economic and financial capability in providing effective advice to the government on managing the response to, a fast-moving public health crisis. We have also built our capability to support well-rounded advice on economic recovery.

We have continued to include wellbeing analysis and evidence in our advice using the Treasury's LSF, and in 2019/20 complemented our use of this framework by using He Ara Waiora⁵ to gain insights from a te ao Māori view of wellbeing. We aim to increasingly use He Ara Waiora alongside the LSF in recognition that insights from different cultural perspectives and knowledge systems strengthen the Treasury's advice.



TO LEARN MORE ABOUT THE HE ARA WAIORA
FRAMEWORK AND OUR USE OF IT TO ANALYSE THE
IMPACT OF COVID-19 GO TO HTTPS://BIT.LY/362HPD4



TO VIEW THE LSF DASHBOARD GO TO: https://bit.ly/2J67hin

⁵ He Ara Waiora is a wellbeing framework initially developed for the Tax Working Group by expert Māori thought leaders, Ngā Pūkenga, who continue to work with the Treasury, Te Puni Kōkiri and Te Arawhiti. Further information about our use of He Ara Waiora in 2019/20 is presented on page 15 of this report.

In 2019/20, we refreshed the LSF to better reflect culture and the wellbeing of children and Māori and Pacific people. We also updated the LSF Dashboard⁶ in December 2019, which included improving alignment with Statistics New Zealand's Ngā Tūtohu Aotearoa (formerly Indicators Aotearoa New Zealand).

The LSF is one of our core economic frameworks and works with a range of other policy advice tools, such as social cost-benefit analysis and guidance on effective business cases for public sector investment. It highlights the importance of drawing on a range of data and evidence to illuminate the interdependencies and trade-offs of the different dimensions of wellbeing now and in the future. Further development and effective application of the LSF requires continued deepening of the Treasury's economic and empirical capabilities.

We piloted the use of an economic capability framework in 2019/20, to support our people with identifying their development focus. In future years we will embed the framework and collect more consistent data to support our understanding of organisation-wide capability.

We continue to engage with external ideas and expertise through the Treasury Guest Lecture Series, which has featured presentations from visiting domestic and international researchers, and through our continued support for the Government Economics Network (GEN), with the Secretary to the Treasury opening the GEN conference in December 2019.

Developing our financial capability

Complementing our economic expertise is a deep financial capability in specialist finance areas such as debt management and fiscal reporting. Our Vote teams are often the first point of contact for other agencies on matters relating to agency performance and the provision of advice to the Government on the value for money and trade-offs linked to spending choices.

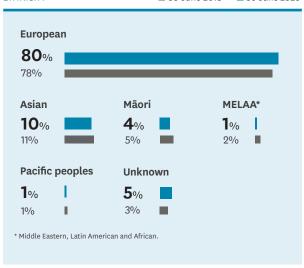
Vote teams are where our efforts to lift strategic financial management capability have been focused. In 2019/20 we continued to streamline tasks and develop opportunities for Vote teams to engage in higher-value, strategic financial management work. Examples include participation in formal agency Baseline Reviews (a cooperative, systematic approach to analysing agency baselines on a rolling basis) and participation in a new approach to agency strategic planning and performance that is being piloted with a small group of agencies.

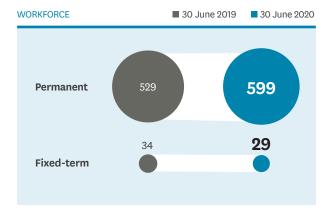
Embedding a culture that is inclusive of diverse thinking

A truly inclusive and diverse culture ensures that our analysis, exploration of options and presentation of advice to the Government allows informed decisions to be made. Tapping into a dynamic mix of different cultures, ages, ethnicities, lifestyles, genders, opinions, identities, thinking styles, skillsets and experiences supports the Treasury to surface fresh perspectives, challenge our own biases and mindsets, and integrate new ideas into our mahi.

Figure 1: Key human resource demographics







⁶ The LSF Dashboard is a measurement tool which informs the Treasury's advice to Ministers on priorities for improving wellbeing

We are continually looking to broaden the pools of talent we draw from and this year we included a United Kingdom recruitment channel. Recognising the pivotal role our leaders play in enabling the inclusion of diverse thinking, the Treasury's People Leader Capability Framework includes a dedicated section on diverse and inclusive thinking, and we've provided training on harnessing conflict through our Leader Forums and Emerging Leader Forums. We've also added resources such as an Including the Rainbow Community online education module and a Speak Up Guide which details how people can address concerns about inclusiveness at work.

Sharpening our suite of metrics on diversity and inclusion has been a focus too and we remain committed to achieving gender-balanced leadership. During 2019/20 we reduced our organisational gender pay gap from 18.9% to 14.30% by focusing on calibrating new starter salaries, increasing the number of women at leadership levels, addressing historical discrepancies and implementing flexible working by default for all roles.

With our Diversity and Inclusion strategy having been in place for just over six years, we felt a refresh was timely. With this in mind, we engaged with staff across the Treasury to look closely at where we are at and what else we could be doing to build a rich diversity of thought in our work, and an inclusive working environment to harness it. Feedback received through focus groups, network group conversations and other channels has reaffirmed our commitment to inclusive and diverse thinking, put the spotlight on shared responsibility and provided fresh perspectives to incorporate in the development of our refreshed 2020/21 strategy.

Building our cultural competence

Inclusivity in a New Zealand Public Service environment requires a high level of cultural competence, and this includes the confidence to engage effectively with Māori and Pacific peoples.

This year, we recruited for and established a dedicated Te Puna Aronui team and developed the *Te Ao Māori Strategic Plan* which sets out how we intend to continue to strengthen our capability to engage effectively with Māori. Te Puna Aronui has been leading the input of Māori and Pacific perspectives to the Treasury's COVID-19 response.

Our Māori Capability Framework continues to support us to build understanding of the Treaty of Waitangi and Māori-Crown relationships. Further resources developed include Te Manawa, an online module that shares the story of our wharenui, Ngā Mokopuna a Tāne, the heart of the Treasury.

Our Pacific Strategy, *Le Tofa Mamao ma le Fa'autautaga*⁷, supports our commitment to recognise the importance Pacific New Zealanders place on achieving their economic and social aspirations for their families and communities. During COVID-19, the external elements of the strategy enabled the Treasury to access and share information direct from Pacific small businesses, health providers and other frontline services on the uptake and effectiveness of government support.

In 2019/20, the Treasury launched an *Understanding Pacific Communities* e-learning module. The module forms the foundation of the organisation's Pacific Strategy internal objectives and increases knowledge and understanding of Pacific perspectives, including considerations when interacting with New Zealand's Pacific community. This is an important step to supporting more focused application of the *Pacific Operating Model* to the analytical work of the Treasury. A further module building on this foundational module is planned.

Supporting the wellbeing of our people

Throughout 2019/20, we continued monitoring and refreshing the focus areas in our Puāwai (wellbeing) framework and work programme, to support our workforce in managing their physical and mental wellbeing. This included further embedding our flexible working policy, using surveys to understand the types of flexibility our people are most interested in, and identifying potential barriers to uptake.

The wellbeing of our people became a particular focus due to COVID-19, and further information about the steps we took to support staff with adapting to different working arrangements while supporting the Government's response to the crisis is provided on page 16 of this report.

Looking ahead

We will continue to recruit specialists from a variety of backgrounds to bring a range of experiences and expertise to our organisation. Bolstering and drawing on cross-disciplinary knowledge and different ways of understanding and applying evidence supports our core expertise in economics and finance. We also plan to further embed our capability frameworks and collect more consistent data to support understanding of organisation-wide capability.

Next year will see a continued focus on leader-led inclusion and diversity of thought, and building our talent pipeline. Supporting women into first-line leadership roles will help us achieve greater gender balance in our leadership cohort and close the gender pay gap.

We will also pilot an *Employee Liaison Service*, an open-toall telephone service delivered by an external company that specialises in coaching callers to help them resolve workplace conflicts and issues.

In addition to implementing and embedding our Māori Strategy, we aim to refresh our Pacific Strategy in 2021.

⁷ Translated as "the wisdom to visualise the future and the ability to take us there".

Ministerial reporting

2019/20 saw further improvements in our level of Ministerial servicing; we achieved a new historic high for responding to Official Information Act (OIA) requests by the statutory date - 98% of these requests were responded to within this timeframe in 2019/20, compared with 96% in 2018/19.

2019/20 also saw us publish a record number of 148 OIA responses on the Treasury's website, an increase of 23% on the 2018/19 year. For context, as at 30 June 2020, the Treasury had proactively released 611 OIA responses on its website since it first started the practice in August 2014. This means 44% of all OIA responses that the Treasury has ever published have been published in the past two years.

Last year's trend of the doubling of volume of ministerial servicing work in comparison with historic levels continued this year. This would have been the case even without COVID-19. A normal year would see between 350-450 Ministerial replies prepared by the Treasury, which puts into the context the volume the Treasury processed in the last four months of the year.

The onset of COVID-19 was evident in our workload, but did not impact our ability to deliver. Prior to 1 March we had prepared 451 Ministerial responses; between 1 March and 30 June, 864 COVID-19 related Ministerial responses were written. Another 1,109 were reviewed during that period, with responses not required because the questions had already been answered by policy announcements. This included:

- · the SOEs that we monitor through our Commercial Performance teams - a total of 266 Ministerials, 116 Written Parliamentary Questions (WPQs) and 71 Ministerial Official Information Act requests (MOIAs)
- the legacy of the Tax Working Group findings a total of 108 Ministerials.

COVID-19 RESPONSE

He waka eke noa - we are all in this together

COVID-19 required us to be agile and innovative in supporting Ministers through an unexpected challenge, while continuing to deliver on our core responsibilities.

LEADING ADVICE ON THE ECONOMIC RESPONSE

The Government faced a high level of uncertainty when formulating its response to COVID-19, but it was clear from the outset that the economic and fiscal support provided would be crucial in terms of limiting the immediate flow-on effects to people's livelihoods and the economy. The core policy objective in the short term was to provide macroeconomic stimulus and maintain job attachment. The size and speed of the fiscal response needed to be substantial and swift for two main reasons:

- the public health strategy involved rapidly implementing alert level restrictions
- monetary policy was more constrained in stabilising the economy than it would normally be in an economic crisis.

The Treasury participated in the all-of-government crisis response by leading its economic pillar. We worked proactively and quickly to advise the Minister of Finance on the steps that needed to be taken. The major steps taken included:

- advising on the wage subsidy and income support policies.
 A \$12.1 billion Economic Response Package was announced in March 2020, which included the Wage Subsidy Scheme and an Income Support Package. The Treasury undertook intensive coordination with key delivery agencies, the Ministry of Social Development and Inland Revenue, in order to rapidly implement these policies
- additional financial support for the public health system to respond to the pandemic and to ensure continuity of critical services. This resulted in \$2 billion additional funding for the health system. A loan facility of up to \$900 million was also established for Air New Zealand, and \$350 million in balance sheet support provided for New Zealand Post, Airways, Hawke's Bay Airport and Television New Zealand
- advising on the appropriate and prudent fiscal strategy and establishing the COVID-19 Response and Recovery Fund of \$50 billion, as part of a revised Budget 2020. The largest-ever Government borrowing programme was implemented to support this
- advising on and setting up additional support for business via the banking and tax systems: the Business Finance Guarantee Scheme (BFGS) the Small Business Cashflow Loan Scheme, and several additional tax policies aimed at alleviating financial pressure faced by businesses

- re-orienting economic and fiscal forecasts to include scenarios that reflected the inherent uncertainty of the crisis
- working with the Reserve Bank of New Zealand to assist them in implementing significant monetary policy support via alternative policy instruments (including indemnities for their large-scale asset purchase programme)
- advising on how infrastructure projects should proceed, including those assessed by the Infrastructure Reference Group (IRG)⁸, and establishing governance arrangements across the program.



TO LEARN MORE ABOUT THE GOVERNMENT'S INITIATIVES FOR SUPPORTING BUSINESSES RECOVERING FROM COVID-19 GO TO https://bit.ly/2vwf68

Testing assumptions: understanding the economic impact of COVID-19

The uncertainty of how COVID-19 would impact on the economy meant that our normal forecasting approach would offer limited insights. Given that, we chose to prepare a range of scenarios predicated on different assumptions about outbreaks and the impact of border closures. This allowed us to better communicate the type of uncertainty that the economy was facing, as well as enabling commentators and others to better understand our assumptions and develop their own scenarios as the context continues to evolve.

The scenario analysis has also informed our advice to ministers on trade-offs around the various decisions that they have taken to respond to COVID-19. Understanding the impact of COVID-19 in this way made it possible to weigh up some of the wider wellbeing and economic implications of different extensions to fiscal and regulatory policy decisions the Government needed to make.

Supporting our stakeholders

The scope of our response to COVID-19 went beyond the changes we made to the way we work and the advice we provided to the Government. We took steps to meet the increased demand the pandemic created for the services we provide to exporters, and supported agencies to work through the implications of COVID-19 on their accounts, funding and legislative amendments to reporting timeframes.

⁸ The IRG is a group of industry leaders appointed to assess infrastructure projects proposed by the private sector, non-government organisations and local government.

UNDERSTANDING COVID-19 THROUGH AN LSF LENS

There is considerable uncertainty on how COVID-19 will impact New Zealand and its people in the long term, but it is having major impacts in ways that go far beyond health, extending across all dimensions of wellbeing and all population groups.

We have used the Living Standards Framework (LSF) and our Māori Wellbeing Framework *He Ara Waiora* to gain insights during the COVID-19 crisis response. A 'rapid evidence review'

of the experiences of previous pandemics and recessions was undertaken and published, analysing emerging data on and insights into the impacts of COVID-19, and using He Ara Waiora to explore how the pandemic is affecting Māori wellbeing and the ways in which iwi and Māori organisations are responding. The key observations and findings from using these two frameworks include:

Key points from our LSF analysis

- The impacts of falling incomes and lost jobs on wellbeing are significant and extend beyond economic recession to dimensions of wellbeing, such as mental health.
- The pandemic may also have disproportionate impacts on existing vulnerable groups, which reinforce existing inequalities.
- New groups of people will also be affected, including those experiencing economic hardship for the first time as unemployment rises.
- The greatest long-term risks are to human capital, through impacts on mental health, education attainment and skills erosion, as well as social capital if the impacts of the crisis are perceived to be unfair or not well managed.

Key points from our He Ara Waiora analysis

- Māori moved quickly to shield and support vulnerable whānau in their communities, particularly their kaumātua whose health and wellbeing are a priority for whānau, hapū and iwi.
- The historical memory of previous pandemics, and their role in the experience of colonisation, remains strong.
- Some Māori businesses and iwi portfolios have been hit hard, particularly through the downturn in tourism and the drop in lobster exports early in the pandemic.
- With assets largely concentrated in primary industries, Māori land-owning enterprises may be well placed to help lead an export-driven recovery, with many iwi and asset-owning whānau operating their businesses with a view to sustainability and broader social outcomes.

We continue to try using these frameworks to understand and incorporate the emerging wellbeing evidence into our advice.

CASE STUDY

COVID-19 - insights from the community

Our ability to advise the Government on how New Zealand is impacted by COVID-19 depends on having a clear understanding of how New Zealand's businesses, communities and sector groups have been impacted by the pandemic, and how well positioned they are to support the Nation's recovery from it. We met with a wide range of stakeholders to gather insights into the impacts of COVID-19. These included leaders from the business community, iwi, unions, academics and others.

For example, meeting members of the New Zealand Construction Industry Council made it clear to us that Government support such as the Wage Subsidy Scheme, and the speed with which the Government has been working, has been widely appreciated but there were concerns about the impact of COVID-19 on the mental health of people in the construction sector. This is a reminder of the importance of taking a wellbeing approach to the work we do, to ensure key indicators of economic performance extend beyond traditional measures such as Gross Domestic Product.

During the year, the Treasury undertook over a hundred engagements across a wide spectrum of organisations to increase our understanding of how COVID-19 is impacting the regions, sectors, businesses and households, and how the government's economic response is being received, including:

- · 46 engagements with exporters and export-related organisations
- · 20 engagements with regional chambers of commerce and employers' associations spanning all regions
- 12 engagements with sector organisations covering tourism, transport, retail and hospitality, construction, manufacturing and heavy industry
- · over a dozen engagements with iwi, NGOs, trade unions and business advisory organisations.

These engagements have been invaluable in helping to inform our policy advice and conversations with Ministers, and we are very grateful to all those who took time to speak with us.

OUR INTERNAL RESPONSE

Protecting and preparing our people

Early in the crisis we created an internal COVID-19 Response Group to protect the health (both mental and physical) and safety of our people, and to ensure we were providing consistent, focused communications to staff on anything they needed to know about the Treasury's response to the pandemic. This included (but was not limited to) information and guidance for people leaders; how the Treasury's operations would respond to alert levels; and how staff would be redeployed as work priorities quickly changed.

When the lockdown required us to have almost all of our functions working remotely, the transition was a smooth one, due in part to the gains achieved through Tāne Whakapiri. This programme of work completed in 2018/19 helped transform the Treasury into a future-focused workplace that provides our people with the flexibility to work in a way that fits their roles, responsibilities and work preferences.

Preparing for business continuity

The constraints of COVID-19 prompted us to consider what we would need to do to ensure our business-as-usual functions would continue and what key work would need to be changed because of the pandemic. We focused on protecting the things that matter most to support our functions – all against the backdrop of rapidly-evolving physical work practices that required operational risks to be well managed.

We responded accordingly, adapting to virtual engagement both internally and with stakeholders to maintain our commitment to the core principles of transparency and timely communications:

- we revised our usual process for producing the Budget, changing the content to take the impacts of COVID-19 into account. This was achieved very close to when final decisions on spending would normally have been made⁹
- when lockdown conditions prevented us from meeting with our stakeholders, we developed online alternatives, including a virtual process for ensuring the Government's critical investment projects could, when required, be independently peer-reviewed.

We also reprioritised, and in some cases rescheduled, the expected completion dates of key pieces of work to ensure we were well placed to advise the Government on its COVID-19 response. One such example was our Long-Term Fiscal Statement¹¹ for 2020; initially scheduled for publication in 2019/20, this 40-year fiscal outlook from the Treasury will now be re-scoped to account for the major changes in the fiscal outlook caused by COVID-19. The re-scoped Statement will be published in 2021.

⁹ Budget 2020 is detailed on page 21 of this report.

¹⁰ Our stewardship of the State sector includes maintaining assurance across government projects using Gateway Reviews, an assessment methodology used to examine projects and programmes at key points in their life cycles. Further information on our State sector stewardship responsibilities is presented on page 22 of this report.

¹¹ The Public Finance Act requires the Treasury to produce a statement on the long-term fiscal position at least every four years. The Statement is the Treasury's document and not government policy.

Our Key Achievements

Policy Advice and Financial Services (Multi-year)¹²

WE FORECAST TO SPEND

\$80.579m

OF OUR \$368.300M

WE SPENT

\$81.955m

Overarching Measure ¹³	STANDARD	RESULT
The satisfaction of the Minister of Finance with the provision of our advice and financial services.	75%	85%

The single overarching purpose of this appropriation is to provide the government with high quality policy and financial advice and to deliver financial services.

Our key achievements for 2019/20 with this appropriation:

Provided advice on the design of government economic packages and support initiatives (eg, the COVID-19 Response and Recovery Fund and the Wage Subsidy Scheme) to mitigate the effects of the pandemic on New Zealand.

Assisted the Minister of Finance to deliver Budget 2020, including a package to reflect the immediate, medium and long-term effects of COVID-19.

Good progress made with reforming the rules for overseas investment in New Zealand, including an urgent bill to ensure New Zealand both benefits from, and is protected from, the heightened risks associated with overseas investment following COVID-19.

Good progress made with modernising New Zealand's monetary and financial framework via our Joint Review, with the Reserve Bank of New Zealand, of legislation governing the Reserve Bank and its prudential policy functions.

Provided advice to the Minister of Finance on amendments to New Zealand's Public Finance Act 1989 to support greater consideration of wellbeing in the Budget.

Established the Elevate NZ fund to close the current funding gap for high-growth New Zealand firms.

Supported exporters to access 55 countries by underwriting risk exposures.

¹² Policy Advice and Financial Services is a new Multi-Year, Multi-Category Appropriation (MY MCA) that we introduced in 2019/20. COVID-19 was the primary driver for additional expenditure in 2019/20 which will reduce the amount we can spend in the remaining four years covered by this MY MCA. Further detailed financial information and performance results for all 2019/20 appropriations are presented in Section Three.

¹³ Our overarching measure provides an indicator of success across the work in the categories making up this MY MCA. It is derived from a satisfaction survey developed by the Department of the Prime Minister and Cabinet and completed by the Minister.

Policy Advice

Our advice enables and facilitates the decisions made by the Government and Ministers to improve New Zealand's economic performance, strengthen the performance of the State sector, and maintain a stable and sustainable macroeconomic environment.

Modernising the public finance system

A key part of the Government's commitment to wellbeing is creating a more modern, agile and adaptive Public service. This means ensuring New Zealand's legislation properly recognises and supports agencies working together to solve complex multifaceted issues such as climate change and the elimination of family violence and sexual violence.

We undertook the first of a two-phase round of appropriation simplification, to enable more strategic oversight of the value of public spending and whether it is helping to achieve the Government's objectives and priorities. As part of Budget 2020, we trialled a new collaborative approach for agencies and Ministers to work together in the Budget process.

In 2019/20 we completed our work on the Public Finance (Wellbeing) Amendment Bill, which came into effect in June 2020. This legislation requires the Government to set wellbeing objectives in each Budget, and requires the Treasury to prepare a wellbeing assessment of New Zealand at least every four years.

Since 2018, the Treasury has been working closely with the Te Kawa Mataaho Public Service Commission on their work to reform the State Sector Act 1988. In August 2020, the Public Service Act 2020 and Public Finance Amendment Act 2020 were enacted. The Public Finance Amendment Act 2020 ensures that the right accountability mechanisms are in place for the greater range of options for configuring fit-for-purpose State service organisations available under the Public Service Act. The Treasury has also continued to look at options to further modernise the public finance system over the medium term.

Changing the rules for overseas investment into **New Zealand**

In November 2019, the Government completed the policy development phase of its Treasury-led Phase 2 reform of the Overseas Investment Act 2005 (the Act). This builds on changes made to the Act in 2018, which focused on the acquisition of residential land and other types of sensitive land for forestry activities by overseas persons.

The Phase 2 reform focused on striking a better balance between supporting high-quality overseas investment in productive New Zealand assets (by removing unnecessary red tape), and ensuring investments are not contrary to our national interest, including security interests, by introducing a range of backstop risk management tools. A Bill was introduced to Parliament in March 2020 to give effect to these reforms.

Before this Bill could be considered by Parliament, however, New Zealand had to respond to the COVID-19 pandemic, which increased the economy's need for foreign capital but also

exacerbated existing, and created new, foreign investment risks. During lockdown, the Treasury urgently developed additional policy tools to manage these pressures, with two new Bills introduced to Parliament in May 2020 (to replace the Bill introduced in March):

- · the Overseas Investment (Urgent Measures) Amendment Bill - which includes a temporary Emergency Notification Regime to manage heightened risks during the pandemic, as well as bringing forward other high-priority measures agreed to in the Phase 2 reform; and
- an Overseas Investment Amendment Bill (No 3) which contains the remaining measures agreed to in the Phase 2 reform.

Following the passage of the Urgent Measures Bill in June 2020, the Treasury worked to ensure effective implementation of the new measures through two tranches of regulations and provision of operational support to the Overseas Investment Office (the regulator). Throughout 2020/21, we will continue to work to support Parliament's consideration of the Overseas Investment Amendment Bill (No 3).

Modernising New Zealand's monetary and financial stability settings

Raising the living standards of New Zealanders requires careful consideration of the regulatory framework behind New Zealand's financial system. We also know that effective regulators require strong governance and accountability. We have been working with the Reserve Bank of New Zealand to review its legislation in order to modernise New Zealand's monetary and financial stability policy frameworks, along with the Reserve Bank's governance and accountability settings.

Phase 2 of the review builds on Phase 1, which focused on high priority improvements to the monetary policy framework. Phase 2 is a comprehensive review of the financial policy framework including prudential regulation, supervision, governance and accountability. The Reserve Bank Act will be split into two pieces of legislation: an Institutional Act focused on the institutional design and accountability framework for the Reserve Bank and a Deposit Takers Act focused on the prudential regulatory framework for deposit takers.

The Institutional Act strengthens and modernises the Reserve Bank's governance and accountability arrangements, bringing them more closely in line with those of a Crown entity. Key reforms include providing the Reserve Bank with an overarching financial stability objective; the establishment of a governance board; the introduction of new accountability and reporting frameworks; and providing for a Financial Policy Remit on financial stability matters issued by the Minister to the Board. The Treasury will take on the monitoring role for the Reserve Bank, strengthening oversight of the Bank's performance.

Good progress has been made with the review. In 2019/20 we concluded a second round of consultation, advised on decisions needed for the Institutional Act, and began a third and final round of consultation on proposals for the prudential regulation of banks and other financial institutions. We also worked with the Parliamentary Counsel Office on the drafting of the Institutional Act, which was subsequently introduced into Parliament in July 2020 as the Reserve Bank of New Zealand Bill.

The phase 2 reforms represent an important step forward in terms of future proofing our financial policy settings to reflect the changing environment in which New Zealanders live and work. Looking ahead, we will focus on progressing the Institutional Act through the legislative process; preparing for the implementation of new Reserve Bank institutional arrangements (including the appointment of a new board and commencement of the Treasury's monitoring role); and seeking final decisions on the prudential regulatory framework and the deposit insurance scheme.

Supporting the Government with achieving its vision for the economy

Transforming New Zealand's economy will involve long-term shifts that sit across multiple agencies and ministerial portfolios. We have worked closely with the Government to develop an economic strategy designed to:

- set out how agencies should work together to use all policy levers in a coordinated way to solve complex and long-term challenges
- outline the policy action the economy will need in order to provide decent jobs, higher incomes and opportunities for current and future generations.

We supported development of this plan in 2019/20 with the creation of a framework to link the Government's individual initiatives and sectoral strategies to its broader vision of a more productive, sustainable and inclusive economy. This framework was published in the Economic Plan in September 2019. We also advised Ministers on how the Government could use its economic strategy to inform priorities for Budget 2020, as well as identifying non-spending levers to achieve the Government's vision for the economy.

We were able to develop and promote the economic strategy further through the Economic Chief Executives' group, which we convene with MBIE to drive alignment across the public sector.

We know that intergenerational wellbeing depends on the growth, distribution and sustainability of each of the four capitals of the Living Standards Framework. We used this framework to inform our work on a range of wellbeing indicators as part of advising the Government on its Economic Plan.

Infrastructure that supports our transition to a more productive, sustainable and inclusive economy: establishing the New Zealand Infrastructure Commission - Te Waihanga

New Zealand faces a number of infrastructure challenges including the need to renew ageing infrastructure, the pressures of an ageing and urbanising population, tight fiscal constraints, changing technology, the effects of climate change, and increased pressures on our natural resources.

We supported the Government in establishing the New Zealand Infrastructure Commission - Te Waihanga, which has been put in place to identify the infrastructure New Zealand needs to keep pace with population growth, to continue to grow our economy, and to improve our living standards.

In 2019/20, Te Waihanga moved from the Treasury to its own premises and in its first year of operations produced and tabled its first accountability documents - its Statement of Intent and

Statement of Performance Expectations – in Parliament before moving on to deliver its first draft Annual Report to the Minister for Infrastructure.



TO LEARN MORE ABOUT THE NEW ZEALAND INFRASTRUCTURE COMMISSION - TE WAIHANGA GO TO HTTPS://BIT.LY/39ENKVM

Continuous improvement of our policy advice

In 2019/20 we adopted the common policy quality framework created by the Department of the Prime Minister and Cabinet (DPMC) to ensure our policy advice is based on a common set of standards that define what good quality looks like. This saw us using the common framework to develop advice on areas of work that included (but was not limited to):

- Budget 2020, and the COVID-19 Rebuild and Recovery Fund
- the Reserve Bank Act Review
- the Overseas Investment Act Review
- performance of the Crown's commercial and financial assets
- the Living Standards Framework
- strategic tax policy
- establishment of the New Zealand Infrastructure Commission - Te Waihanga
- the New Zealand Green Investment Fund
- responding to the economic impact of COVID-19 (eg, advice on fiscal strategy advice and unconventional monetary policy, economic scenarios, the Wage Subsidy, the Business Finance Guarantee Scheme, Air New Zealand)
- proposed changes to the Emissions Trading Scheme (ETS) and hypothecation of ETS revenue.

From 1 July 2019, all agencies with a policy appropriation are required to use the common policy framework to assess the quality of their policy advice after its delivery, and to report on their results in the Estimates and their agency's Annual Report. We were already assessing our advice using the framework on a quarterly basis and our end-of-year results are presented below.

MEASURE	STANDARD	RESULT
Papers with a score of 3 or more.	80%	79%
Papers with a score of 4 or more.	20%	23%
Average score of assessed papers.	3.5	3.3

The Treasury has a work programme to improve the quality of our advice. This is regularly revised to focus on the areas we want to strengthen, on the basis of quarterly assessments of the quality of advice. Over 2019/20 these areas included ensuring we are as responsive as possible to the needs of our Ministers, and that we continue to increase our economic capability and use of the Living Standards Framework to inform our advice.



TO LEARN MORE DPMC'S POLICY QUALITY ASSESSMENT FRAMEWORK HTTPS://BIT.LY/374T5D4

Monitoring Crown Financial Institutions

This function supports Ministers' ownership interests in a portfolio of agencies and advises on policy and operational settings for the Crown Financial Institutions. These include agencies managing capital for Crown commitments and agencies that represent some of the Crown's impact investing portfolio.

Agencies

- New Zealand Superannuation Fund (NZSF)
- Accident Compensation Corporation (ACC)
- Earthquake Commission (EQC)
- · Government Superannuation Fund Authority (GSFA)
- · National Provident Fund (NPF)

Impact Investment Agencies

- · New Zealand Green Investment Finance Ltd (NZGIF)
- New Zealand Growth Capital Partners (NZGCP), secondary to the Ministry of Business Innovation and Employment
- Local Government Funding Agency (LGFA),
 Crown shareholding representative, secondary
 to the Department of Internal Affairs

In 2019/20 we published our five-yearly independent statutory review of the Guardians of New Zealand Superannuation. The review provided Ministers with an assessment of the overall performance of the Guardians and the New Zealand Super Fund (NZSF), with a focus on risk and investment processes, governance and responsible investment. Overall, the review presented a positive picture of the Guardians' effectiveness and efficiency. The review provided a small number of recommendations, which are being progressed by the Guardians.

Announced as part of Budget 2019, in late 2019 legislation was passed to enable the establishment of a new Crown-owned venture capital fund. Elevate NZ Venture Fund is operated by New Zealand Growth Capital Partners on behalf of the Guardians of New Zealand Superannuation. The fund seeks to invest up to \$300 million through a programme that has been established to close the current funding gap for high-growth New Zealand firms.

We completed the final establishment arrangements for New Zealand Green Investment Finance Limited over the financial year. This included advice to Ministers on setting expectations, establishing a monitoring framework and granting financial powers to enable investments. NZGIF is now fully operational and executed its first investment in May 2020.

In response to COVID-19, we undertook heightened monitoring between February and June 2020 with a particular focus on agency management of liquidity. Investment agencies demonstrated mature responses to the initial market volatility.

Fiscal Management and Reporting

Delivery of Budget 2020

Our commitment to lifting the living standards of New Zealanders continued to be reflected in our delivery of Budget 2020, New Zealand's second Wellbeing Budget, which was compiled under exceptional circumstances:

- we had to be flexible and agile in our approach within compressed timeframes to deliver a Budget that recognised the real-life impact that COVID-19 is having on New Zealanders' lives and livelihoods
- we also had to reconsider what had previously been identified as needing urgent focus in the Budget, in order to ensure New Zealand has the strong State services it needs to recover and rebuild.

Throughout these challenges, we supported the Government with analysis of the costing of Budget initiatives, working closely with other government agencies to ensure these were robust and reliable.

The Budget established a \$50 billion COVID-19 Response and Recovery Fund – the most significant financial commitment by a New Zealand government in modern history, and following on from the Government's \$12.1 billion COVID-19 Economic Recovery package.

Budget 2020 saw us working collaboratively across the State service. We worked with groups of Ministers and officials from other agencies to develop spending packages for each of the five priorities set out in the Budget Policy Statement 2020. Although COVID-19 saw these priority packages put on hold, the collaborative process was valuable in identifying effective interventions.

MEASURE	STANDARD	RESULT
Statutorily required documents as part of the annual financial cycle are produced in accordance with PFA requirements and free from material errors.	Achieved	Achieved
Major fiscal models are quality assured (periodically) and, where appropriate, assumptions are tested with suitably qualified experts.	Achieved	Achieved

Investment Management and Asset Performance

Lifting performance: our stewardship of public funds

Owning the right assets, managing them well, funding them sustainably, and managing risks to the Crown balance sheet are all critical to the ongoing provision of high-quality and cost-effective public services that New Zealanders value. This means that the quality of investment management is vital to maintaining New Zealanders' living standards now and in the future.

Our role is to lead the Government's investment management system¹⁴, working with other State sector agencies to ensure stewardship of public funds is robust and transparent. Good progress was made with this responsibility throughout the year. In particular, we advised the Government on how investment management and asset performance in the State services can be delivered in a way that supports a wellbeing focus and we continued to provide specialist support for, and assurance on, individual investments. Our specialist support included facilitating a system-wide response to escalations on several Public Private Partnerships (PPP) following the COVID-19 lockdown. This helped the lead agencies to stabilise these investment projects so they had a way to proceed and deliver benefits.

We also continued administering the Investor Confidence Rating (ICR)¹⁵, which assesses the level of confidence investors can have in an agency and provides a catalyst for driving improvements in investment management capability and performance across the system. We completed the second round of assessments of 24 investment-intensive government departments and Crown entities as scheduled, and began an independent review of our use of this methodology.

Understanding financial performance through baseline reviews

Our stewardship role within the State sector includes working with other agencies to conduct baseline reviews, which act as 'deep dives' into their financial performance. This provides a better understanding of their current spending and helps us to assess how current work may need to be reprioritised and what future funding will be needed, given the nature of their work.

TO LEARN MORE ABOUT THE
INVESTMENT MANAGEMENT SYSTEM
GO TO HTTPS://BIT.LY/3FWAKOC

FOR MORE INFORMATION ON THE
INVESTOR CONFIDENCE RATING
GO TO HTTPS://BIT.LY/3PVCTRZ

These reviews also provide Ministers with a better understanding of the drivers of agencies' cost pressures, and the choices available to manage those pressures. In 2019/20 we undertook a baseline review of the New Zealand Defence Force and commenced a review of the Ministry of Justice, which we expect to complete in 2020/21.

MEASURE	STANDARD	RESULT
The capability and performance of investment-intensive agencies is enhanced by the Treasury's stewardship of the investment management system.	Achieved	Achieved

Crown Lending and Bank Accounts

In 2019/20 we continued to provide the consolidated management of agency bank accounts and enabled lending to Crown entities.

MEASURE	STANDARD	RESULT
Compliance with Capital Market's Portfolio Management Policy and Treasury delegations for/in relation to Crown lending and Crown bank accounts.	No breaches	No breaches

¹⁴ The processes, rules, capabilities, information and behaviours that work together to shape the way investments are managed throughout their life cycles.

¹⁵ This multi-year performance assessment and improvement programme for major investments was developed by the United Kingdom's Office of Government Commerce (OGC) in 2001.

Export Credit

We are responsible for providing Crown-backed trade credit insurance and financial guarantees for the purpose of supporting exports and the internationalisation of exporters. This support is provided where private sector banks and insurers are unwilling, or unable, to provide cover.

In 2019/20, a total of \$130 million of risk exposure was underwritten in support of export contracts worth a total of \$288 million. Overall, this enabled 41 exporters to deliver their goods and services into 55 countries. No claims were received or paid.

Resilience through economic cycles

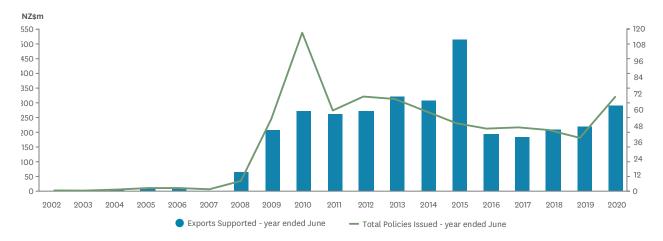
Demand for services increased as a result of the COVID-19 pandemic and the provision of trade credit insurance enabled exporters to trade with confidence throughout this period. In the last three months of the financial year, \$60 million of new cover was issued, supporting \$80 million of export contracts, for 16 exporters into 35 countries.

Exports included food and beverage, medical, telecommunications, manufacturing and agricultural products.

Our role over time in providing commercially viable exporters with the confidence and resilience to trade through economic cycles and market disruptions is represented in the graph below:

MEASURE	SIANDARD	RESULI
New Zealand exports and the internationalisation of New Zealand exporters are promoted and supported.	Achieved	Achieved

Figure 2: Supporting exporter resilience through economic cycles



Administration of Guarantees and Indemnities Given by the Crown PLA¹⁶

OUR BUDGET WAS

\$2.110m

WE SPENT

\$1.075m"

This appropriation is intended to achieve efficient and effective administration of the Crown's Guarantees and Indemnities, including the Wholesale and Retail Deposit Guarantee Schemes.

Our key achievement for 2019/20 with this appropriation:

Developing and then administering the Business Finance Guarantee Scheme to provide for businesses' operating cashflow needs arising from COVID-19.

Supporting small-medium-sized businesses through COVID-19

The \$6.25 billion Business Finance Guarantee Scheme was designed and implemented at pace during COVID-19 to help small and medium businesses access credit through the economic disruption. Under this scheme, businesses can apply to banks for loans with the Government taking on 80% of the default risk. We worked closely with banks (via the New Zealand Bankers Association) and the Reserve Bank to establish the Scheme. The Treasury was responsible for operationalising the Scheme by putting in place deeds of indemnity with each participating bank. We also have an ongoing role in monitoring and reporting on the Scheme.

MEASURE	STANDARD	RESULT
A register of Crown guarantees and indemnities is maintained as an accurate record throughout the financial year.	Achieved	Achieved
Set up the Business Finance Guarantee Scheme.	Achieved	Achieved
Validated and approved payments under the Business Finance Guarantee Scheme are made within agreed timeframes.	Achieved	Not Achieved*

^{*} No payments under the Business Finance Guarantee Scheme were made.



FOR MORE ABOUT THE BUSINESS FINANCE GUARANTEE SCHEME GO TO https://bit.ly/3nlt2to

¹⁶ Permanent Legislative Authority (PLA) appropriations do not need to be sought from and approved by Parliament each year.

¹⁷ This spending refers to the Business Finance Guarantee Scheme, which was set up in response to COVID-19. It was unclear at the time of establishment how much funding would be required. Acknowledging this is a Permanent Legislative Authority (PLA), the appropriation can be amended as a forecasting change, with additional funding required in the coming years.

Crown Company Monitoring Advice

This appropriation is intended to provide advice to shareholding or responsible Ministers, and the Minister of Finance, to help them ensure appropriate financial returns and longterm value from improved performance of companies that the Crown has a shareholding in, and some Crown entities, in order to improve the living standards of New Zealanders.

OUR BUDGET WAS

\$5.654m

WE SPENT

\$5.573m

Crown Company Monitoring Advice to the Minister for State Owned Enterprises and **Other Responsible Ministers**

This category is intended to provide advice to shareholding or responsible Ministers, and the Minister of Finance, to help them ensure appropriate financial returns and long-term value from improved performance of companies that the Crown has a shareholding in, and some Crown entities, in order to improve the living standards of New Zealanders.

OUR BUDGET WAS

\$0.153m

\$0.143m

Crown Company Monitoring Advice to the Minister of Research, Science and Innovation

This category is intended to provide advice to shareholding or responsible Ministers to help them ensure appropriate financial returns and long-term value from improved performance of companies that the Crown has a shareholding in, and some Crown entities, in order to improve the living standards of New Zealanders.

Our key achievements for 2019/20 with this appropriation:

We developed a framework to assess entities across multiple dimensions of performance, in order to enhance our advice to Ministers, and considered how the creation of a Holding Company could result in improved ownership outcomes.

We contributed to the Christchurch recovery by supporting the timely, fair and enduring resolution of earthquake claims through our advice to the Minister Responsible for

the Earthquake Commission, and our work to negotiate a funding agreement for the Christchurch Multi-Use Arena, among other work.

We supported an increased gender balance on State Sector boards through our advice on board appointments.

Enhancing the performance of the Crown's commercial assets

The Treasury provides evidence-based ownership advice to Ministers on the performance of entities and on board appointments across the commercial companies and entities in which the Crown has ownership interests.

As a shareholder, the Crown can take a long-term perspective for these companies and entities, which are highly diverse, and include interests in strategic and infrastructure assets in the aviation, electricity and services sectors. Collectively, these companies and entities paid approximately \$700 million in dividends in 2019/20 to help the Government meet its fiscal, social and policy goals.

In 2019/20, the Treasury developed a framework for assessing company and entity financial and operational performance to underpin reporting to ministers. The framework seeks to support ministers in using their ownership levers to position companies and entities to operate effectively and sustainably, and to contribute to the government's objectives. This framework is based on factors associated with company success, including strategic alignment, leadership, organisation and results, and draws on a broad evidence base to take a holistic and long-term view of company and entity performance.

We also provided advice to Ministers on ways to improve the performance of Crown companies in order to support the Government's wider objectives. Options included the creation of a Holding Company to more actively manage some of the Crown's investments.

Our focus on continually improving the quality of our commercial advice has included providing feedback to authors of the Treasury's commercial advice papers. We have also introduced workshops that target particular areas identified as needing improvement.

Supporting the Christchurch earthquake recovery effort and related policy work

We have continued to focus on actively supporting the Minister Responsible for the Earthquake Commission (EQC) and Southern Response Earthquake Services Limited to achieve timely, fair and enduring resolution of the remaining Canterbury earthquake claims. We have also continued to provide key commercial and strategic insights with regard to policy work relating to EQC's Readiness Strategy, the Public Inquiry into EQC, the Government's ex-gratia On-Sold Policy and reform of the Earthquake Commission Act 1993, as well as insurance access and affordability issues.

Since January 2020, we have been engaging with Christchurch City Council to negotiate a funding agreement for the Christchurch Multi-Use Arena. We have provided advice and support to the Minister of Finance and the Minister Responsible for Greater Christchurch as these negotiations have progressed, as well as on drawdowns from the Christchurch Regeneration Acceleration Facility. We also provided assistance and support to Ministers, and to the Greater Christchurch Group in the Department of the Prime Minister and Cabinet, in the implementation of the Global Settlement Agreement. We have also continued to support Ōtākaro Limited as it seeks to progress its land divestment programme, and in its response to the pressures created by

Advising on board appointments

In 2019/20, we made 70 appointments across the commercial and financial entities including new appointments, reappointments and elevations to the boards of State Owned Enterprises (SOEs), Crown entity companies, Public Finance Act Schedule 4A companies, and Crown Entities such as EQC.

We supported the Government to promote greater diversity in board participation, particularly with regard to increasing the number of women in these roles. Of the 70 appointments made in 2019/20, 39 were women (55.7%) and 31 were men (44.3%). This compares with 150 appointments in 2018/19 where 65 were women (43.3%) and 85 were men (56.7%). We have made significant improvements in gender representation across SOEs, with women making up 46.5% of directors (up from 36% in 2015). We will continue to close the gender gap and look to increase ethnic diversity across entities in the coming years.

WOMEN ON THE BOARDS OF STATE-OWNED ENTERPRISES

2015	2016	2017 (NOV)	2018	2019	2020
(NOV)	(JUL)		(NOV)	(MAY)	(JUL)
36%	37.4%	35.2%	39%	45%	46.5%

CATEGORY	MEASURE	STANDARD	RESULT
Crown Company Monitoring Advice to the Minister for State Owned Enterprises and Other Responsible Ministers	Average score of assessed papers.	3.5	3.4
	Papers with a score of 3 or more.	80%	75%
	Papers with a score of 4 or more.	20%	35%
Crown Company Monitoring Advice to the Minister of Research, Science and Innovation ¹⁸	Assessed papers have an average score of 3.5.	Achieved	Not Achieved
	At least 80% of assessed papers score 3 or more; at least 20% of papers score 4 or more.	Achieved	Not Achieved

¹⁸ Measures for this category did not achieve their end-of-year targets, as no direct advice was provided to the Minister of Research, Science and Innovation in 2019/20.

Administration of Crown Borrowing, Securities, Derivative Transactions and Investment PLA

OUR BUDGET WAS

\$10.105m

WE SPENT

\$10.286m¹⁹

This appropriation is intended to achieve the administration of the Crown's financing requirements so as to raise sufficient funds to finance the Crown's cash deficit while minimising the cost to the Crown of such borrowing.

Our key achievements for 2019/20 with this appropriation:

A historically large New Zealand Government Bond (NZGB) programme of NZ\$29 billion was delivered in response to COVID-19.

We implemented a new Primary Markets access framework for institutions to gain eligibility to participate in tenders.

We executed a \$7 billion syndication of a new May 2024 NZGB.

Our core transactional system (Quantum) was upgraded.

Liquidity needs were managed without breaches, under challenging conditions created by COVID-19.

Debt management

The Treasury plays a key role in funding the Crown's borrowing requirements and maintaining well-functioning debt funding markets. Our focus is on ensuring long-term borrowing costs are minimised, while risks are considered and managed accordingly. We are also responsible for managing the Crown's liquidity position. All activities are guided by three core principles: to be transparent, consistent and even-handed.

The Treasury takes a strategic approach to debt funding and risk management to ensure debt is managed in a way that is consistent with the Government's fiscal strategy and the needs of the Crown's balance sheet. In parallel, the approach considers market demand and ensures that interaction with financial market participants is well considered and coordinated.

Primary Market Access Framework

During 2019/20 we undertook consultation to update our Primary Market Access Framework, which we then released. The updated framework outlines the acceptance criteria and ongoing requirements for eligibility to participate in New Zealand Government Securities (NZGS) tenders. The revised framework aims to support liquidity of NZGS markets and assist Registered Tender Counterparties to perform their role of intermediating primary market supply to end investors. Key changes require Registered Tender Counterparties to:

- play a significant role in intermediation of NZGS products to investors, as well as committing to support secondary market liquidity and price transparency
- participate regularly in NZGS tenders.

Under the new framework, only Registered Tender Counterparties will be eligible for syndication issuance panels. To provide investors with information regarding entities with primary market access, a list of all Registered Tender Counterparties is published on the New Zealand Debt Management (NZDM) website.

¹⁹ This appropriation spent more than the budget due to additional borrowing activities in response to COVID-19. This is a PLA and allows for spending over the budget.

TO VISIT THE NZDM WEBSITE 口 GO TO HTTPS://BIT.LY/35ZFQZJ

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TO LEARN MORE ABOUT THE PRIMARY MARKET ACCESS FRAMEWORK GO TO HTTPS://BIT.LY/3NT5GLV

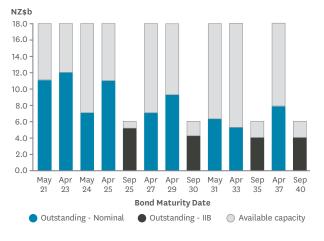
Quantum

At the end of 2019, our core transactional system (Quantum) was upgraded, which also brought it up to date with the latest vendor release and provided functional and security enhancements to the system. The upgrade also extended the operational lifespan of this system.

Funding strategy

The debt funding strategy balances the needs of the Crown, investor demand and market function when determining the borrowing programme and overall debt portfolio composition. This strategy is guided by key objectives and principles that determine the instruments and mechanisms to achieve the required funding task for the Crown.

Figure 3: Current New Zealand Government Bond portfolio as at 30 June 2020



A significant increase to the borrowing programme was announced on 1 April 2020, against the backdrop of challenging market conditions due to the impacts of COVID-19. This meant the funding strategy for the June 2020 quarter, by necessity, put greater emphasis on capturing investor demand and ensuring a well-functioning market.

Issuance

Crown borrowing occurs through regular issuance of New Zealand Government Securities throughout the year. Securities are generally issued via weekly tender, an online auction where registered Primary Market investors bid in multiples of \$1 million. These are supplemented with syndicated issuance, which is used to issue a large volume into a new bond line or an existing bond line.

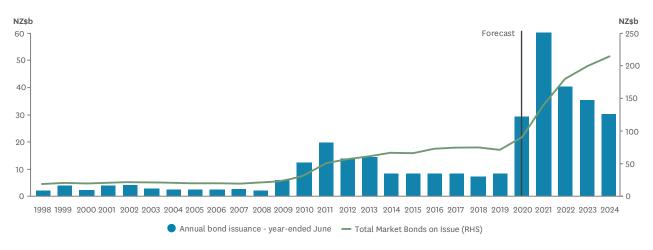
Total issuance for the 2019/20 year:

- \$29 billion of New Zealand Government Bonds (NZGBs) were issued. This was the largest programme in history and critically included \$21 billion of issuance in the final quarter.
- \$16.05 billion of Nominal Bonds via tender. On average, these tenders received bids for two and a half times the number of bonds on offer. The bonds issued included seven different maturity dates.
- \$400 million of Inflation-Indexed Bonds via tender. On average, tenders received over twice the number of bids for the quantity of bonds on offer. The bond issued had a maturity date of 2040.
- \$14.16 billion of Treasury Bills via tender.
- \$9 billion of new bonds via syndication, including \$2 billion of May 2031 and \$7 billion of May 2024 nominal NZGBs.
- \$3.5 billion of existing May 2031 nominal NZGBs via syndication.

Maturity and settlements

The maturity of the April 2020 nominal bond was successfully managed. In excess of NZ\$18.5 billion settlement flows occurred on the day, from maturing investments, maturing hedge transactions and the successful repayment of \$5.38 billion to the bond investors.





Investor communication and engagement

Investors

Engagement, and the provision of up-to-date information, is crucial to maintaining confidence in investing in New Zealand Government Securities and ensuring a diverse investor base. In addition to presentations at investor conferences, we undertook over 90 investor meetings during the 2019/20 year. We adapted to COVID-19 restrictions by undertaking an extensive series of virtual meetings with global and domestic investors.

We provided investors with insights through our flagship publications, the New Zealand Government Securities Overview and the New Zealand Government Securities Funding Strategy. In response to COVID-19 we also introduced a new monthly e-newsletter (the Investor Update) to ensure timely updates could be provided to investors.

Credit Rating Agencies

Credit ratings are an important support for investor confidence. While it is important that ratings are provided by agencies with independence, the Treasury facilitates accurate two-way information sharing. Over the year, we coordinated the annual ratings agency visits from each of the three major global rating agencies (S & P Global Ratings, Moody's Investors Services and Fitch Ratings), augmenting visits through ongoing information sharing and offshore meetings.

Liquidity management

Sound liquidity management is critical to an effective debt management programme. The Crown must always have enough cash available to fund repayments when due. The liquidity management strategy enables the funding programme to smoothly navigate and/or manage short-term fluctuations in cash balances. The economic implications of, and the fiscal response to, COVID-19 placed significant demands on the Crown's liquidity position. Specific actions included:

- · liquidating the portfolio of foreign currency financial assets, generating approximately NZ\$2 billion of additional cash
- undertaking additional short-term Treasury Bill issuance and increasing outstanding issuance from \$2 billion to approximately \$10 billion
- utilising an overdraft facility with the Reserve Bank of New Zealand, with maximum use of the facility being approximately \$2.5 billion following the April 2020 NZGB maturity
- reinstating a short-term foreign currency Euro Commercial Paper (ECP) issuance programme. Just over US\$800 million of ECP issuance was outstanding at 30 June 2020.

The Treasury's Liquidity Policy guides the ability to fund known commitments well in advance. This policy requires 75% of commitments to be funded three months in advance and be 100% funded one month in advance. This requirement is measured daily and has been met consistently over the year. There were also no breaches of liquidity policy despite the significant demands on public finances and short-term funding over this time period.

Crown liquidity and funding risk, and NZDM market and credit risk, are well managed breaches	RESULT
within the Crown's risk appetite, as evidenced by compliance with the following NZDM policies: Market Risk Policy, Credit Risk Policy, Liquidity Risk Policy and Funding Risk Policy.	Achieved

Corporate treasury services

Treasury services involve the provision of financial markets services to government agencies and Crown clients with the aim of improving the management of financial risks across the Crown. The number and types of transactions we administered in 2019/20 are as follows:

PRODUCT	TRANSACTIONS	NZD EQUIVALENT
Outright FX	1250	2,067,187,515
Interest rate swaps	37	2,734,166,118
Crown lending	39	868,597,311

Assurance and oversight

The Capital Markets Advisory Committee (CMAC) provides independent perspectives and advice to the Treasury's Executive Leadership Team. The Committee offers challenge and feedback on decisions and initiatives that impact on debt management, export credit and treasury services outcomes. This includes:

- strategy and prioritisation
- business performance
- strategic and business risk management
- control and compliance functions
- an assurance framework.

The Committee also considers appropriate strategic targets and key risk and performance indicators for the Treasury's Capital Markets Directorate.

MEASURE	TARGET	RESULT
NZDM operational risk is well managed within the Crown's risk appetite, as evidenced by the number of settlement errors and financial loss arising from settlement errors.	No more than six errors or \$10,000 cost	Achieved

Shared Support Services

OUR BUDGET WAS

\$10.487m

\$8.476m^{*}

This appropriation is intended to achieve quality, efficient support services for other agencies.

Our key achievements for 2019/20 with this appropriation:

Quality and timeliness of finance and payroll services was achieved.

Access to and availability of shared services was at or above expected service levels.

The IT infrastructure, tools and business processes successfully supported remote working and uninterrupted service to customers throughout the COVID-19 pandemic response.

In response to an annual survey, over 90% of customers said they were 'Mostly Satisfied' or above with the service.

provides the platform for a fully-integrated solution for our financial and payroll systems.

Completed the migration of the three central agencies to a common cloud service which

Supported the establishment of the National Emergency Management Agency as a departmental agency within the Department of the Prime Minister and Cabinet.

Our payroll system was reconfigured to enable this offering to be shared beyond the three central agencies.

The newly-formed Infrastructure Commission, Te Waihanga became a new customer for our shared finance and payroll system and financial transaction processing services.

The newly-formed Climate Change Commission became a new customer for our shared finance and payroll system, financial transaction processing and human resource services.

MEASURE	TARGET	RESULT
Services meet the standards and timeframes agreed with other agencies.	Achieved	Achieved

²⁰ The expenditure in this appropriation is limited to the revenue received from the shared services customers. It was always anticipated that there would be an underspend in this appropriation.

Figure 5: Shared services provided to other agencies by the Treasury

AGE	NCY PORTED	Department of the Prime Minister and Cabinet	Public Service Commission	Serious Fraud Office	Ministry for Women	Ministry of Culture and Heritage	Creative New Zealand	Human Rights Commission	Infrastructure Commission	Climate Change Commission
	Strategy & Advice*	~								
FINANCE	Transaction Processing	~	~						/	/
	Finance System	~	/	~		/	~	/	/	/
HUMAN RESOURCES	Strategy & Advice*	~								
	HR Services	~								~
	Payroll System	✓	✓						✓	✓
INFORMATION AND TECHNOLOGY	Strategy & Advice*	✓								
	Systems & Infrastructure	✓								
	Helpdesk & Support	✓								
MATION A	Programme Management	✓								
INFORM	Information Management	✓								
	Information Services	✓			~					

^{*} Strategy services includes the roles of Chief Financial Officer, Chief Information Officer and Chief People Officer.

SECTION THREE

Reporting on Financial Information

Appropriation Statements

Statement of Budgeted and Actual Expenses and Capital **Expenditure Incurred Against Appropriations**

for the year ended 30 June 2020

Transactions and Investment PLA Administration of Guarantees and Indemnities Given by the Crown PLA 5 Administration of Guarantees and Indemnities Given by the Crown PLA 606 Design and Establishment of the Christchurch 95 400 894 The Treasury Annu Report p 24 1,670 Design and Establishment of the Green Investment Fund 61 2,000 74 1,964 Infrastructure Funding and Financing 1,075 3,072 2,158 The Treasury Annu Report p 42 9,252 Shared Support Services 8,476 10,487 10,487 The Treasury Annu Report p 42 23,062 Total Departmental Output Expenses 21,068 26,174 25,828 Departmental Capital Injection 872 - 872 The Treasury Capital Expenditure PLA The Treasury Annu Report p 43 12,746 Total Departmental Capital Expenditure PLA 12,746 Total Departmental Capital Expenditure PLA 12,746 Total Departmental Capital Expenditure 8,000 9,100 8,100 New Zealand Infrastructure Advice and Oversight 8,100 9,100 8,100 New Zealand Infrastructure Advice and Oversight 18,865 21,600 28,183 Exempt 21,446 Management of Anchor Projects by Ōtākaro Limited 18,865 21,600 28,183 Exempt 24 Management of Ho Crown's Obligations for Geothermal Wells 2 180 280 Exempt 27,082 Management of the New Zealand Superannuation Fund 544 728 728 Exempt 27,082 Total Non-Departmental Output Expenses 32,541 36,638 42,321 Non-Departmental Borrowing Expenses 32,541 36,638 42,321 Non-Departmental Borrowing Expenses 32,541 36,638 42,321	2019 Actual \$000		2020 Actual \$000	2020 Main Estimates Unaudited \$000	2020 Supp. Estimates Unaudited \$000	Location of End-of- year Performance Information
9,565 Administration of Crown Borrowing, Securities, Derivative 10,286 10,105 10,105 The Treasury Ann. Report pp 28-30.		Vote Finance				
Transactions and Investment PLA		Departmental Output Expenses				
Report p 24	9,565	3	10,286	10,105	10,105	The Treasury Annua Report pp 28-30
Regeneration Acceleration Facility Report p 41	5	•	1,075	110	2,110	The Treasury Annu Report p 24
1,964 Infrastructure Funding and Financing 1,075 3,072 2,158 The Treasury Ann. Report p 42 9,252 Shared Support Services 8,476 10,487 10,487 The Treasury Ann. Report p 32 1058 26,174 25,828 22,062 Total Departmental Capital Injection 872 - 872 The Treasury Ann. Report p 43 The Treasury Capital Expenditure PLA The Treas	606	S .			894	The Treasury Annu Report p 41
Separt p 42 Shared Support Services 8,476 10,487 10,487 The Treasury Anna Report p 32 23,062 Total Departmental Cupital Injection 872 - 872 The Treasury Anna Report p 31 The Treasury Capital Expenditure PLA The Treasury Capita	1,670	Design and Establishment of the Green Investment Fund	61	2,000	74	
Report p 31	1,964	Infrastructure Funding and Financing	1,075	3,072	2,158	The Treasury Annu Report p 42
The Treasury Capital Injection S72	9,252	Shared Support Services	8,476	10,487	10,487	The Treasury Annu Report p 31
Total Departmental Capital Injection 872 - 872 The Treasury Capital Expenditure PLA The Treasury Capital Expenditure PLA 12,746 Total Departmental Capital Expenditure Non-Departmental Output Expenses Independent Infrastructure Advice and Oversight Independent Infrastructure Infrastru	23,062	Total Departmental Output Expenses	21,068	26,174	25,828	
The Treasury Capital Expenditure PLA 12,746 Total Departmental Capital Expenditure Non-Departmental Output Expenses Independent Infrastructure Advice and Oversight Independent Infrastructure Advice Advice and Independent Infrastructure Advice		Departmental Capital Injection				
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Non-Departmental Output Expenses Independent Infrastructure Advice and Oversight 8,100 9,100 8,100 New Zatisato Infrastructure Advice and Oversight 8,100 9,100 8,100 New Zatisato Infrastructure Advice and Oversight 8,100 9,100 8,100 New Zatisato Infrastructure Advice and Oversight 8,100 9,100 New Zatisato Infrastructure Advice and Oversight 8,100 9,100 New Zet Non-Departmental Output Expenses 32,541 36,638 42,321 Non-Departmental Output Expenses 32,541 36,638 42,321 Non-Departmental Departmental Output Expenses 3,074,471 3,075,926 3,093,819 Exempt Non-Departmental Other Expenses 3,074,471 3,075,926 3,093,819 Non-Departmental Other Expenses Non-Departmental Other Expenses 3,074,471 3,075,926 3,093,819 Non-Departmental Other Expenses Non-Departmental Other Expenses 3,074,471 3,075,926 3,093,819 Non-Departmental Other Expenses Non-Departmental Other Expenses 3,074,471 3,075,926 3,093,819 Non-Departmental Other Expenses Non-Departmental		The Treasury Capital Expenditure PLA				The Treasury Annu Report p 43
Independent Infrastructure Advice and Oversight 8,100 9,100 8,100 New Zealand Infrastructure Commission Annual Report P. S.,030 Inquiries and Research into Productivity-Related Matters 5,030 5,030 5,030 Exempt 21,446 Management of Anchor Projects by Ötäkaro Limited 18,865 21,600 28,183 Exempt 22 Management of the Crown's Obligations for Geothermal Wells 2 180 280 Exempt 584 Management of the New Zealand Superannuation Fund 544 728 728 Exempt 70tal Non-Departmental Output Expenses 32,541 36,638 42,321 Non-Departmental Borrowing Expenses 70tal Non-Departmental Other Paper Non-Departmental Other Paper Non-Departmental Other Paper Non	12,746	Total Departmental Capital Expenditure	2,601	5,985	5,985	
5,030 Inquiries and Research into Productivity-Related Matters 5,030 5,030 5,030 Exempt 21,446 Management of Anchor Projects by Ötäkaro Limited 18,865 21,600 28,183 Exempt 22 Management of the Crown's Obligations for Geothermal Wells 2 Management of the New Zealand Superannuation Fund 544 728 728 Exempt 27,082 Total Non-Departmental Output Expenses 3,349,692 Debt Servicing PLA 3,074,471 3,075,926 3,093,819 Exempt Non-Departmental Borrowing Expenses 3,349,692 Total Non-Departmental Borrowing Expenses 3,349,692 Total Non-Departmental Borrowing Expenses 3,349,692 Total Non-Departmental Other Expenses - Ahu Whenua Trust Ex-gratia Payment 9,000 Papertmental Other Expenses - Christchurch Regeneration Acceleration Facility 86,000 Papertmental Other Expenses - Christchurch Regeneration Acceleration Facility 86,000 Papertmental Other Expenses - Christchurch Regeneration Acceleration Facility 86,000 Papertmental Other Expenses - Geothermal Wells Fund - Geothermal Wells Fund - Good Settlement with Christchurch City Council - Global Settlement with Christchurch City Council - Goovernment Superannuation Appeals Board - Government Superannuation Fund Authority: Crown's Share of Expenses PLA 40,835 Government Superannuation Fund Unfunded Liability PLA - Handing Adaptive Services Ltd - Impairment of Investment in Southern Response Sarthquake Services Ltd - Impairment of Investment in Southern Response Farthquake Services Ltd - Impairment of Investment in Southern Response Satural - Incomparison of Expense Services Ltd - Impairment of Investment in Southern Response Satural - Incomparison of Expense Services Ltd - Impairment of Investment in Southern Response Satural - Incomparison of Expense Services Ltd - Impairment of Investment in Southern Response Satural - Incomparison of Expense Satural Satural		Non-Departmental Output Expenses				
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Management of the Crown's Obligations for Geothermal Wells 2 180 280 Exempt 584 Management of the New Zealand Superannuation Fund 544 728 728 Exempt 27,082 Total Non-Departmental Output Expenses 32,541 36,638 42,321 Non-Departmental Borrowing Expenses 3,349,692 Debt Servicing PLA 3,074,471 3,075,926 3,093,819 Exempt 3,349,692 Total Non-Departmental Borrowing Expenses 3,074,471 3,075,926 3,093,819 Non-Departmental Other Expenses - Ahu Whenua Trust Ex-gratia Payment 9,000 Poport Mental Reports profit in an appendix to the Treasury Annual Report profit in an appendix to the Treas	5,030	Inquiries and Research into Productivity-Related Matters	5,030	5,030	5,030	Exempt
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Part	22	Management of the Crown's Obligations for Geothermal Wells	2	180	280	Exempt
Non-Departmental Borrowing Expenses 3,349,692 Debt Servicing PLA 3,074,471 3,075,926 3,093,819 Exempt 3,349,692 Total Non-Departmental Borrowing Expenses 3,074,471 3,075,926 3,093,819 Non-Departmental Other Expenses - Ahu Whenua Trust Ex-gratia Payment 9,000 - 9,000 Reported in an appendix to the Treasury Annual Report p 78 - Christchurch Regeneration Acceleration Facility 86,000 - 300,000 Reported in an appendix to the Treasury Annual Report p 79 157 Crown Residual Liabilities 113 60 227 Exempt - Geothermal Wells Fund - 500 500 Exempt - Geothermal Wells Fund - 500 500 Exempt - Global Settlement with Christchurch City Council 50,163 - 50,164 Reported in an appendix to the Treasury Annual Report p 80 20 Government Superannuation Appeals Board 28 50 50 Exempt 40,835 Government Superannuation Fund Authority: Crown's Share of Expenses PLA 421,325 Government Superannuation Fund Unfunded Liability PLA 540,189 444,000 540,617 Exempt 16,000 Impairment of Investment in Southern Response A42,000 - 121,000 Exempt 125,000 Meeting Deficiency in Earthquake Commission's Natural 115,000 174,000 90,000 Exempt	584	Management of the New Zealand Superannuation Fund	544	728	728	Exempt
3,349,692 Debt Servicing PLA 3,349,692 Total Non-Departmental Borrowing Expenses Non-Departmental Other Expenses - Ahu Whenua Trust Ex-gratia Payment - Christchurch Regeneration Acceleration Facility - Geothermal Wells Fund - Geothermal Wells Fund - Global Settlement with Christchurch City Council - Government Superannuation Appeals Board - Government Superannuation Appeals Board - A0,835 Government Superannuation Fund Unfunded Liability PLA - Geothermal Superannuation Fund Unfunded Liability PLA - Geothermal Superannuation Fund Unfunded Liability PLA - Geotherment of Investment in Southern Response Earthquake Services Ltd - Italian S,074,471 - 3,075,926 - 3,093,819 - Exempt - 3,074,471 - 3,075,926 - 3,093,819 - Exempt - 9,000 - 9,000 - 8,090,819 - Ported in an appendix to the Treasury Annual Report p 79 - Exempt - Goothermal Wells Fund - 500 -	27,082	Total Non-Departmental Output Expenses	32,541	36,638	42,321	
Non-Departmental Borrowing Expenses Non-Departmental Other Expenses Ahu Whenua Trust Ex-gratia Payment Other Expenses Christchurch Regeneration Acceleration Facility Crown Residual Liabilities Geothermal Wells Fund Global Settlement with Christchurch City Council Government Superannuation Appeals Board Ogovernment Superannuation Fund Authority: Crown's Share of Expenses PLA Government Superannuation Fund Unfunded Liability PLA Government Superannuation Fund Unfunded Liability PLA Meeting Deficiency in Earthquake Commission's Natural 115,000 Meeting Deficiency in Earthquake Commission's Natural 19,000 - 9,000 Sopon Reported in an appendix to the Treasury Annual Report p 79 Reported in an appendix to the Treasury Annual Report p 80 Exempt 10,000 Fixed Plance Pla		Non-Departmental Borrowing Expenses				
Non-Departmental Other Expenses Ahu Whenua Trust Ex-gratia Payment 9,000 - 9,000 Reported in an appendix to the Treasury Annual Report p 78 - Christchurch Regeneration Acceleration Facility 86,000 - 300,000 Reported in an appendix to the Treasury Annual Report p 78 157 Crown Residual Liabilities 113 60 227 Exempt - Geothermal Wells Fund - 500 500 Exempt - Global Settlement with Christchurch City Council 50,163 - 50,164 Reported in an appendix to the Treasury Annual Report p 80 20 Government Superannuation Appeals Board 28 50 50 Exempt 40,835 Government Superannuation Fund Authority: Crown's 11,048 45,000 42,000 Exempt 421,325 Government Superannuation Fund Unfunded Liability PLA 540,189 444,000 540,617 Exempt 16,000 Impairment of Investment in Southern Response Earthquake Services Ltd 125,000 Meeting Deficiency in Earthquake Commission's Natural 115,000 174,000 90,000 Exempt	3,349,692	Debt Servicing PLA	3,074,471	3,075,926	3,093,819	Exempt
- Ahu Whenua Trust Ex-gratia Payment 9,000 - 9,000 Reported in an appendix to the Treasury Annual Report p 78 - Christchurch Regeneration Acceleration Facility 86,000 - 300,000 Reported in an appendix to the Treasury Annual Report p 79 - Crown Residual Liabilities 113 60 227 Exempt - Geothermal Wells Fund - 500 500 Exempt - Global Settlement with Christchurch City Council 50,163 - 50,164 Reported in an appendix to the Treasury Annual Report p 79 - Government Superannuation Appeals Board 28 50 50 Exempt - 40,835 Government Superannuation Fund Authority: Crown's Share of Expenses PLA - 421,325 Government Superannuation Fund Unfunded Liability PLA 540,189 444,000 540,617 Exempt - 16,000 Impairment of Investment in Southern Response Earthquake Services Ltd - 25,000 Meeting Deficiency in Earthquake Commission's Natural 115,000 174,000 90,000 Exempt	3,349,692	Total Non-Departmental Borrowing Expenses	3,074,471	3,075,926	3,093,819	
appendix to the Treasury Annual Report p 78 - Christchurch Regeneration Acceleration Facility 157 Crown Residual Liabilities 118 60 227 Exempt - Geothermal Wells Fund - Global Settlement with Christchurch City Council - Global Settlement with Christchurch City Council - Government Superannuation Appeals Board 20 Government Superannuation Fund Authority: Crown's Share of Expenses PLA 40,835 Government Superannuation Fund Unfunded Liability PLA 421,325 Government Superannuation Fund Unfunded Liability PLA 16,000 Impairment of Investment in Southern Response Earthquake Services Ltd 125,000 Meeting Deficiency in Earthquake Commission's Natural 118,000 174,000 90,000 Exempt		Non-Departmental Other Expenses				
appendix to the Treasury Annual Report p 79 157 Crown Residual Liabilities 113 60 227 Exempt - Geothermal Wells Fund - 500 500 Exempt - Global Settlement with Christchurch City Council 50,163 - 50,164 Reported in an appendix to the Treasury Annual Report p 80 20 Government Superannuation Appeals Board 28 50 50 Exempt 40,835 Government Superannuation Fund Authority: Crown's Share of Expenses PLA 421,325 Government Superannuation Fund Unfunded Liability PLA 540,189 444,000 540,617 Exempt 16,000 Impairment of Investment in Southern Response Earthquake Services Ltd 125,000 Meeting Deficiency in Earthquake Commission's Natural 115,000 174,000 90,000 Exempt	-	Ahu Whenua Trust Ex-gratia Payment	9,000	-	9,000	appendix to the Treasury Annual
- Geothermal Wells Fund - 500 500 Exempt - Global Settlement with Christchurch City Council 50,163 - 50,164 Reported in an appendix to the Treasury Annual Report p 80 20 Government Superannuation Appeals Board 28 50 50 Exempt 40,835 Government Superannuation Fund Authority: Crown's Share of Expenses PLA 421,325 Government Superannuation Fund Unfunded Liability PLA 540,189 444,000 540,617 Exempt 16,000 Impairment of Investment in Southern Response Earthquake Services Ltd 125,000 Meeting Deficiency in Earthquake Commission's Natural 115,000 174,000 90,000 Exempt	-	Christchurch Regeneration Acceleration Facility	86,000	-	300,000	appendix to the Treasury Annual
- Global Settlement with Christchurch City Council 50,163 - 50,164 Reported in an appendix to the Treasury Annual Report p 80 20 Government Superannuation Appeals Board 28 50 50 Exempt 40,835 Government Superannuation Fund Authority: Crown's 41,048 45,000 42,000 Exempt 421,325 Government Superannuation Fund Unfunded Liability PLA 540,189 444,000 540,617 Exempt 16,000 Impairment of Investment in Southern Response 42,000 - 121,000 Exempt 125,000 Meeting Deficiency in Earthquake Commission's Natural 115,000 174,000 90,000 Exempt	157	Crown Residual Liabilities	113	60	227	Exempt
20 Government Superannuation Appeals Board 28 50 50 Exempt 40,835 Government Superannuation Fund Authority: Crown's Share of Expenses PLA 421,325 Government Superannuation Fund Unfunded Liability PLA 540,189 444,000 540,617 Exempt 16,000 Impairment of Investment in Southern Response Earthquake Services Ltd 125,000 Meeting Deficiency in Earthquake Commission's Natural 115,000 174,000 90,000 Exempt	-	Geothermal Wells Fund	-	500	500	Exempt
40,835 Government Superannuation Fund Authority: Crown's Share of Expenses PLA 421,325 Government Superannuation Fund Unfunded Liability PLA 421,000 Impairment of Investment in Southern Response Earthquake Services Ltd 125,000 Meeting Deficiency in Earthquake Commission's Natural 41,048 45,000 42,000 Exempt 42,000 - 121,000 Exempt 125,000 Meeting Deficiency in Earthquake Commission's Natural	-	Global Settlement with Christchurch City Council	50,163	-	50,164	appendix to the Treasury Annual
Share of Expenses PLA 421,325 Government Superannuation Fund Unfunded Liability PLA 540,189 444,000 540,617 Exempt 16,000 Impairment of Investment in Southern Response 42,000 - 121,000 Exempt Earthquake Services Ltd 125,000 Meeting Deficiency in Earthquake Commission's Natural 115,000 174,000 90,000 Exempt	20	Government Superannuation Appeals Board	28	50	50	Exempt
16,000 Impairment of Investment in Southern Response 42,000 - 121,000 Exempt Earthquake Services Ltd 125,000 Meeting Deficiency in Earthquake Commission's Natural 115,000 174,000 90,000 Exempt	40,835		41,048	45,000	42,000	Exempt
Earthquake Services Ltd 125,000 Meeting Deficiency in Earthquake Commission's Natural 115,000 174,000 90,000 Exempt	421,325	Government Superannuation Fund Unfunded Liability PLA	540,189	444,000	540,617	Exempt
	16,000	·	42,000	-	121,000	Exempt
	125,000		115,000	174,000	90,000	Exempt

2019 Actual \$000		2020 Actual \$000	2020 Main Estimates Unaudited \$000	2020 Supp. Estimates Unaudited \$000	Location of End-of- year Performance Information
-	National Provident Fund Schemes – Crown liability for Scheme Deficiency PLA	26	-	40,000	Reported in an appendix to the Treasury Annual Report p 79
15,000	National Provident Fund Schemes – Liability Under Crown Guarantee PLA	12,000	15,000	15,000	Exempt
-	New Zealand Green Investment Finance Limited – Operating Expenses	2,800	-	2,800	NZGIF
758	Payment in Respect of Export Credit Office Guarantees and Indemnities PLA	2,345	-	-	Exempt
-	Payments and Expenses in Respect of Guarantees and Indemnities PLA	76,789	-	546,000	Reported in an appendix to the Treasury Annual Report p 80
217	Review and Reform of Local Government Infrastructure Arrangements	-	100	350	Exempt
37	Unclaimed Money PLA	35	250	250	Exempt
-	Unclaimed Trust Money PLA	-	250	250	Exempt
1,880	Unwind of Discount Rate Used in the Present Value Calculation – Rehabilitation of Stockton Mine Acid Mine Drainage	2,840	3,000	3,000	Exempt
784	Unwind of Discount Rate Used in the Present Value Calculation of Payment for Shares in International Financial Institutions PLA	189	300	300	Exempt
3,297	Unwind of Discount Rate Used in the Present Value Calculation of Payment Under Crown Deed of Support with Southern Response Earthquake Services Limited	896	550	1,050	Exempt
625,310	Total Non-Departmental Other Expenses	981,461	683,060	1,762,558	
	Non-Departmental Capital Expenditure				
-	COVID-19: Capital Injections to Airways New Zealand	70,000	-	70,000	Reported in an appendix to the Treasury Annual Report p 80
-	COVID-19: Capital injections to New Zealand Post Limited (MYA Expense)	80,000	-	80,000	Reported in an appendix to the Treasury Annual Report p 81
-	COVID-19: Loans to Air New Zealand (MYA Expense)	-	-	300,000	Reported in an appendix to the Treasury Annual Report p 81
17,000	Crown Infrastructure Partners Limited – Equity Injection (MYA Expense)	-	57,000	7,000	Exempt
14,000	Loan Facility for Tāmaki Redevelopment Company Multi- year Appropriation (MYA Expense)	-	-	-	Reported in a Tāmaki Redevelopment Company Annual Report
6,000	New Zealand Green Investment Finance Ltd – Equity Injections for Operating Expenditure (MYA Expense)	-	6,000	3,000	NZGIF Annual Report
-	New Zealand Green Investment Finance Ltd – Equity Injections for Capital Investments (MYA Expense)	40,000	40,000	40,000	NZGIF Annual Report
1,000,000	NZ Superannuation Fund - Contributions	1,460,000	1,460,000	1,460,000	NZSF Annual Rep
20,941	Participation in Dividend Reinvestment Plans by the Mixed Ownership Model Companies (MYA Expense)	19,094	20,000	19,030	Exempt
127,184	Refinancing of Housing New Zealand Corporation and Housing New Zealand Limited Debt	250,220	251,246	251,246	Reported in an appendix to the Treasury Annual Report p 78
16,000	Southern Response Earthquake Services Limited: Equity Investment	42,000	-	121,000	Exempt
59,500	Tāmaki Regeneration Company Limited – Equity Injection	-	-	-	Exempt
1,377	Transfer of Anchor Project to Ōtākaro Limited MYA	-	225,887	-	Exempt
-	Venture Capital Fund	-	-	39,500	Reported in an appendix to the
					Treasury Annual Report p 81

2019 Actual \$000		2020 Actual \$000	2020 Main Estimates Unaudited \$000	2020 Supp. Estimates Unaudited \$000	Location of End-of- year Performance Information
	Multi-Category Expenses and Capital Expenditure				
	Crown Company Monitoring Advice MCA				
	Departmental Output Expenses				
3,808*	Crown Company Monitoring Advice to the Minister for State Owned Enterprises and Other Responsible Ministers	5,573	4,624	5,654	The Treasury Annual Report pp 25-27
165*	Crown Company Monitoring Advice to the Minister of Research, Science and Innovation	143	245	153	The Treasury Annual Report pp 25-27
3,973*	Total Crown Company Monitoring Advice MCA	5,716	4,869	5,807	
	Greater Christchurch Anchor Projects MCA				
	Non-Departmental Other Expenses				
17,445	Christchurch Bus Interchange and Associated Transport Infrastructure – Operating	16,756	5,000	17,347	The Treasury Ann Report pp 45-46
3,210	Christchurch Convention Centre - Operating	3,680	7,900	6,929	The Treasury Ann Report pp 45-46
2,395	Christchurch Stadium – Operating	478	400	543	The Treasury Ann Report pp 45-46
-	Financial Impact of Valuations	-	100	-	Exempt
-	Leasing Anchor Project Land	-	100	-	Exempt
-	Metro Sports Facility - Operating	-	12,000	53,000	The Treasury Anr Report pp 45-46
1,440	Pre-development Holding Costs - Operating	1,500	6,000	3,403	The Treasury Anr Report pp 45-46 The Treasury Anr
14,029 25,587	Procurement of Land and Assets - Operating Public Space - Operating	14,954	21,500 5,100	21,522	Report pp 45-46 The Treasury Ani
-	Sale of Land	-	100	-	Report pp 45-46 Exempt
	Non-Departmental Capital Expenditure				
-	Christchurch Bus Interchange and Associated Transport Infrastructure	-	100	1,985	The Treasury Anr Report pp 45-46
130,260	Christchurch Convention Centre	99,988	98,800	123,609	The Treasury Anr Report pp 45-46
-	Land and Asset Acquisition	-	1,900	1,336	The Treasury Anr Report pp 45-46
-	Metro Sports Facility	17,106	100	26,389	The Treasury And Report pp 45-46
1,132	Public Space	1,455	7,000	4,176	The Treasury Anr Report pp 45-46
195,498	Total Greater Christchurch Anchor Projects MCA	170,399	166,100	273,670	
	Management of Landcorp Protected Land Agreement MCA				
	Non-Departmental Other Expenses				
1,416	Operating Costs	690	1,500	1,500	The Treasury Ani Report p 47
	Non-Departmental Capital Expenditure				
2,228	Capital Investments	2,278	1,500	1,500	The Treasury Anr Report p 47
3,644	Total Management of Landcorp Protected Land Agreement MCA	2,968	3,000	3,000	
	Management of New Zealand House, London MCA				
	Non-Departmental Output Expenses				
303	Property Management	-	1,000	2,000	The Treasury Ani Report p 47
0.000	Non-Departmental Other Expenses	0.555	10.000	45.04.	The Tree
9,966	Operational Costs	8,575	13,000	15,944	The Treasury And
1,479	Renegotiation of Lease Arrangements	286	100	600	The Treasury An Report p 47

 $^{^{\}star}$ This was an annual appropriation in 2018/19 and was transferred to a multi-category appropriation in 2019/20.

2019 Actual \$000		2020 Actual \$000	2020 Main Estimates Unaudited \$000	2020 Supp. Estimates Unaudited \$000	Location of End-of- year Performance Information
	Non-Departmental Capital Expenditure				
-	Capital Expenditure	-	750	750	The Treasury Annua Report p 47
11,748	Total Management of New Zealand House, London MCA	8,861	14,850	19,294	
	Social Housing Reform MCA				
	Departmental Output Expenses				
724	Implementation of the Social Housing Reform Programme	1,383	100	1,385	The Treasury Annu Report p 48
	Non-Departmental Output Expenses				
-	Direct Costs of Social Housing Reform Programme	-	1,900	1,220	The Treasury Annu Report p 48
724	Total Social Housing Reform MCA	1,383	2,000	2,605	
	Management of the Crown's Agreement with Taitokerau Forests Limited MCA				
	Non-Departmental Other Expenses				
451	Grants	191	-	300	Exempt
5,132	Impairment of Loans	1,115	-	1,006	Exempt
	Non-Departmental Capital Expenditure				
611	Loans	-	-	-	Exempt
6,194	Total Management of the Crown's Agreement with Taitokerau Forests Limited MCA	1,306	-	1,306	
	Tax Working Group MCA				
	Departmental Output Expenses				
425	Provision of Support and Advice	24	-	50	The Treasury Anni Report p 49
	Non-Departmental Output Expenses				
438	Direct Costs	-	200	150	The Treasury Anni Report p 49
863	Total Tax Working Group MCA	24	200	200	
	Policy Advice and Financial Services MY MCA				
	Departmental Output Expenses				
	Crown Lending and Bank Accounts	495	462	462	The Treasury Anni Report p 22
	Export Credit	2,118	2,137	2,137	The Treasury Anni Report p 23
	Fiscal Management and Reporting	7,262	10,207	11,615	The Treasury Anni Report p 21
	Investment Management and Asset Performance	5,371	7,396	7,396	The Treasury Anni Report p 22
	Policy Advice	66,709	50,811	58,969	The Treasury Annu Report pp 19-21
73,936*	Total Policy Advice and Financial Services MY MCA	81,955	71,013	80,579	
	EQC - On-Sold Canterbury Properties MY MCA				
	Non-Departmental Output Expenses				
-	Claims Handling and Other Administrative Costs	1,448	-	1,500	Reported in an appendix to the Treasury Annual Report p 82
	Non-Departmental Other Expenses				
-	Repair of Canterbury Properties	286,490	-	295,000	Reported in an appendix to the Treasury Annual Report p 82
-	Total EQC - On-Sold Canterbury Properties MY MCA	287,938	-	296,500	
296,580	Total Multi-category Expenses and Capital Expenditure	560,550	262,032	682,961	
602,362	Total Departmental and Non-Departmental Expenditure and Appropriations	6,634,878	6,149,948	8,005,120	
_					

 $^{^{\}star}$ The previous Policy Advice – Finance and Provision of Financial Operations Services and Operational Advice annual appropriations were consolidated to establish the Policy Advice and Financial Services MY MCA.

Statement of Expenses and Capital Expenditure Incurred Without, or in Excess of, Appropriation or Other Authority

for the year ended 30 June 2020

Expenses and capital expenditure incurred without appropriation or outside scope or period of appropriation

Nil. (2019: Nil)

Expenses and capital expenditure incurred in excess of appropriation

Nil. (2019: Nil)

Statement of Capital Injections

for the year ended 30 June 2020

2019 Actual \$000		2020 Actual \$000	2020 Main Estimates Unaudited \$000	2020 Supp. Estimates Unaudited \$000
5,888	Capital Contributions	872	-	872

Financial and Performance Reporting Against Appropriations

The Treasury is responsible for achieving 10 measures relating to:

- six departmental output expenses appropriations
- one departmental capital expenditure appropriation.

The Treasury is also required to ensure end-of-year performance reporting is provided on what has been achieved with all Multi-Category Appropriations (MCAs) administered by the Treasury.

There are six MCAs with 23 associated measures.

The Treasury's Multi-Year Multi-Category (MY MCA) appropriation is comprised of five categories relating to the provision of policy advice and financial services; there are nine measures and these are reported on across pages 18 to 23.

Departmental Appropriations	40
Multi-Category Appropriations	44
Multi-Year Multi-Category Appropriation	50

Departmental Appropriations

Administration of Crown Borrowing, Securities, Derivative Transactions and Investment (PLA)

What is intended to be achieved with this appropriation

This appropriation is intended to achieve the administration of the Crown's financing requirements so as to raise sufficient funds to finance the Crown's cash deficit while minimising the cost to the Crown of such borrowing.

Financial information

2019 Actual \$000		2020 Actual \$000	2020 Main Estimates Unaudited \$000	2020 Supp. Estimates Unaudited \$000	2021 Forecast Unaudited \$000
9,565	Expenses	10,286	10,105	10,105	10,105
	Funded by:				
10,100	Revenue Crown	10,286	10,100	10,100	10,100
-	Other revenue	-	5	5	5

Administration of Guarantees and Indemnities given by the **Crown PLA**

What is intended to be achieved with this appropriation

This appropriation is intended to achieve efficient and effective administration of the Crown's Guarantees and Indemnities, including the Wholesale and Retail Deposit Guarantee Schemes.

Financial information

2019 Actual \$000		2020 Actual \$000	2020 Main Estimates Unaudited \$000	2020 Supp. Estimates Unaudited \$000	2021 Forecast Unaudited \$000
5	Expenses	1,075	110	2,110	3,110
	Funded by:				
109	Revenue Crown	1,075	109	2,109	3,109
-	Other revenue	-	1	1	1

Performance measure	Standard for 2019/20	Performance for 2019/20
A register of Crown guarantees and indemnities is maintained as an accurate record throughout the financial year.	Achieved	Achieved
Validated and approved payments under the Business Finance Guarantee scheme are made within agreed timeframes.	Achieved	Not Achieved*
Set up the Business Finance Guarantee Scheme.	Achieved	Achieved

^{*} No payments under the Business Finance Guarantee Scheme were made.

Design and Establishment of Christchurch Regeneration Acceleration Facility

What is intended to be achieved with this appropriation

This appropriation is intended to enable the establishment and operation of the Christchurch Regeneration Acceleration Facility, including design and management of decision-making processes and associated arrangements for investments.

Financial information

2019 Actual \$000		2020 Actual \$000	2020 Main Estimates Unaudited \$000	2020 Supp. Estimates Unaudited \$000	2021 Forecast Unaudited \$000
606	Expenses	95	400	894	-
	Funded by:				
1,100	Revenue Crown	894	400	894	-

What was achieved in this appropriation

Performance measure	Standard for 2019/20	Performance for 2019/20
The Christchurch Regeneration Acceleration Facility is established in a timely manner.	Achieved	Achieved

Design and Establishment of the Green Investment Fund

What is intended to be achieved with this appropriation

This appropriation is intended to achieve the design and establishment of the Green Investment Fund, with the Fund having the aim of stimulating new investment in low carbon industries.

Financial information

2019 Actual \$000		2020 Actual \$000	2020 Main Estimates Unaudited \$000	2020 Supp. Estimates Unaudited \$000	2021 Forecast Unaudited \$000
1,670	Expenses	61	2,000	74	-
	Funded by:				
2,544	Revenue Crown	74	2,000	74	-

Performance measure	Standard for 2019/20	Performance for 2019/20
The Treasury will transfer any residual funding to the Green Investment Fund.	Achieved	Achieved

Shared Support Services

What is intended to be achieved with this appropriation

This appropriation is intended to achieve quality, efficient support services for other agencies.

Financial information

2019 Actual \$000		2020 Actual \$000	2020 Main Estimates Unaudited \$000	2020 Supp. Estimates Unaudited \$000	2021 Forecast Unaudited \$000
9,252	Expenses	8,476	10,487	10,487	10,485
	Funded by:				
9,243	Revenue Department	8,080	10,487	10,487	10,485
-	Other Revenue	456	-	-	-

What was achieved in this appropriation

Performance measure	Standard for 2019/20	Performance for 2019/20
Services meet the standards and timeframes agreed with other agencies.	Achieved	Achieved

Infrastructure Funding and Financing

What is intended to be achieved with this appropriation

This appropriation is intended to achieve a new framework for funding and financing investment in infrastructure.

Financial information

2019 Actual \$000		2020 Actual \$000	2020 Main Estimates Unaudited \$000	2020 Supp. Estimates Unaudited \$000	2021 Forecast Unaudited \$000
1,964	Expenses	1,075	3,072	2,158	-
	Funded by:				
2,350	Revenue Crown	2,158	3,072	2,158	-

Performance measure	Standard for 2019/20	Performance for 2019/20
The design of an alternative funding model for local authorities to accelerate infrastructure and support housing affordability.	Achieved	Achieved

The Treasury - Capital Expenditure PLA

What is intended to be achieved with this appropriation

This appropriation is intended to achieve the renewal, upgrade or redesign of assets in support of the delivery of Treasury services.

Financial information

2019 Actual \$000		2020 Actual \$000	2020 Main Estimates Unaudited \$000	2020 Supp. Estimates Unaudited \$000	2021 Forecast Unaudited \$000
11,064	Property, plant and equipment	1,298	2,430	2,430	1,772
1,682	Intangibles	1,303	3,555	3,555	4,213
12,746	Total appropriation	2,601	5,985	5,985	5,985

Performance measure	Standard for 2019/20	Performance for 2019/20
Expenditure is in accordance with the Treasury capital asset management plan.	Achieved	Achieved

Multi-Category Appropriations (MCAs)

Crown Company Monitoring Advice

What is intended to be achieved with this appropriation

This appropriation is intended to provide advice to shareholding or responsible Ministers to help them ensure appropriate financial returns, and long-term value from improved performance of companies that the Crown has a shareholding in, and some Crown entities, in order to improve the wellbeing of New Zealanders.

Financial information

2019 Actual \$000		2020 Actual \$000	2020 Main Estimates Unaudited \$000	2020 Supp. Estimates Unaudited \$000	2021 Forecast Unaudited \$000
3,973*	Total appropriation	5,716	4,869	5,807	4,712
	Departmental Output Expenses				
3,808*	Crown Company Monitoring Advice to the Minster for State Owned Enterprises and Other Responsible Ministers	5,573	4,624	5,654	4,624
165*	Crown Company Monitoring Advice to the Minster of Research, Science and Innovation	143	245	153	88
	Funded by:				
4,996*	Revenue Crown	5,674	4,866	5,674	4,709
-	Other Revenue	98	3	133	3

^{*} The previous annual appropriations (Crown Company Monitoring Advice to the Minister for State Owned Enterprises and Other Responsible Ministers) and (Crown Company Monitoring Advice to the Minister of Research, Science and Innovation and the Minister for Economic Development) were consolidated to establish the Crown Company Monitoring Advice MCA.

Greater Christchurch Anchor Projects

What is intended to be achieved with this appropriation

This appropriation is intended to achieve the management of Anchor Projects and divestment of Crown-owned land in Christchurch.

Financial information

2019 Actual \$000		2020 Actual \$000	2020 Main Estimates Unaudited \$000	2020 Supp. Estimates Unaudited \$000	2021 Forecast Unaudited \$000
195,498	Total appropriation	170,399	166,100	273,670	269,074
	Non-Departmental Other Expenses				
17,445	Christchurch Bus Interchange and Associated Transport Infrastructure – Operating	16,756	5,000	17,347	4,959
3,210	Christchurch Convention Centre - Operating	3,680	7,900	6,929	6,500
2,395	Christchurch Stadium – Operating	478	400	543	100
-	Financial Impact of Valuations	-	100	-	831
-	Leasing Anchor Project Land	-	100	-	1,000
	Metro Sports Facility - Operating	-	12,000	53,000	110,000
1,440	Pre-development Holding Costs	1,500	6,000	3,403	3,300
14,029	Procurement of Land and Assets	14,954	21,500	21,522	24,000
25,587	Public Space – Operating	14,482	5,100	13,431	19,000
-	Sale of Land	-	100	-	684
	Non-Departmental Capital Expenditure				
-	Christchurch Bus Interchange and Associated Transport Infrastructure – Capital	-	100	1,985	100
130,260	Christchurch Convention Centre – Capital	99,988	98,800	123,609	16,000
	Land and Asset Acquisition – Capital	-	1,900	1,336	8,000
-	Metro Sports Facility – Capital	17,106	100	26,389	70,000
1,132	Public Space – Capital	1,455	7,000	4,176	4,600

Performance measure	Standard for 2019/20	Performance for 2019/20
Non-Departmental Other Expenses		
Christchurch Bus Interchange and Associated Transport Infrastructure – Operating		
During operating hours, the bus interchange is not closed from operations greater than 2 hours at any one point in time during the year.	Achieved	Achieved
All 'An Accessible City' projects are on time and on budget.	Achieved	Achieved
Christchurch Convention Centre – Operating		
The Convention Centre is progressed on time and on budget.	Achieved	Not Achieved*
Christchurch Stadium – Operating		
The project will be progressed in line with Government decisions and agreed project timelines.	Achieved	Achieved
Metro Sports Facility – Operating		
Metro Sports Facility is progressed on time and on budget.	Achieved	Not Achieved*
Pre-Development Holding Costs – Operating		
All cleared/remediated land is held in a state ready for development or ultimate sale.	Achieved	Achieved
Procurement of Land and Assets – Operating		
Land is acquired and remediated to a level and in a timeframe needed to meet all Anchor Project performance targets and all land divestment targets as per Ōtākaro's land divestment strategy.	Achieved	Achieved
Public Space – Operating		
All public space projects are developed, operated and divested in keeping with Anchor Project performance targets and Ōtākaro's land divestment strategy.	Achieved	Achieved
Non-Departmental Capital Expenditure		
Christchurch Bus Interchange and Associated Transport Infrastructure – Capital		
Expenditure is in line with the agreed project timelines.	Achieved	Achieved
Christchurch Convention Centre – Capital		
The Convention Centre is progressed on time and on budget.	Achieved	Not Achieved*
Land and Asset Acquisition – Capital		
Land is acquired in a timeframe needed to meet all Anchor Project performance targets and all land divestment targets as per Ōtākaro's land divestment strategy.	Achieved	Achieved
Metro Sports Facility – Capital		
Metro Sports Facility is progressed on time and on budget.	Achieved	Not Achieved*
Public Space – Capital		
All public space projects are developed, operated and divested in keeping with Anchor Project performance targets and Ōtākaro's land divestment strategy.	Achieved	Achieved

 $^{^{\}star}$ The timelines for the Te Pae Christchurch Convention Centre and the Metro Sports Facility were both significantly impacted by the restrictions in place during the COVID-19 lockdown and various claims and sundry disputes.

Management of Landcorp Protected Land Agreement

What is intended to be achieved with this appropriation

This appropriation is intended to achieve the Crown's responsibilities under the Landcorp Protected Land Agreement.

Financial information

2019 Actual \$000		2020 Actual \$000	2020 Main Estimates Unaudited \$000	2020 Supp. Estimates Unaudited \$000	2021 Forecast Unaudited \$000
3,644	Total appropriation	2,968	3,000	3,000	3,000
	Non-Departmental Other Expenses				
1,416	Operating Costs	690	1,500	1,500	1,500
	Non-Departmental Capital Expenditure				
2,228	Capital Investment	2,278	1,500	1,500	1,500

What was achieved in this appropriation

Performance measure	Standard for 2019/20	Performance for 2019/20
Land and infrastructure is managed to the standards as set out in the terms and conditions of the Protected Land Agreement.	Achieved	Achieved

Management of New Zealand House, London

What is intended to be achieved with this appropriation

This appropriation is intended to ensure that New Zealand House, London is well managed.

Financial information

2019 Actual \$000		2020 Actual \$000	2020 Main Estimates Unaudited \$000	2020 Supp. Estimates Unaudited \$000	2021 Forecast Unaudited \$000
11,748	Total appropriation	8,861	14,850	19,294	12,813
	Non-Departmental Output Expenses				
303	Property management	-	1,000	2,000	1,000
	Non-Departmental Other Expenses				
9,966	Operational costs	8,575	13,000	15,944	10,563
1,479	Renegotiation of Lease Arrangements	286	100	600	500
	Non-Departmental Capital Expenditure				
-	Capital Expenditure	-	750	750	750

Performance measure	Standard for 2019/20	Performance for 2019/20
New Zealand House, London is well managed.	Achieved	Achieved

Social Housing Reform

What is intended to be achieved with this appropriation

This appropriation is intended to achieve the development of a variety of social housing in New Zealand, and grow the community housing sector by making Housing New Zealand Corporation (HNZC) stock available to social housing providers.

Financial information

2019 Actual \$000		2020 Actual \$000	2020 Main Estimates Unaudited \$000	2020 Supp. Estimates Unaudited \$000	2021 Forecast Unaudited \$000
724	Total appropriation	1,383	2,000	2,605	-
	Departmental Output Expenses				
724	Implementation of the Social Housing Reform Programme	1,383	100	1,385	-
	Funded by:				
3,701	Revenue Crown	1,385	100	1,385	-
-	Other revenue	-	1	1	-
	Non-Departmental Output Expenses				
-	Direct Sale Costs for Implementing the Social Housing Reform Programme	-	1,900	1,220	-

Performance measure	Standard for 2019/20	Performance for 2019/20
Implementation of the Social Housing Reform Programme		
Departmental Output Expenses		
Development of business case for regeneration projects that include potential partnership arrangements with iwi and/or community housing providers.	Achieved	Achieved
Development of policies, commercial structures and standard form contractual documentation to support potential partnership arrangements with iwi and/or community housing providers.	Achieved	Achieved

Tax Working Group

What is intended to be achieved with this appropriation

This appropriation is intended to achieve policy development and support, in order for the Tax Working Group to develop recommendations on improvements to the structure, fairness and balance of the \tan system.

Financial information

2019 Actual \$000		2020 Actual \$000	2020 Main Estimates Unaudited \$000	2020 Supp. Estimates Unaudited \$000	2021 Forecast Unaudited \$000
863	Total appropriation	24	200	200	-
	Departmental Output Expenses				
425	Tax Working Group – Provision of Support and Advice	24	-	50	-
	Funded by:				
1,629	Revenue Crown	50	-	50	-
	Non-Departmental Output Expenses				
438	Tax Working Group – Direct Costs	-	200	150	-

Performance measure	Standard for 2019/20	Performance for 2019/20
Goals of the Tax Working Group are progressed in alignment with their Terms of Reference.	Achieved	Achieved

Multi-Year Multi-Category Appropriation (MY MCA)

Policy Advice and Financial Services

What is intended to be achieved with this appropriation

This appropriation is intended to provide a sound information base for government decision making, as well as the delivery of financial services, to contribute to improving the wellbeing of New Zealanders.

Financial information

Total appropriation Departmental Output Expenses	81,955	71,013	80,579	
Departmental Output Expenses			00,070	72,639
Crown Lending and Bank Accounts	495	462	462	451
Export Credit	2,118	2,137	2,137	2,087
Fiscal Management and Reporting	7,262	10,207	11,615	9,966
Investment Management and Asset Performance	5,371	7,396	7,396	7,222
Policy Advice	66,709	50,811	58,969	52,643
Funded by:				
Revenue Crown	77,174	67,340	74,856	68,696
Revenue Department	5,094	3,556	4,756	3,556
Other Revenue	425	117	967	117
	Crown Lending and Bank Accounts Export Credit Fiscal Management and Reporting Investment Management and Asset Performance Policy Advice Funded by: Revenue Crown Revenue Department	Crown Lending and Bank Accounts 495 Export Credit 2,118 Fiscal Management and Reporting 7,262 Investment Management and Asset Performance 5,371 Policy Advice 66,709 Funded by: Revenue Crown 77,174 Revenue Department 5,094	Crown Lending and Bank Accounts 495 462 Export Credit 2,118 2,137 Fiscal Management and Reporting 7,262 10,207 Investment Management and Asset Performance 5,371 7,396 Policy Advice 66,709 50,811 Funded by: Revenue Crown 77,174 67,340 Revenue Department 5,094 3,556	Crown Lending and Bank Accounts 495 462 462 Export Credit 2,118 2,137 2,137 Fiscal Management and Reporting 7,262 10,207 11,615 Investment Management and Asset Performance 5,371 7,396 7,396 Policy Advice 66,709 50,811 58,969 Funded by: Revenue Crown 77,174 67,340 74,856 Revenue Department 5,094 3,556 4,756

^{*} The previous Policy Advice - Finance and Provision of Financial Operations Services and Operational Advice annual appropriations were consolidated to establish the Policy Advice and Financial Services MY MCA.

Financial Statements

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Departmental Financial Statements

Statement of Comprehensive Revenue and Expenses

for the year ended 30 June 2020

The Statement of Comprehensive Revenue and Expenses details the revenue and expenses relating to all outputs (goods and services) produced by the Treasury during the financial year ended 30 June 2020. Total expenses are equal to total amounts incurred against departmental output expense appropriations and departmental output expense categories in the Statement of Budgeted and Actual Expenses and Capital Expenditure Incurred Against Appropriations on pages 40 to 50.

2019 Actual \$000		Note	2020 Actual \$000	2020 Main Estimates Unaudited \$000	2021 Forecast Unaudited \$000
	Income				
100,889	Revenue Crown – non-exchange	2	98,770	97,287	86,614
13,345	Other revenue – exchange	3	14,153	14,169	14,167
114,234	Total income		112,923	111,456	100,781
	Expenditure				
69,858	Personnel costs	4	77,831	69,651	75,770
4,570	Depreciation and amortisation expense	5/6	4,396	6,213	5,063
1,289	Capital charge	7	1,355	1,587	1,587
26,403	Other operating expenses	8	26,564	34,005	18,361
102,120	Total expenditure		110,146	111,456	100,781
12,114	Total comprehensive revenue and expenses		2,777	-	-

Statement of Changes in Equity

for the year ended 30 June 2020

2019 Actual \$000		2020 Actual \$000	2020 Main Estimates Unaudited \$000	2021 Forecast Unaudited \$000
22,417	Balance as at 1 July 2019	23,473	26,483	24,345
12,114	Total comprehensive revenue and expenses	2,777	-	-
(12,114)	Return of operating surplus to the Crown	(2,777)	-	-
5,888	Capital contributions	872	-	-
(4,832)	Capital withdrawals	-	-	-
23,473	Balance as at 30 June 2020	24,345	26,483	24,345

The accompanying accounting policies and notes form part of these Financial Statements.

Statement of Financial Position

as at 30 June 2020

The Statement of Financial Position reports the total assets and liabilities of the Treasury as at 30 June 2020. Taxpayers' funds are represented by the difference between the assets and liabilities.

2019 Actual \$000		Note	2020 Actual \$000	2020 Main Estimates Unaudited \$000	2021 Forecast Unaudited \$000
	Assets				
	Current assets				
16,418	Cash and cash equivalents		13,231	6,111	6,934
3,206	Debtors and other receivables		2,309	2,603	2,603
436	Prepayments		715	400	400
8,138	Debtor Crown		7,141	5,450	4,805
28,198	Total current assets		23,396	14,564	14,742
	Non-current assets				
13,662	Property, plant and equipment	5	12,442	13,629	13,071
6,504	Intangible assets	6	5,929	8,754	9,876
20,166	Total non-current assets		18,371	22,383	22,947
48,364	Total assets		41,767	36,947	37,689
	Liabilities				
	Current liabilities				
7,184	Creditors and other payables	9	7,268	5,332	8,292
12,114	Repayment of surplus		2,777	-	-
4,878	Employee entitlements	10	6,567	4,407	4,341
24,176	Total current liabilities		16,612	9,739	12,633
	Non-current liabilities				
715	Employee entitlements	10	810	725	711
715	Total non-current liabilities		810	725	711
24,891	Total liabilities		17,422	10,464	13,344
23,473	Net assets		24,345	26,483	24,345
	Equity				
23,473	Taxpayers' funds		24,345	26,483	24,345

The accompanying accounting policies and notes form part of these Financial Statements.

Statement of Cash Flows

for the year ended 30 June 2020

The Statement of Cash Flows summarises the cash movements in and out of the Treasury during the financial year. It takes into account of money owed to the Treasury or owing by the Treasury and therefore differs from the Statement of Comprehensive Revenue and Expenses on page 52.

2019 Actual \$000		2020 Actual \$000	2020 Main Estimates Unaudited \$000	2021 Forecast Unaudited \$000
	Cash flows from operating activities			
111,067	Receipts from Crown	99,767	97,203	86,614
12,767	Receipts from other revenue	14,523	14,169	14,167
(26,871)	Payments to suppliers	(26,627)	(35,666)	(32,073)
(69,848)	Payments to employees	(76,047)	(66,448)	(67,414)
(1,290)	Payments for capital charge	(1,355)	(1,587)	(1,294)
(271)	Goods and services tax net	395	(1,360)	6,831
25,554	Net cash flows from operating activities	10,656	6,311	6,831
	Cash flows from investing activities			
(11,064)	Purchase of property, plant and equipment	(1,298)	(2,430)	(1,700)
(1,682)	Purchase of intangible assets	(1,303)	(3,555)	(2,000)
(12,746)	Net cash flows from investing activities	(2,601)	(5,985)	(3,700)
	Cash flows from financing activities			
5,888	Capital contributions	872	-	
(4,610)	Capital withdrawal	-	-	
(8,161)	Repayment of surplus to the Crown	(12,114)	(11,300)	
(6,883)	Net cash flows from financing activities	(11,242)	(11,300)	
5,925	Net (decrease)/increase in cash	(3,187)	(10,974)	3,131
10,493	Cash at the beginning of the year	16,418	17,085	3,803
16,418	Cash at the end of the year	13,231	6,111	6,934

The accompanying accounting policies and notes form part of these Financial Statements.

Reconciliation of Net Surplus to Net Cash Flows from Operating Activities

2019 Actual \$000		2020 Actual \$000
12,114	Net surplus/(deficit)	2,777
	Non-cash items	
4,570	Depreciation, amortisation and impairment expenses	4,396
4,570	Total non-cash items	4,396
	Add/(less) items classified as investing or financing activities	
34	Net (Gains)/losses on disposal of property, plant	-
	Add/(less) movements in Statement of Financial Position items	
10,178	(Increase)/decrease in debtor Crown	997
(368)	(Increase)/decrease in debtors and other receivables	897
(51)	(Increase)/decrease in prepayments	(279)
(1,036)	Increase/(decrease) in creditors and other payables	(311)
(246)	Increase/(decrease) in GST	395
359	Increase/(decrease) in employee entitlements	1,784
8,836	Net movement in working capital items	3,483
25,554	Net cash flow from operating activities	10,656

Statement of Commitments

Commitments are future expenses and liabilities to be incurred on contracts that have been entered into at balance date.

2019 Actual \$000		2020 Actual \$000
	Non-cancellable operating lease commitments	
3,611	Not later than 1 year	3,671
14,995	Later than 1 year and not later than 5 years	15,242
27,058	Later than 5 years	23,201
45,664	Total non-cancellable operating lease commitments	42,114

The Treasury has a lease agreement for Levels 1–4 of 1 The Terrace, Wellington. The commencement date of the lease was 23 February 2019 for a term of 12 years, with an additional three rights of renewal for six years each.

2019 Actual \$000		2020 Actual \$000
	Other commitments	
101	Not later than 1 year	382
202	Later than 1 year and not later than 5 years	663
303	Total capital commitments	1,045

The Treasury entered into a five-year commitment in 2017 and another five-year commitment in 2018 with a software provider.

Statement of Contingent Liabilities and Contingent Assets

Contingent liabilities and contingent assets are reported at the point at which the contingency is evident or when a present liability is unable to be measured with sufficient reliability to be recorded in the Financial Statements.

Unquantifiable contingent liabilities

The Treasury has unquantifiable contingent liabilities for carpark licences and a deed of lease against certain damages or loss caused by our use of those carparks and premises.

The Treasury also granted indemnities to Reuters' with respect to breaches of licence agreements and contracts.

Quantifiable contingent liabilities and assets

As at 30 June 2020, the Treasury had no quantifiable contingent assets or liabilities (30 June 2019: Nil).

Notes to the Departmental Financial Statements and **Non-Departmental Financial Schedules**

for the year ended 30 June 2020

1 Statement of Accounting Policies

The Treasury is a New Zealand government department as defined by section 2 of the Public Finance Act 1989.

In addition, the Treasury has reported separately on the Non-Departmental Schedules which present financial information on public funds managed by the Treasury on behalf of the Crown, and Trust monies which it administers on behalf of the Crown.

The primary objective of the Treasury is to provide services to the public rather than making a financial return. Accordingly, the Treasury has designated itself as a public benefit entity for the purposes of New Zealand Public Benefit Entity International Public Sector Accounting Standards (NZ PBE IPSAS).

The Financial Statements of the Treasury are for the year ended 30 June 2020. The Forecast Financial Statements are for the year ending 30 June 2021. These Financial Statements were authorised for issue by the Secretary to the Treasury on 27 November 2020.

The Departmental Financial Statements and the financial information reported in the Non-Departmental Schedules are consolidated into the Financial Statements of the Government and readers of these schedules should also refer to the Financial Statements of the Government for the year ended 30 June 2020.

Statement of compliance

The Financial Statements and unaudited Forecast Financial Statements of the Treasury and the Non-Departmental Schedules have been prepared in accordance with the requirements of the Public Finance Act 1989, which includes the requirement to comply with New Zealand Generally Accepted Accounting Practices (NZ GAAP), Treasury Instructions and Treasury Circulars. Measurement and recognition rules applied in the preparation of the Non-Departmental Supplementary Financial Schedules are consistent with NZ GAAP and Crown accounting policies and are detailed in the Financial Statements of the Government. These Financial Statements have been prepared in accordance with Tier 1 NZ PBE accounting standards.

Basis of preparation

The Financial Statements have been prepared on a historical cost basis, modified by the revaluation of certain assets and liabilities, and prepared on an accrual basis, unless otherwise specified.

The Financial Statements are presented in New Zealand dollars and all values are rounded to the nearest thousand dollars (\$000). The functional currency of the Treasury is New Zealand dollars.

Changes in accounting policies

There have been no changes in accounting policies since the date of the last audited financial statements.

Budget figures shown as Mains

The 2020 budget figures are those included in the Department's Budget Estimates for the year ended 30 June 2020, which are consistent with the financial forecast information submitted for the Budget Economic and Fiscal Update (BEFU) for the 2019/20 year.

The budget and forecast figures are unaudited and have been prepared using the accounting policies adopted in preparing these Financial Statements.

Forecast figures

Basis of preparation

The 2021 forecast figures are for the year ending 30 June 2021, and are consistent with the financial forecast information submitted for the BEFU for the 2020/21 year.

Forecast Financial Statements have been prepared in accordance with the accounting policies expected to be used in the future for reporting historical general purpose financial statements.

These Forecast Financial Statements have been prepared in accordance with NZ PBE IPSAS, based on BEFU incorporating assumptions as to future events that the Treasury reasonably expects to occur, associated with the actions it reasonably expects to take. They have been compiled on the basis of existing government policies and ministerial expectations at the date the information was prepared.

The forecast results will remain substantially the same as the previous year. The main assumptions were as follows:

- The Treasury's activities and output expectations will remain substantially the same as the previous year focusing on the Government's priorities.
- Personnel costs were based on current wages and salary costs, adjusted for anticipated remuneration
- Operating costs were based on historical experience and other factors that are believed to be reasonable in the circumstances and are the Treasury's best estimate of future costs that will be incurred.

Additional factors that could lead to material differences between the Forecast Financial Statements and the 2020/21 Actual Financial Statements include changes to the baseline budget through new initiatives, transfer of funding across financial years or technical adjustments.

Authorisation statement

These Forecast Financial Statements were authorised for issue by the Secretary and Chief Executive of the Treasury on 27 November 2020. The Secretary and Chief Executive is responsible for the Forecast Financial Statements presented, including the appropriateness of the assumptions underlying the Forecast Financial Statements and all other required disclosure. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. Actual financial results achieved for the period covered are likely to vary from the information presented, and the variations may be material.

Foreign Exchange

Foreign Exchange transactions are translated into New Zealand dollars using the exchange rates prevailing at the dates of the transactions. Foreign Exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of Comprehensive Revenue and Expenses.

Statement of cost allocation policies

The Treasury has determined the cost of outputs using the following cost allocation system:

- · Direct costs are expenses incurred from activities in producing outputs. These costs are charged directly to the related output classes.
- Indirect costs are expenses incurred by Corporate Services and by the Office of the Chief Executive that cannot be identified with a specific output. Indirect costs are allocated to each output class based on cost drivers, related activity and usage information.

There have been no changes in the Treasury's general cost accounting policies since the date of the last audited Financial Statements.

Critical accounting estimates and assumptions

There are no critical accounting estimates and assumptions made in preparing these Financial Statements.

In preparing the Non-Departmental Financial Schedules, there are significant assumptions relied on in evaluating the reported obligations for the following provisions:

- Business Finance Guarantee Scheme
- · Large Scale Asset Purchases Indemnity
- · Southern Response Earthquake Services Limited
- · Earthquake Commission On-Solds
- Stockton Acid Mine Drainage Remediation.

The amounts calculated have been based on available information and will be reviewed at each future balance date.

2 Revenue Crown - Non-exchange

The Treasury's delivery of services and functions on behalf of the Government is funded by two main revenue streams, Revenue from the Crown and Other revenue. Revenue from the Crown consists of amounts appropriated for departmental appropriations for the year, adjusted for any formal additions and reductions.

Revenue from the Crown is measured based on the Treasury's funding entitlement for the reporting period. The funding entitlement is established by Parliament when it passes the Appropriation Acts for the financial year. The amount of revenue recognised takes into account any amendments to appropriations approved in the Appropriation (Supplementary Estimates) Act for the year and certain other unconditional funding adjustments formally approved prior to balance date. There are no conditions attached to the funding from the Crown. However, the Treasury can incur expenses only within the scope and limits of its appropriations. The fair value of Revenue Crown has been determined to be equivalent to the funding entitlement.

3 Other Revenue

2019 Actual \$000		2020 Actual \$000
8,955	Cost recoveries from Government Agencies for Shared Services	8,303
1,453	Cost recoveries from secondments	2,136
2,131	Cost recoveries from Gateway projects	2,345
806	Other	1,369
13,345	Total Other Revenue	14,153

4 Personnel Costs

2019 Actual \$000		2020 Actual \$000
63,885	Salaries and wages	72,034
2,139	Superannuation contributions to defined contribution plans	2,334
633	Increase/(decrease) in employee entitlements	1,561
1,222	Training and development	722
1,979	Other	1,180
69,858	Total Personnel Costs	77,831

5 Property, Plant and Equipment

		Francisco		
	Leasehold Improvements \$000	Furniture, Fittings and Office Equipment \$000	Computer Hardware \$000	Total \$000
Cost				
Balance at 1 July 2018	6,763	3,624	8,941	19,328
Additions	8,553	399	2,040	10,992
Disposal	-	(1,509)	(8)	(1,517)
Balance at 30 June 2019	15,316	2,514	10,973	28,803
Additions	249	13	1,036	1,298
Disposal	(5,848)	-	-	(5,848)
Balance at 30 June 2020	9,717	2,527	12,009	24,253
Accumulated depreciation and impairment losses				
Balance at 1 July 2018	5,545	2,561	6,248	14,354
Depreciation expense	632	347	1,244	2,223
Elimination on disposal	-	(1,436)	-	(1,436)
Balance at 30 June 2019	6,177	1,472	7,492	15,141
Depreciation expense	803	411	1,304	2,518
Elimination on disposal	(5,674)	-	(174)	(5,848)
Balance at 30 June 2020	1,306	1,883	8,622	11,811
Carrying amounts				
At 1 July 2018	1,218	1,063	2,693	4,974
At 1 July 2019	9,139	1,042	3,481	13,662
Balance at 30 June 2020	8,411	644	3,387	12,442
Asset		Useful Life	Depreciation// Rate	Amortisation
Furniture and fittings and office equipment		3-10 years	10%-33%	
Leasehold improvements		12 years	8.33%	
Computer equipment		3-5 years	20%-33.3%	0

3-5 years

20%-33.3%

Computer software – intangibles

6 Intangible Assets

	Acquired Software \$000	Internally Generated Software \$000	Total \$000
Cost			
Balance at 1 July 2018	8,456	8,531	16,987
Additions	529	1,315	1,844
Disposal	(215)	(94)	(309)
Balance at 30 June 2019	8,770	9,752	18,522
Additions	24	1,279	1,303
Disposal	-	-	-
Balance at 30 June 2020	8,794	11,031	19,825
Accumulated amortisation and impairment losses			
Balance at 1 July 2018	4,565	5,241	9,806
Amortisation expense	931	1,416	2,347
Elimination on disposal	(79)	(56)	(135)
Balance at 30 June 2019	5,417	6,601	12,018
Amortisation expense	701	1,177	1,878
Elimination on disposal	-	-	-
Balance at 30 June 2020	6,118	7,778	13,896
Carrying amounts			
At 1 July 2018	3,891	3,290	7,181
At 1 July 2019	3,353	3,151	6,504
Balance at 30 June 2020	2,676	3,253	5,929

7 Capital Charge

The capital charge is recognised as an expense in the financial year to which the charge relates. The Treasury pays a capital charge to the Crown based on its equity as at 30 June and 31 December each year.

The capital charge rate for the year ended 30 June 2020 was 6% (2019: 6%).

8 Other Operating Expenses

2019 Actual \$000		2020 Actual \$000	2020 Main Estimates Unaudited \$000	2021 Forecast Unaudited \$000
4,477	Rental of premises	4,400	4,152	4,541
1,197	Commissions, service charges and bank fees	1,895	1,129	1,150
	Fees to auditor:			
418	- Audit of the Department	461	666	692
266	- Audit of the Financial Statements of the Government	364	265	300
8,295	Consultants	7,023	12,683	3,185
907	Legal fees	1,712	1,308	600
258	Process management services	342	427	350
1,849	Transport and travel	1,056	1,961	496
7,020	Information and communication costs	7,134	7,533	5,430
687	Office administration costs	534	564	400
1,029	Other operating costs	1,643	3,317	1,217
26,403	Total Operating Expenses	26,564	34,005	18,361

In addition to the audit fees billed by KPMG, fees of \$179,382 were paid to KPMG for their consultancy work for the Social Housing Reform programme, which is funded via the Treasury although has application outside of Treasury's internal functions. Fees of \$245,722 were paid to KPMG for other non-audit services including staff secondments and advisory services.

9 Creditors and Other Payables

2019 Actual \$000		2020 Actual \$000
1,779	Payables	1,930
4,308	Accrued expenses	3,926
1,097	GST payable to Inland Revenue	1,412
7,184	Total Creditors and Other Payables	7,268

10 Employment Entitlement Provisions

2019 Actual \$000		2020 Actual \$000
	Current employment entitlement provisions	
559	Accrued salaries	1,136
254	Accrued performance payments	-
3,557	Annual leave	4,933
100	Sick leave	108
408	Retirement, resigning and long service leave	390
4,878	Total Current Employment Entitlement Provisions	6,567
	Non-current employment entitlement provisions	
715	Retirement, resigning and long service leave	810
715	Total Non-current Employment Entitlement Provisions	810
5,593	Total Employee Entitlements	7,377

The present value of the retirement and long service leave obligations depends on a number of factors. Two key factors are the discount rate and the salary-inflation factor. Any changes in these assumptions will change the carrying amount of the liability.

In determining the appropriate discount rate, the Department has adopted the central table of risk-free discount rates and Consumers Price Index assumptions provided by the Treasury to all departments.

11 Related Party Transactions

All related party transactions have been entered into on an arm's-length basis and are therefore exempt from the need for disclosure.

The Treasury is a wholly-owned entity of the Crown and received funding from the Crown of \$98.770 million to provide services to the public for the year ended 30 June 2020 (2019: \$100.889 million). The Government significantly influences the roles of the Treasury as well as being its major source of revenue.

In conducting its activities, the Treasury is required to pay various taxes and levies to the Crown and entities related to the Crown. The payment of these taxes and levies, other than income tax, is based on the standard terms and conditions that apply to all tax and levy payers. The Treasury is exempt from income tax.

The Treasury also purchased and sold goods and services from entities controlled, significantly influenced or jointly controlled by the Crown. Transactions with other government agencies (ie, government departments and Crown entities) are not disclosed as related party transactions when they are consistent with the normal operating arrangements between government agencies and undertaken on normal terms and conditions.

Key management personnel compensation

2019 Actual \$000		2020 Actual \$000
3,059	Salaries and other short-term employee benefits	2,325
71	Post-employment benefits	72
3,130	Total Key Management Personnel Compensation	2,397

Key management personnel of the Treasury as at 30 June 2020 comprised the Secretary and six Deputy Secretaries who together form the ELT.

The key management personnel compensation disclosure excludes the remuneration and other benefits for the Ministers of the Crown for which the Treasury undertakes activities. The Ministers' remuneration and other benefits are set by the Remuneration Authority under the Members of Parliament (Remuneration and Services) Act 2013. They are paid under Permanent Legislative Authority, and are not paid by the Treasury.

Related party transactions involving key management personnel (or their close family members)

There were no related party transactions involving key management personnel or their close family members. No provision has been required, nor any expense recognised, for impairment of receivables from related parties (2019: Nil).

12 Events After Balance Date

There were no events subsequent to balance date that required adjustment to the Financial Statements or disclosure (2019: Nil).

13 Explanation of Major Variances Between Actual 2019/20 and Budget

The Treasury had a higher net surplus than estimated, mainly as a result of one-off projects such as Christchurch Facility Design and the Infrastructure Funding and Financing where the projects have been delayed. The unspent funding on these projects in 2019/20 will transfer into 2020/21 as these projects continue or are transferred to other Departments. The Shared Services Support Appropriation was less than estimated as expenses are limited to the revenue received from agencies procuring the shared services. 2019/20 was the first year for the Policy Advice and Financial Services Multi-Year Multi-Category Appropriation. This appropriation provides flexibility on using future year funding. The Treasury took this opportunity as we experienced additional costs associated with COVID-19.

Some variances in the Statement of Financial Position and Statement of Cash Flows are timing differences only, resulting from the timing and receipt of cash payments to suppliers and receipts from the Crown.

Non-Departmental Financial Schedules

for the year ended 30 June 2020

This section reports the non-departmental financial schedules in the forms of revenue and capital receipts, expenses, assets and liabilities, commitments, contingent liabilities and trust accounts that the Treasury manages on behalf of the Crown.

These schedules do not, and are not intended to, constitute a full set of financial statements and therefore do not include elements that would be expected to be found in financial statements such as details of the surplus/(deficit) or financial position.

What are Non-Departmental Expenses?

A category (class) of outputs can either be supplied by a department (in which case it is labelled a departmental output expense) or to, or on behalf of, the Crown (in which case it is labelled a non-departmental output expense). Definitions of 'departmental' and 'non-departmental' are in s2 of the Public Finance Act 1989.

Non-Departmental expense appropriations are where Ministers have decided to use a supplier other than a department to provide an output. Most commonly these appropriations fund Crown entities. Examples of the Treasury's non-departmental activities include:

Entities	Activities
New Zealand Debt Management (NZDM)	NZDM is a unit within the Treasury that manages core Crown borrowing requirements with the objective of managing debt in a way that minimises borrowing costs over the long term while keeping risk at an appropriate level. The Treasury also oversees an investment programme, to help manage Crown cash and liquidity requirements.
Ōtākaro Limited	Ōtākaro Limited is delivering Crown-led Anchor Projects in central Christchurch and divesting the balance of Crown land. The company will accelerate work on the Anchor Projects by working in a commercial and transparent manner, enabled through its structure as a Crown Company.
Government Superannuation Fund Authority	The Government Superannuation Fund Authority is an autonomous Crown entity, established in October 2001. Its functions are to manage and administer the Government Superannuation Fund (GSF or the Fund) and the GSF Schemes in accordance with the Government Superannuation Fund Act 1956 and subsequent amendments (the GSF Act).
Southern Response Earthquake Services Limited (SRESL)	SRESL is the government-owned company responsible for settling claims by AMI policyholders for Canterbury earthquake damage which occurred before 5 April 2012 (the date AMI was sold to IAG).
New Zealand Export Credit (NZEC)	NZEC is a unit within the Treasury that provides a range of trade credit insurance and financial guarantees that promote and support New Zealand exports and the internationalisation of New Zealand businesses.

Schedule of Revenue and Capital Receipts

for the year ended 30 June 2020

2019 Actual \$000		Note	2020 Actual \$000	2020 Main Estimates Unaudited \$000
	Vote Finance			
	Non-Departmental Revenue			
1,958,575	Capital charge		2,049,117	2,023,530
3,605	Change in other Crown's assets and liabilities		17,810	3,218
775,236	Dividends from SOEs		741,516	804,240
3,749	Dividends from Crown entities		-	-
289,697	Interest revenue – NZDM		161,742	194,943
366,866	Other income, fair value and foreign exchange gains – NZDM	3(b)	538,835	(45,697)
482,826	Other current revenue	4	279,372	175,643
26,530	Other income from Associates		14,867	-
3,907,084	Total Non-Departmental Revenue and Receipts		3,803,259	3,155,877
	Non-Departmental Capital Receipts			
28,329	Return of advances by IMF members	1	12,599	-
62,244	Loan and other repayments		62,229	93,378
127,185	Kāinga Ora and Housing New Zealand Limited Loan Repayments		251,521	251,522
217,758	Total Non-Departmental Capital Receipts		326,349	344,900
4,124,842	Total Non-Departmental Revenue and Capital Receipts		4,129,608	3,500,777

For a full understanding of the Crown's financial position and the result of its operations for the year, refer to the consolidated Financial Statements of the Government for the year ended 30 June 2020.

Schedule of Expenses

for the year ended 30 June 2020

2019 Actual \$000		Note	2020 Actual \$000	2020 Main Estimates Unaudited \$000
	Vote Finance			
27,082	Non-departmental output expenses		33,989	36,638
741	Non-departmental multi-category output expenses		-	3,100
3,349,692	Debt servicing – NZDM	3(a)	3,074,471	3,075,926
625,310	Non-departmental other expenses		1,267,951	683,060
82,550	Non-departmental multi-category other expenses		62,707	72,800
	Re-measurements:			
2,758,963	Government Superannuation Fund revaluation: actuarial loss/(gain)*		1,270,743	-
96,400	Change in NPF DBP(A) Scheme provision under Crown Guarantee*		40,300	-
21,731	Change in Rehabilitation of Stockton Mine Acid Mine Drainage provision		-	-
115	Change in AIIB re-measurement of liability		-	-
-	Write down of Air New Zealand Goodwill		257,950	-
2,550	Other re-measurements incurred by the Treasury		-	-
6,965,134	Total Non-Departmental Expenses		6,008,111	3,871,524

For a full understanding of the Crown's financial position and the result of its operations for the year, refer to the consolidated Financial Statements of the Government for the year ended 30 June 2020.

^{*} Details on Government Superannuation Fund (GSF) and National Provident Fund (NPF) related balances are presented in the note: Retirement Plan Liabilities and Provisions to Financial Statements of the Government of New Zealand for the year ended 30 June 2020 respectively.

Schedule of Assets and Liabilities

as at 30 June 2020

2019 Actual \$000		Note	2020 Actual \$000	2020 Main Estimates Unaudited \$000
	Current assets			
6,874,812	Cash and cash equivalents		19,636,441	6,188,394
166,816	Accounts receivable and prepayments		399,316	10,186
528,816	Advances		845,531	361,211
9,062,771	Marketable securities, deposits and derivatives in gain – NZDM		10,770,653	4,754,490
16,633,215	Total Current Assets		31,651,941	11,314,281
	Non-current assets			
4,000,357	Advances		4,002,444	4,504,862
257,950	Air New Zealand goodwill		-	257,950
449,969	Marketable securities, deposits and derivatives in gain – NZDM		63,219	20,000
418,145	Other share investments	1	469,731	417,874
300,357	Other equity-accounted investments		310,739	250,019
44,704	Property, plant and equipment		43,396	44,113
5,471,482	Total Non-Current Assets		4,889,529	5,494,818
22,104,697	Total Non-Departmental Assets		36,541,470	16,809,099
	Current liabilities			
8,450,075	Crown balances with Westpac		10,741,782	4,509,959
208,239	Payables and accrued expenses		86,387	19,534
10,943,453	Borrowings - NZDM	3(c)	27,598,188	14,392,451
555,000	GSF unfunded liability		823,000	603,000
140,896	Provisions	2,5,6, 7,8,9	257,011	9,713
20,297,663	Total Current Liabilities		39,506,368	19,534,657
	Non-current liabilities			
72,729,590	Borrowings - NZDM	3(c)	93,541,769	71,908,511
12,606,474	GSF unfunded liability		13,146,131	10,226,000
879,000	NPF DBP(A) Scheme unfunded provision		857,000	724,650
106,083	Provisions	2,5,6,9	331,001	81,509
86,321,147	Total Non-Current Liabilities		107,875,901	82,940,670

In addition, the Treasury monitors 12 SOEs, three mixed ownership model entities, 29 Crown entities, four Local Government Act companies and three other entities. The investment in these entities is consolidated in the Financial Statements of the Government on a line-by-line basis. The investment in these entities is not included in this Schedule.

For a full understanding of the Crown's financial position and the result of its operations for the year, refer to the consolidated Financial Statements of the Government for the year ended 30 June 2020.

Schedule of Commitments and Contingent Liabilities

as at 30 June 2020

The Department, on behalf of the Crown, has entered into non-cancellable contracts in relation to New Zealand House in London at a value of \$0.852 million for the year ended 30 June 2020 (2019: \$0.871 million).

Disclosure of contingent liabilities incurred by the Crown is detailed in the Financial Statements of the Government for the year ended 30 June 2020.

Statement of Trust Monies

as at 30 June 2020

2019 Actual \$000		2020 Actual \$000
15,515	Unclaimed money	19,061
1	Genesis Initial Public Offer Trust Account	1
1	Mercury (formerly Mighty River Power) Initial Public Offer Trust Account	1
15,517	Total Trust Account monies closing balance	19,063

(a) Unclaimed Money

The Trust Account is established pursuant to section 67 of the Public Finance Act 1989, for the purposes of depositing money paid to the Crown under section 77 of the Trustee Act 1956.

The source of funds is principally estates of deceased persons where the beneficiaries cannot be traced. Funds are retained in the Trust Account for six years, and are then transferred to the Crown as unclaimed money.

Details of funds held in the Trust Account are gazetted annually.

During the year, there has been \$3.867 million of contributions (2019: \$3.048 million) and \$0.327 million (2019: \$0.322 million) of distributions made from the Trust Account. Interest earned on the Trust Account for the year was \$0.113 million (2019: \$0.119 million).

(b) Government Share Offer Trust Accounts

The Crown opened Initial Public Offer Trust Accounts to facilitate the partial sale of Meridian, Genesis and Mercury (formerly Mighty River Power) during 2013. The source of funds relates to proceeds from the sale of shares and distributions where investors cannot be contacted.

There has been insignificant movement in the Trust Accounts for both the 2019/20 and 2018/19 financial years.

Explanatory Notes to Non-Departmental Financial Schedules

Explanatory notes provide details of significant Treasury non-departmental expenditure and revenue variances between actual results in 2018/19 and 2019/20. All non-departmental balances are also included in the Financial Statements of the Government, with the exception of impairment of investments.

1 International Financial Institutions (IFIs)

Treasury Crown has share investments in the following IFIs: Asian Development Bank, International Bank of Reconstruction and Development, International Finance Corporation, Multilateral Investment Guarantee Agency and Asian Infrastructure Investment Bank. Included in the Schedule of Assets and Liabilities - other share investments, Treasury Crown has a total share investment balance of \$469.731 million in IFIs (2019: \$418.145 million).

A gain of \$14.640 million on the revaluation of the IFIs' investment was recorded as a result of New Zealand dollar foreign exchange rate movement (2019: a gain of \$0.861 million). This revaluation gain is included in the Schedule of Revenue and Capital Receipts.

The investment in International Finance Corporation increased by \$36.946m as a result of the Corporation capitalising retained earnings.

Capital receipts of \$12.599 million were received from International Monetary Fund (IMF) members, representing repayment of earlier advances originally made to support members in financial difficulties (2019: \$28.329 million).

2 Ōtākaro Limited and Greater Christchurch Anchor Projects

Canterbury Earthquake Recovery Authority (CERA) was disestablished on 18 April 2016 as the Government transitioned from leading the recovery to establishing long-term, locally-led recovery and regeneration arrangements. Responsibilities for the continuation of the key Anchor Projects Programme and precincts in Christchurch, along with managing the Crown's property assets in the central city, are now carried out by Ōtākaro Limited, a Crown entity.

For 2019/20, the Crown incurred \$18.865 million of Ōtākaro operating grant and financing expenses (2019: \$21.446 million). The Crown also incurred \$170.399 million relating to the Greater Christchurch Anchor Projects MCA (2019: \$195.498 million).

There were no new transfers of assets to Ōtākaro Limited (2019: \$1.377 million). Interest on existing vendor finance is charged on a base risk-free rate plus an interest margin; The interest margin represents a concessionary component of the loan and is funded via operating funding to Ōtākaro Limited.

Some of the land transferred to Ōtākaro for the Anchor Projects, rather than being built on, will become new public space for the people of greater Christchurch and visitors to enjoy. Under the cost-sharing agreement signed by the Crown and the Christchurch City Council ('the Council'), any land (or associated assets) for Anchor Projects that forms part of the 'public realm', vests in the Council, which will be responsible for its ongoing maintenance. The vesting dates vary and some are yet to be determined. The creation of public space will be an asset for the people of Christchurch for generations to come. The Crown has recognised a write-down for the 'public realm' land/assets that will be transferred to the Council at a future date. The vesting write-down balance at 30 June 2020 was \$71.765 million (2019: \$64.513 million). This includes a vesting provision during the 2019/20 financial year of \$7.252 million (2019: \$14.989 million); recognised in the total Anchor Projects MCA expenses.

3 New Zealand Debt Management (NZDM)

The following sections cover explanations of NZDM's interest expense, revaluations and borrowing profile.

(a) Interest expense

2019 Actual \$000	Interest expense	2020 Actual \$000
2,421,873	NZ Government Nominal Bonds	2,182,867
792,450	NZ Government Inflation-indexed Bonds	808,888
73,239	NZ Government Treasury Bills	33,667
62,130	Other	49,049
3,349,692	Total Interest Expense	3,074,471

The debt servicing interest cost is less than the prior year due to falling interest rates for newly issued debt along with the impact of a relatively high interest rate bond that matured in April 2020.

(b) Other income, fair value and foreign exchange gains

The net unrealised valuations on financial instruments is a net gain of \$528.646 million as at June 2020. The majority can be explained by a significant unrealised gain on Interest Rate Swaps as a result of interest rates falling during the year. The net realised outcome moved from a net loss of \$45.836 million to a net gain of \$11.140 million as less buy backs of Nominal Bonds were made over the period.

(c) Borrowings

The outstanding borrowings have increased significantly from the previous year as a result of Government's response to COVID-19. The maturing May 2021 nominal bond is classified as current. Issuance of the September 2040 bond during the period has increased Inflation-indexed Bonds outstanding. Due to the increase in the short-term funding requirement, the Euro Commercial Paper (ECP) program has been re-launched.

2019 Actual \$000	Borrowings at amortised cost	2020 Actual \$000
	Current Liabilities	
5,793,256	NZ Government Nominal Bonds	11,429,878
3,455,374	NZ Government Treasury Bills	12,172,481
131,378	KiwiBonds	183,023
-	Euro Commercial Paper	1,280,361
1,563,445	Other	2,532,445
10,943,453	Total Borrowing - Current Liabilities	27,598,188
	Non-Current Liabilities	
51,253,506	NZ Government Nominal Bonds	71,172,701
19,504,851	NZ Government Inflation-indexed Bonds	20,398,577
37,450	KiwiBonds	59,451
1,933,783	Other	1,911,040
72,729,590	Total Borrowing - Non-Current Liabilities	93,541,769

The following table shows the movement of the total NZ Government Bonds (including both Nominal and Inflation-indexed Bonds).

2019 Actual \$000	Movement in NZ Government Bonds	2020 Actual \$000
79,728,286	NZ Government Bonds opening balance	76,551,613
6,900,000	NZ Government Nominal Bonds – issued via tender	16,050,000
1,100,000	NZ Government Inflation-indexed Bonds – issued via tender	400,000
-	NZ Government Nominal Bonds – issued via syndication	12,500,000
(150,000)	Net - Non-market Bonds	(100,000)
(2,378,000)	NZ Government Nominal Bonds repurchased	-
(9,237,000)	NZ Government Nominal Bonds matured	(5,380,000)
588,327	Net premium/discount and accrued interest	2,979,543
(3,176,673)	Net movement for the period	26,449,543
76,551,613	NZ Government Bonds closing balance	103,001,156

4 Other Current Revenue

The Reserve Bank Surplus of \$195 million (2019: \$430 million) is the main item in this total.

5 Southern Response Earthquake Services Limited (SRESL)

The Crown's commitment of financial support to SRESL for the ongoing settlement of its Canterbury earthquake claims is embodied in a Crown Support Deed (CSD). The CSD provided two key capital instruments: \$500 million of convertible preference shares (the Preference Shares); and a \$980 million Uncalled Ordinary Share facility. Under the terms of the second deed of amendment and restatement to the Crown support deed in January 2013, the Crown subscribed for 500 million uncalled ordinary shares which had an issue price of \$1 per share. In June 2016, the facility was increased by another 250 million uncalled ordinary shares, and by a further 230 million shares in 2017 to reflect the additional support necessary to enable the company to settle all its outstanding claims. As at 30 June 2020, Southern Response had called 806 million shares (\$806 million).

The financial obligations to SRESL under the Uncalled Ordinary Share facility have been calculated on the basis of the negative shareholders equity of SRESL, adjusted to exclude an insurance risk premium that is not relevant to the reporting of the Crown obligation.

Included in the Statement of Departmental and Non-Departmental Expenses and Capital Expenditure Against Appropriations is interest unwind expense recognised on the outstanding liability for the year of \$0.896 million (2019: \$3.297 million).

The SRESL provision included in the total provisions in the Schedule of Assets and Liabilities was \$105.924 million (2019: \$132.295 million). The provision is based on the outstanding insurance claims valuation, the estimation of which involved a number of key assumptions, including the estimate of the direct costs to be incurred to settle claims, inflation rate, discount rate, claims handling expenses and future over cap numbers. There is considerable uncertainty surrounding the projection and valuation of SRESL's outstanding claims liability and therefore considerable uncertainty in the provision recognised by the Crown to assist SRESL in settling these outstanding claims.

A representative action proceeding was filed against SRESL on 29 May 2018. This claim is being defended and the financial statements make no allowance for the outcome of this proceeding, as the range of possible outcomes cannot be reliably quantified at this time. Any estimate of a possible obligation resulting from this proceeding would be unreliable.

6 Stockton Acid Mine Drainage

The Crown agreed to assume liability for the acid mine drainage (AMD) remediation obligations arising from past coal mining at Stockton Mine, through a Deed of Commitment with Solid Energy New Zealand Limited and relevant Councils in 2016/17. In 2017/18, a new mine owner become party to the Deed of Commitment through a Deed of Accession and Assumption. The new mine owner is carrying out AMD treatment and being reimbursed by the Crown.

A current provision of \$3 million and a non-current provision of \$80.150 million represents the discounted present value of the forecast cost of meeting the Crown's obligations for AMD remediation (2019: \$87.150 million). This represents a long-term obligation under current treatment methods. The Treasury is exploring alternative treatment options to manage the Crown's future liability.

7 Business Finance Guarantee Scheme

In a response to the financial challenges brought about by COVID-19 restrictions on business activity, in March 2020, the Minister of Finance announced that the Crown would provide an indemnity to banks for 80% of the credit loss experienced by banks that lent under the terms of the Business Finance Guarantee Scheme (BFGS). The BFGS obligation was capped at a Crown exposure of \$5 billion, which enabled coverage for \$6.25 billion of lending to be allocated amongst participating banks. Businesses with turnover of between \$0.25 million and \$80 million per annum could apply. The Crown accepted the credit risk share in order to encourage banks to provide new loans to existing business customers. The loans of up to \$0.5 million could be drawn by 30 September 2020 for working capital purposes and had a maximum term of three years.

The obligations under the Crown Deed of Indemnity are treated as a financial guarantee in accordance with PBE IFRS 9 Financial Instruments. The product offers financial certainty to banks and modifies their lending risk management metrics and capital requirements. The provision of \$19.741 million represents the assessment of the fair value of the guarantee. This has been determined by applying the expected loss methodology prescribed within PBE IFRS 9.

8 Large Scale Asset Purchases Indemnity

The Reserve Bank of New Zealand (RBNZ) has responsibility for managing monetary policy. The extensive purchasing of issued government bonds from the secondary market was commenced as a mechanism in response to the economic impact of COVID-19. On 22 March 2020, the Minister of Finance used authority within the Public Finance Act to issue an indemnity that reimburses the RBNZ for any losses incurred from the use of the Large Scale Asset Purchases programme. An initial holdings cap of \$30 billion of assets was revised on 10 May to become stated as a proportion of the asset types on issue. The indemnity covers up to 50% of the Government Bonds on issue, 30% of the Government Inflation-Indexed Bonds on issue and 30% of Local Government Financing Authority bonds on issue. The indemnity is in place for assets purchased until 21 September 2021, with the ability for the Minister of Finance to give one day notice of expiry after that date. The indemnity will apply through to the maturity date of bonds held at the time the indemnity qualification period ceases.

The indemnity is a financial derivative within the definitions of PBE IFRS 9 Financial Instruments and is required to be reported at fair value. At any point in time the value of the obligation is the difference between the market value of the assets held and the book value of the portfolio held by the RBNZ. A market value loss for the RBNZ is offset by an equal gain arising from the indemnity. For Treasury, the indemnity value will be the same as the net value of the portfolio. At 30 June 2020, the RBNZ had purchased bonds with a book value of \$22.0 billion. The market value loss of \$57.0 million is recognised as a provision by the Treasury.

9 Earthquake Commission - On-Sold Canterbury Properties

On 15 August 2019 the Government announced a policy that allowed homeowners of on-sold over-cap properties in Canterbury to apply for an ex-gratia payment to enable them to complete agreed earthquake repairs. Subject to certain criteria, the Crown will contribute to the over-cap cost of repairs to those homes. The application period closed on 14 October 2020, with assessments and payments expected to continue until 2022. There is considerable uncertainty in evaluating the future cost of the policy as it depends on many different situations and as a result there a number of significant judgments that have been made to address this uncertainty. These significant judgements include the proportion of expression of interests assumed to become valid applications, and the complexity mix and average cost to settle valid applications, as only a small proportion of applications have had payments completed to date. The range of outcomes are estimated to be in the range of \$230 million to \$350 million, with the best estimate of a provision as at 30 June 2020 being \$283 million. The liability will be recalculated periodically, as information to estimate the forecast payments improves.

10 Events After Balance Date

Business Finance Guarantee Scheme

On 20 August 2020, the Minister of Finance announced changes to the terms of the Business Finance Guarantee Scheme that had been operating since March 2020. The key changes announced were:

- maximum loan limit increased from \$500,000 to \$5 million
- maximum term of loan increased from 3 years to 5 years
- size of businesses able to access the scheme increased from an annual revenue limit of \$80 million to \$200 million per annum
- scheme availability extended from 30 September 2020 to 31 December 2020
- purpose of loan extended from liquidity support to also include capital investment.

The size of increased loan volumes resulting from these changes and the recalculation of an expected loss provision for the Crown cannot be reliably estimated at this stage.

Southern Response Earthquake Services Limited

Southern Response Earthquake Services Limited (SRESL) from time to time receives notification of legal claims and disputes in relation to claim settlements as a part of conducting its business. On 7 September 2020, the Court of Appeal largely dismissed SRESL's appeal of a 16 August 2019 High Court judgment. Damages were awarded to Mr and Mrs Dodds relating to settlement of a Christchurch earthquake claim. On 22 September 2020, the Minister of Finance announced the Crown's decision not to appeal the Court of Appeal decision. Informed by principles in the Court of Appeal decision, the Crown and SRESL are working on a response to other policyholders who are in a similar position to Mr and Mrs Dodds. No decisions have been made at the time of preparation of the Treasury financial statements. The obligation to be incurred by the Crown is currently considered to be unquantifiable, as it requires a case by case assessment of the applicability of the Court of Appeal decision to the individual circumstances of each policyholder.

Large Scale Asset Purchases

With effect from 13 August 2020, the cap on the holdings of government bonds by the Reserve Bank of New Zealand that are subject to the Crown loss indemnity, increased from 50% of government bonds on issue to 60%. The period during which assets could be purchased was also extended from 21 September 2021 to 31 August 2022. The valuation of the indemnity is determined by assessing the market value of assets purchased at balance date. This extension to the indemnity may have impacts on the Crown obligation in future periods, dependent on the level of utilisation by the Reserve Bank of New Zealand. This is currently unquantifiable.

There have been no other significant events after balance date.

Independent Auditor's Report



To the readers of the Treasury's Annual Report for the year ended 30 June 2020

The Auditor-General is the auditor of the Treasury (the Department). The Auditor-General has appointed me, Brent Manning, using the staff and resources of KPMG, to carry out, on his behalf, the audit of:

- the financial statements of the Department on pages 52 to 63, that comprise the statement of financial position, statement of commitments, statement of contingent liabilities and contingent assets as at 30 June 2020, the statement of comprehensive revenue and expense, statement of changes in equity, and statement of cash flows for the year ended on that date and the notes to the financial statements that include accounting policies and other explanatory information;
- the performance information prepared by the Department for the year ended 30 June 2020 on pages 18, 20 to 24, 27, 30 to 31, and 40 to 50;
- the statements of expenses and capital expenditure of the Department for the year ended 30 June 2020 on pages 34 to 38; and
- the schedules of non-departmental activities which are managed by the Department on behalf of the Crown on pages 65 to 72 that comprise:
 - the schedules of assets; liabilities; commitments; and contingent liabilities and assets as at 30 June 2020;
 - the schedules of expenses; and revenue for the year ended 30 June 2020;
 - the statement of trust monies for the year ended 30 June 2020; and
 - the notes to the schedules that include accounting policies and other explanatory information

Opinion

In our opinion:

- the financial statements of the Department on pages 52 to 63:
 - present fairly, in all material respects:
 - its financial position as at 30 June 2020; and
 - its financial performance and cash flows for the year ended on that date; and
 - comply with generally accepted accounting practice in New Zealand in accordance with Public Benefit Entity Reporting Standards.
- the performance information of the Department on pages 18, 20 to 24, 27, 30 to 31, and 40 to 50:
 - presents fairly, in all material respects, for the year ended 30 June 2020:
 - what has been achieved with the appropriation; and
 - the actual expenses or capital expenditure incurred compared with the appropriated or forecast expenses or capital expenditure; and
 - complies with generally accepted accounting practice in New Zealand.
- the statements of expenses and capital expenditure of the Department on pages 34 to 38 are presented fairly, in all material respects, in accordance with the requirements of section 45A of the Public Finance Act 1989
- · the schedules of non-departmental activities which are managed by the Department on behalf of the Crown on pages 65 to 72 present fairly, in all material respects, in accordance with the Treasury Instructions:
 - the assets; liabilities; commitments; and contingent liabilities and assets as at 30 June 2020; and
 - expenses; and revenue for the year ended 30 June 2020; and
 - the statement of trust monies for the year ended 30 June 2020.

Our audit was completed on 27 November 2020. This is the date at which our opinion is expressed.

The basis for our opinion is explained below. In addition, we outline the responsibilities of the Secretary to the Treasury and our responsibilities relating to the information to be audited, we comment on other information, and we explain our independence.

Emphasis of Matters

Without modifying our opinion, we draw attention to the following explanatory notes to the non-departmental financial schedules.

Uncertainties associated with the Earthquake Commission (EQC) on-sold over-cap provision

Note 9 outlines the high uncertainty surrounding the number and value of valid applications for on-sold over-cap repairs to Canterbury properties, and therefore, the high uncertainty in the EQC on-sold over-cap provision recognised by the Crown due to its policy to contribute to the cost of repairs of these properties.

Uncertainties associated with the provision for the Crown to assist Southern Response Earthquake Services Limited (SRESL) in settling outstanding claims

Note 5 outlines the considerable uncertainty surrounding the projection and valuation of SRESL's outstanding claims liability, and therefore, the considerable uncertainty in the provision recognised by the Crown due to its commitment to provide financial support to SRESL in settling these outstanding claims. Notes 5 and 10 also outlines that SRESL's possible obligation from legal claims and disputes, filed against them in respect of policyholders' claim settlements, are considered unquantifiable and are therefore not included in the provision.

Impact of Covid-19

Notes 7, and 8 outline the impact of Covid-19 on the Department.

Basis for our opinion

We carried out our audit in accordance with the Auditor-General's Auditing Standards, which incorporate the Professional and Ethical Standards and the International Standards on Auditing (New Zealand) issued by the New Zealand Auditing and Assurance Standards Board. Our responsibilities under those standards are further described in the Responsibilities of the auditor section of our report.

We have fulfilled our responsibilities in accordance with the Auditor-General's Auditing Standards.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of the Secretary to the Treasury for the information to be audited

The Secretary to the Treasury is responsible on behalf of the Department for preparing:

- financial statements that present fairly the Department's financial position, financial performance, and its cash flows, and that comply with generally accepted accounting practice in New Zealand.
- performance information that presents fairly what has been achieved with each appropriation, the expenditure incurred as compared with expenditure expected to be incurred, and that complies with generally accepted accounting practice in New Zealand.
- statements of expenses and capital expenditure of the Department, that are presented fairly, in accordance with the requirements of the Public Finance Act 1989.
- schedules of non-departmental activities, in accordance with the Treasury Instructions, that present fairly those activities managed by the Department on behalf of the Crown.

The Secretary to the Treasury is responsible for such internal control as is determined is necessary to enable the preparation of the information to be audited that is free from material misstatement, whether due to fraud or error.

In preparing the information to be audited, the Secretary to the Treasury is responsible on behalf of the Department for assessing the Department's ability to continue as a going concern. The Secretary to the Treasury is also responsible for disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless there is an intention to merge or to terminate the activities of the Department, or there is no realistic alternative but to do so.

The Secretary to the Treasury's responsibilities arise from the Public Finance Act 1989.

Responsibilities of the auditor for the information to be audited

Our objectives are to obtain reasonable assurance about whether the information we audited, as a whole, is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit carried out in accordance with the Auditor-General's Auditing Standards will always detect a material misstatement when it exists. Misstatements are differences or omissions of amounts or disclosures, and can arise from fraud or error. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of readers, taken on the basis of the information we audited.

For the budget information reported in the information we audited, our procedures were limited to checking that the information agreed to the Department's information on strategic intentions/statement of intent.

We did not evaluate the security and controls over the electronic publication of the information we audited.

As part of an audit in accordance with the Auditor-General's Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. Also:

- · We identify and assess the risks of material misstatement of the information we audited, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- We obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Department's internal control.
- We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Secretary to the Treasury.
- We evaluate the appropriateness of the reported performance information within the Department's framework for reporting its performance.
- We conclude on the appropriateness of the use of the going concern basis of accounting by the Secretary to the Treasury and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Department's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the information we audited or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Department to cease to continue as a going concern.
- We evaluate the overall presentation, structure and content of the information we audited, including the disclosures, and whether the information we audited represents the underlying transactions and events in a manner that achieves fair

We communicate with the Secretary to the Treasury regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Our responsibilities arise from the Public Audit Act 2001.

Other information

The Secretary to the Treasury is responsible for the other information. The other information comprises the information included on pages 1 to 17, 19, 25 to 26, 28 to 29, 32 to 33, 39, 51, 64, and 77 to 82, but does not include the information we audited, and our auditor's report thereon.

Our opinion on the information we audited does not cover the other information and we do not express any form of audit opinion or assurance conclusion thereon.

Our responsibility is to read the other information. In doing so, we consider whether the other information is materially inconsistent with the information we audited or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on our work, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Independence

We are independent of the Department in accordance with the independence requirements of the Auditor-General's Auditing Standards, which incorporate the independence requirements of Professional and Ethical Standard 1: International Code of Ethics for Assurance Practitioners issued by the New Zealand Auditing and Assurance Standards Board.

In addition to the audit, we have carried out assignments in the area of advisory services and staff secondments, which are compatible with those independence requirements, other than the audit and these assignment, we have no relationship with, or interests, in the Department.

Brent Manning

KPMG

On behalf of the Auditor-General Wellington, New Zealand



APPENDIX

What has been Achieved with Non-Departmental Appropriations

Although the following information is presented in the same document as the Treasury's Annual Report, it does not form part of the Treasury's Annual Report for the year ended 30 June 2020 (including reporting by the Treasury on appropriations for that year).

Twelve appropriations in this appendix meet the requirement, set out in the supporting information to the 2019/20 Estimates or 2019/20 Supplementary Estimates, for information on certain non-departmental appropriations to be reported by the Minister of Finance:

- Refinancing of Housing New Zealand Corporation and Housing New Zealand Limited Debt
- · Ahu Whenua Trust Ex-gratia Payment
- · Christchurch Regeneration Acceleration Facility
- · National Provident Fund Crown liability for Scheme Deficiency PLA
- Global Settlement with Christchurch City Council
- Payments and Expenses in Respect of Guarantees and Indemnities PLA
- · COVID-19: Capital Injections to Airways New Zealand
- · COVID-19: Loans to Air New Zealand
- Venture Capital Fund
- · COVID-19: Capital Injections to New Zealand Post Limited
- EQC On-Sold Canterbury Properties MY MCA
- · Management of the Crown's agreement with Taitokerau Forests Limited MCA

Refinancing of Housing New Zealand Corporation and **Housing New Zealand Ltd Debt**

What is intended to be achieved with this appropriation

This appropriation is required when Housing New Zealand Corporation and Housing New Zealand Ltd refinance their loans and is intended to enable the Treasury to monitor and administer the expenditure on refinancing.

Financial information

2019 Actual \$000		2020 Actual \$000	2020 Main Estimates \$000	2020 Supp. Estimates \$000
127,184	Capital expenditure	250,220	251,246	251,246

What was achieved in this appropriation

Performance measure	Target for	Performance	Performance
	2019/20	for 2018/19	for 2019/20
Refinancing will be undertaken in accordance with the agreed appropriation limits.	Achieved	Achieved	Achieved

Significant achievements

During 2019/20, seven refinancing requests were actioned for Housing New Zealand, totalling \$250.220 million.

Ahu Whenua Trust Ex-gratia Payment

What is intended to be achieved with this appropriation

This appropriation is to achieve settlement of claims in negotiations that are being led by the Treasury.

Financial information

2019 Actual \$000		2020 Actual \$000	2020 Main Estimates \$000	2020 Supp. Estimates \$000
-	Expenditure	9,000	-	9,000

Performance measure	Target for	Performance	Performance
	2019/20	for 2018/19	for 2019/20
Settlement is in accordance with terms and conditions of the agreement.	Achieved	Not Achieved	Achieved

Christchurch Regeneration Acceleration Facility

What is intended to be achieved with this appropriation

This appropriation is intended to achieve the timely delivery of Crown funding to the Christchurch City Council, to allow it to deliver capital works for Christchurch's regeneration.

Financial information

2019 Actual \$000		2020 Actual \$000	2020 Main Estimates \$000	2020 Supp. Estimates \$000
-	Expenditure	86,000	-	300,000

What was achieved in this appropriation

Performance measure	Target for 2019/20	Performance for 2018/19	Performance for 2019/20
Crown funding is transferred in a timely way.	Achieved	New measure for 2019/20	Achieved
Crown funding for the CMUA is transferred as called for by the Council in its quarterly funding requests.	Achieved	New measure for 2019/20	Achieved

National Provident Fund - Crown liability for Scheme **Deficiency PLA**

What is intended to be achieved with this appropriation

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

Financial information

2019 Actual \$000		2020 Actual \$000	2020 Main Estimates \$000	2020 Supp. Estimates \$000
-	Expenditure	26	-	40,000

Performance measure	Target for	Performance	Performance
	2019/20	for 2018/19	for 2019/20
Payments are made in accordance with the terms of the agreement for notified claims.	Achieved	New measure for 2019/20	Achieved

Global Settlement with Christchurch City Council

What is intended to be achieved with this appropriation

This appropriation is intended to give effect to certain of the Crown's obligations pursuant to the Global Settlement Agreement between the Crown and Christchurch City Council, which delivered a full and final settlement of a number of the Crown and Council's respective rights and obligations in Christchurch City's post-earthquake regeneration.

Financial information

2019 Actual \$000		2020 Actual \$000	2020 Main Estimates \$000	2020 Supp. Estimates \$000
-	Expenditure	50,163	-	50,164

What was achieved in this appropriation

Performance measure	Target for	Performance	Performance
	2019/20	for 2018/19	for 2019/20
The Crown meets those specific obligations under the Global Settlement Agreement in a timely manner	Achieved	New measure for 2019/20	Achieved

Payments and Expenses in Respect of Guarantees and **Indemnities PLA**

What is intended to be achieved with this appropriation

This appropriation is intended to enable payments to be made for Crown guarantees.

Financial information

2019 Actual \$000		2020 Actual \$000	2020 Main Estimates \$000	2020 Supp. Estimates \$000
-	Expenditure	76,789	-	546,000

What was achieved in this appropriation

Performance measure	Target for	Performance	Performance
	2019/20	for 2018/19	for 2019/20
Payments are made in accordance with the terms of the agreement for notified claims.	Achieved	New measure for 2019/20	Achieved

COVID-19: Capital Injections to Airways New Zealand

What is intended to be achieved with this appropriation

This appropriation is intended to fund the Crown's contribution to the Airways New Zealand in response to the impacts of COVID-19.

Financial information

2019 Actual \$000		2020 Actual \$000	2020 Main Estimates \$000	2020 Supp. Estimates \$000
-	Expenditure	70,000	-	70,000

Performance measure	Target for	Performance	Performance
	2019/20	for 2018/19	for 2019/20
Payments are made in accordance with the terms of the agreement for notified claims.	Achieved	New measure for 2019/20	Achieved

COVID-19: Loans to Air New Zealand

What is intended to be achieved with this appropriation

This appropriation is intended to fund the Crown's contribution to the Air New Zealand in response to the impacts of COVID-19.

Financial information

2019 Actual \$000		2020 Actual \$000	2020 Main Estimates \$000	2020 Supp. Estimates \$000
-	Expenditure	-	-	300,000

What was achieved in this appropriation

Performance measure	Target for	Performance	Performance
	2019/20	for 2018/19	for 2019/20
Payments are made in accordance with the terms of the agreement for notified claims.	Achieved	New measure for 2019/20	N/A

Venture Capital Fund

What is intended to be achieved with this appropriation

This appropriation is intended to deepen early stage capital markets and enable New Zealand's venture capital market to become more self-sustaining.

Financial information

2019 Actual \$000		2020 Actual \$000	2020 Main Estimates \$000	2020 Supp. Estimates \$000
-	Expenditure	-	-	39,500

What was achieved in this appropriation

Performance measure	Target for	Performance	Performance
	2019/20	for 2018/19	for 2019/20
VCF capital is committed to venture capital funds, which are further supported by matching private capital.	Achieved	New measure for 2019/20	Not Achieved*

^{*} The system is set up to enable commitment of funds to venture capital funds. Three investments have been completed in September and October 2020.

COVID-19: Capital Injections to New Zealand Post Limited

What is intended to be achieved with this appropriation

This appropriation is intended to fund the Crown's contribution to New Zealand Post Limited in response to the impacts of COVID-19.

Financial information

2019		2020	2020	2020
Actual		Actual	Main Estimates	Supp. Estimates
\$000		\$000	\$000	\$000
-	Expenditure	80,000	-	80,000

Performance measure	Target for	Performance	Performance
	2019/20	for 2018/19	for 2019/20
Payments are made in accordance with the terms and conditions of the relevant agreements.	Achieved	New measure for 2019/20	Achieved

EQC - On-Sold Canterbury Properties MY MCA

What is intended to be achieved with this appropriation

This appropriation is intended to achieve the repair of eligible Canterbury homes to address social issues arising from unrepaired homes with inadequate EQC commissioned repairs and/or damage missed from EQC insurance assessments.

Financial information

2019 Actual \$000		2020 Actual \$000	2020 Main Estimates \$000	2020 Supp. Estimates \$000
-	Expenditure	287,938	-	296,500
	Non-Departmental Output Expenses			
-	Claims Handling and Other Administrative Costs	1,448	-	1,500
	Non-Departmental Other Expenses			
-	Repair of Canterbury Properties	286,490	-	295,000

What was achieved in this appropriation

Performance measure	Target for 2019/20	Performance for 2018/19	Performance for 2019/20
EQC will provide reporting to Treasury as specified in Schedule 4 of the On-Sold Canterbury Properties Services Agreement.	Achieved	New measure for 2019/20	Achieved
A decision on the outcome of the application will be conveyed to the Applicant within one month of receiving all required documentation and reports.	100%	New measure for 2019/20	100%
EQC will initiate direct contact with the Applicant within 10 Business Days of receipt of the application.	100%	New measure for 2019/20	100%

Management of the Crown's Agreement with **Taitokerau Forests Limited MCA**

What is intended to be achieved with this appropriation

The single overarching purpose of this appropriation is meeting the Crown's responsibilities under its agreement with Taitokerau Forests Limited.

Financial information

2019 Actual \$000		2020 Actual \$000	2020 Main Estimates Unaudited \$000	2020 Supp. Estimates Unaudited \$000	2021 Forecast Unaudited \$000
6,194	Total appropriation	1,306	-	1,306	-
	Non-Departmental Other Expenses				
451	Grants	191	-	300	-
5,132	Impairment of Loans	1,115	-	1,006	-
	Non-Departmental Capital Expenditure				
611	Loans	-	-	-	-