

Reference: 20210094

16 April 2021

s9(2)(a)

Thank you for your Official Information Act request, received on 17 March 2021. You requested the following the following documents:

1. *Reserve Bank of New Zealand Briefing to the Minister 5747: Risk management guidance on cyber resilience and views on information gathering and sharing*
2. *Treasury Report T2020/3274: Presentation of Losses from the Large Scale Asset Purchases in the Financial Statements of the Government*
3. *Reserve Bank of New Zealand Report 5752: Funding for Lending Programme*
4. *Treasury Report T2020/2843: COVID-19 Proactive Release Tranche Four*
5. *Treasury Report T2020/2960: Firm Support Fortnightly State of Play (as at 3 September 2020)*
6. *Treasury Report T2020/3048: Additional Analysis on Regulation of Air Crew Travelling into New Zealand*
7. *Treasury Report T2020/2327: Accident Compensation Corporation: Due Diligence Report 2020*
8. *Joint Report by the Treasury and Ministry for Culture and Heritage T2020/2855: Screen Sector Insurance Issue*
9. *Aide Memoire T2020/3108: Covering advice for sports MIQ proposals*
10. *Treasury Report T2020/2801: Howard Estate & Smedley Station - Property Purchase*
11. *Treasury Report T2020/3172: Update on PREFU Incident and Response*

On 25 March 2020 the Treasury transferred the request for documents 1 and 3 to the Reserve Bank of New Zealand and document 8 to the Ministry for Culture and Heritage.

Information being released

I have decided to release the following documents:

Item	Date	Document Description	Decision
1.	16 October 2020	Treasury Report T2020-3274 Presentation of Losses from the Large Scale Asset Purchases in the Financial Statements of the Government	Release in part
2.	3 September 2020	Treasury Report T2020/2843 COVID-19 Proactive Release Tranche Four	Release in part
3.	3 September 2020	Treasury Report T2020/2960 Firm Support Fortnightly State of Play (as at 3 September 2020)	Release in part
4.	10 September 2020	Treasury Report 2020/2327 Accident Compensation Corporation: Due Diligence Report 2020	Release in part
5.	9 September 2020	Aide Memoire T2020/3108 Covering advice for sports MIQ proposals	Release in part
6.	22 September 2020	Treasury Report T2020/3172 Update on PREFU Incident and Response	Release in part

We are still processing the documents you have requested for release. Under section 15(1)(b) of the OIA, I am notifying you of my decision prior to delivering the requested documents, with redactions under the following sections of the Official Information Act, as applicable:

- personal contact details of officials and other personal information, under section 9(2)(a) – to protect the privacy of natural persons, including that of deceased natural persons,
- names and contact details of officials, under section 9(2)(g)(ii) – to maintain the effective conduct of public affairs through protecting ministers, members of government organisations, officers and employees from improper pressure or harassment,
- commercially sensitive information, under section 9(2)(ba)(i) - would be likely to prejudice the supply of similar information, or information from the same source, and it is in the public interest that such information should continue to be supplied,
- commercially sensitive information, under section 9(2)(b)(ii) – to protect the commercial position of the person who supplied the information, or who is the subject of the information,
- direct dial phone numbers of officials, under section 9(2)(k) – to prevent the disclosure of information for improper gain or improper advantage.
- free and frank advice – under section 9(2)(g)(i) – to maintain the effective conduct of public affairs through the free and frank expression of opinions
- active consideration, under section 9(2)(f)(iv) – to maintain the current constitutional conventions protecting the confidentiality of advice tendered by Ministers of the Crown and officials

Direct dial phone numbers of officials have been redacted under section 9(2)(k) in order to reduce the possibility of staff being exposed to phishing and other scams. This is because information released under the OIA may end up in the public domain, for example, on websites including Treasury's website.

I anticipate the production of the documents will be complete within one week, at which time we will send them to you. I apologise for any inconvenience.

Information publicly available

The following information is also covered by your request and is publicly available on the Treasury website:

Item	Date	Document Description	Website Address
7.	3 September 2020	Treasury Report T2020/3048: Additional Analysis on Regulation of Air Crew Travelling into New Zealand	https://www.treasury.govt.nz/publications/other-official-information/responses-official-information-act-requests
8.	3 September 2020	Attachment to Treasury Report: T2020/2843 COVID-19 Proactive Release Tranche Four (Item 2)	https://covid19.govt.nz/updates-and-resources/legislation-and-key-documents/proactive-release/supporting-the-economy/ and https://www.treasury.govt.nz/publications/information-release/finance-portfolio-cabinet-material

The information contained in annex B of *Treasury Report: T2020/2843 COVID-19 Proactive Release Tranche Four* (Item 2) has been proactively released as part of the Government's COVID-19 proactive release programme.

Treasury Report T2020/3048: Additional Analysis on Regulation of Air Crew Travelling into New Zealand has been requested under a separate OIA request which is due to be replied to by 19 May 2021 and publicly available the following week.

Accordingly, I have refused your request for the documents listed in the above table under section 18(d) of the Official Information Act:

- the information requested is or will soon be publicly available.

Some relevant information has been removed from documents listed in the above table and should continue to be withheld under the Official Information Act, on the grounds described in the documents.

Information to be withheld

I am refusing your request for *Treasury Report T2020/2801: Howard Estate & Smedley Station - Property Purchase* under section 52(2)(a) of the Official Information Act:

- Nothing in this Act authorises or permits any person to make information available if that information relates to —
 - (a) the affairs of any estate under administration by Public Trust or in the Maori Trust Office

In making my decision, I have considered the public interest considerations in section 9(1) of the Official Information Act.

Please note that this letter (with your personal details removed) and enclosed documents may be published on the Treasury website.

This reply addresses the information you requested. You have the right to ask the Ombudsman to investigate and review my decision.

Yours sincerely

Kosal Kong
Acting Manager, Ministerial Advisory Service

OIA 20210094

Information For Release

1.	<u>Treasury Report T2020-3274 Presentation of Losses from the Large Scale Asset Purchases in the Financial Statements of the Government</u>	1
2.	<u>Treasury Report T2020-2843 COVID-19 Proactive Release Tranche Four</u>	18
3.	<u>Treasury Report T2020-2960 Firm Support Fortnightly State of Play (as at 3 September 2020)</u>	28
4.	<u>Treasury Report T2020-2327 Accident Compensation Corporation Due Diligence Report 2020</u>	40
5.	<u>Aide Memoire T2020-3108 Covering advice for sports MIQ proposals</u>	50
6.	<u>Treasury Report T2020-3172 Update on PREFU Incident and Response</u>	53

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Treasury Report: Presentation of Losses from the Large Scale Asset Purchases in the Financial Statements of the Government

Date:	16 October 2020	Report No:	T2020/3274
		File Number:	BM-1-2-1-2020-12 (June)

Action sought

	Action sought	Deadline
Minister of Finance (Hon Grant Robertson)	<p>Note the recommendations.</p> <p>Indicate whether you agree with the Treasury's preferred option for disclosing the losses from the Large Scale Asset Purchases in the Financial Statements of the Government.</p> <p>Indicate whether you would like to discuss this report with Treasury Officials.</p>	5pm, Monday 19 October 2020

Contact for telephone discussion (if required)

Name	Position	Telephone		1st Contact
Kamlesh Patel	Team Leader, Fiscal Reporting	s9(2)(k)	s9(2)(g)(ii)	✓
Jayne Winfield	Manager, Fiscal Reporting			

Minister's Office actions (if required)

Return the signed report to Treasury.

Note any feedback on the quality of the report

Enclosure: No

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Treasury Report: Presentation of Losses from the Large Scale Asset Purchases in the Financial Statements of the Government

Executive Summary

The 30 June 2020 Financial Statements of the Government (FSG) are due to be finalised on 30 October 2020. We are currently working with the Office of the Auditor-General (OAG) on matters raised through their audit process.

This report is being provided on a no surprises basis to the incoming Minister of Finance to inform signing off on the integrity and compliance of the FSG. The only significant outstanding matter we are currently working to resolve relates to the presentation of losses arising from the Large Scale Asset Purchases (LSAP) programme. At this point, the Treasury and the OAG have different views on the reporting of these losses within the operating balance before gains and losses (OBEGAL). This report outlines the reasons for the different views and options to progress this issue going forward. Our preferred option involves removing the presentation of OBEGAL in the audited section of the FSG and reducing the prominence of OBEGAL in the commentary accompanying the FSG.

Both the Treasury and the OAG agree on the accounting treatment and the value of the losses from the LSAP programme, so the issue is purely around how the losses are being presented in calculating OBEGAL in the financial statements. The difference in professional opinion comes about from a different interpretation of the underlying policy in an untested area.

Continuing with our current presentation of losses from the LSAP programme being excluded from the calculation of OBEGAL, risks the OAG issuing a qualified audit opinion. The FSG have not had a qualified audit opinion since the early 1990's. As OBEGAL is not prescribed by accounting standards, there are judgements by the Treasury being made around the presentation; however, we do not believe this should lead to a qualification. At this point we believe the OAG has not yet provided a compelling argument for us to include losses from the LSAP programme in the calculation of OBEGAL.

The Treasury's view is that the LSAP programme has been implemented for monetary policy purposes and the decision was independently taken by the Reserve Bank of New Zealand's Monetary Policy Committee. The indemnity provided by the Crown reinforces that the decision was taken independently from the Crown. In addition, the Treasury believes the LSAP losses arise due to a valuation difference as a result of market changes in interest rates and therefore should be excluded from OBEGAL. This presentation approach has been applied in the fiscal forecasts presented in the *2020 Pre-election Economic and Fiscal Update* (Pre-election Update) and the *2020 Budget Economic and Fiscal Update*. Our approach to LSAP losses is consistent with the presentation of other valuation changes on financial instruments due to market movements.

We have received formal advice from the OAG on Thursday 8 October 2020, that in their view, the losses should be part of "total expenses (excluding losses)" and included in the calculation of OBEGAL. It is their view that the losses are a direct result from a fiscal policy decision by the Government and therefore should be reflected in the fiscal performance of the Government as measured by the OBEGAL.

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The OAG are of the view that OBEGAL is a key measure and communications tool used by the Treasury and Minister of Finance to communicate the Government's performance. Given its prominence, the current presentation of OBEGAL excluding the LSAP losses does not fairly present the performance of the Government for the year. As a result, they have signalled they intend to issue a qualified audit opinion that the OBEGAL result is not fairly stated in the Financial Statements of the Government.

We are concerned with the OAG's position, and in particular that their view (that OBEGAL should reflect the fiscal impacts of all decisions the Government has control over) is contrary to the purpose of OBEGAL, which is primarily used to communicate performance against the Government's fiscal strategy. In addition, we believe the OAG's view would create an inconsistency in the treatment with other gains and losses on financial instruments due to market movements (e.g. investment gains from increases in share prices).

It is highly probable that we will not be able to reach a common view with the OAG. We see three possible options/outcomes:

- Presentation remains unchanged with LSAP losses in gains and losses reported below OBEGAL (**Option 1**) – likely results in a qualified audit opinion; or
- OBEGAL is removed from the audited section of the FSG and is given reduced prominence in the commentary (**Option 2**) – OAG have signalled this removes the risk of a qualified audit opinion (subject to seeing the final presentation), but as the losses would still be part of "gains and losses" and not "total expenses", this option does not remove the qualification risk entirely; or
- Presentation changes where LSAP losses are reported in the calculation of OBEGAL (**Option 3**) – likely results in an unqualified audit opinion, but it is a different presentation to the Pre-election Update.

Overall, our assessment is that all the options pose minimal risk to the Government's credit rating and investor confidence because it is a presentational issue and our understanding is that credit rating agencies do not focus on only one fiscal indicator, but look at a wide range of metrics in making assessments.

Also, given that currently there are no specific point targets for government fiscal objectives, we believe there is limited risk to the Government in achieving their fiscal strategy and the need to change fiscal policy if LSAP losses were reclassified as expenses and included in OBEGAL.

On balance, the Treasury's preference would be **Option 2** because it removes the risk of a qualified audit opinion and can be transparently explained and communication of OBEGAL can still be achieved. There will need to be a careful communication strategy to help mitigate any adverse reaction.

As mentioned the Minister of Finance is required to sign a Statement of Responsibility on the Financial Statements of the Government that attest to their integrity, compliance with the Public Finance Act (PFA) and that they fairly reflect the financial position and performance of the Government. In order to sign the Statement of Responsibility the Minister of Finance will need to form a view on the appropriate presentation of losses from LSAP.

We seek the Minister of Finance's comments on the issue and confirmation of the Treasury's preferred option as we work to finalise the FSG. Treasury officials are available to discuss the content of this report and the Minister of Finance may also want to discuss the issue with the Controller and Auditor-General directly.

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Recommended Action

We recommend that you:

- a **note** that the 30 June 2020 Financial Statements of the Government (FSG) are due to be finalised on Friday 30 October 2020;
- b **note** that the Controller and Auditor-General will issue his audit opinion on the 30 June 2020 FSG on the same day as the finalisation date of the FSG;
- c **note** that through the audit process the OAG has concluded that losses from the Large Scale Asset Purchase (LSAP) programme should be included in the calculation of OBEGAL;
- d **note** that at this point in time the Treasury disagrees with the OAG's position and believe the losses from the LSAP programme should be excluded from the calculation of OBEGAL;
- e **note** that the OAG has signalled they intend to issue a qualified audit opinion if no changes are made to the presentation of the OBEGAL amount to include LSAP losses;
- f **note** that if a common view is not reached the Treasury see three possible options/outcomes;
 - Presentation of LSAP remains unchanged with LSAP losses in gains and losses reported below OBEGAL (**Option 1**) – likely qualified opinion.
 - Remove the OBEGAL calculation from the audited section of the FSG and reduce its prominence in the commentary from the FSG (**Option 2**) – reduces risk of a qualified opinion.
 - Presentation changes where LSAP losses are reported in the calculation of OBEGAL (**Option 3**) – likely results in an unqualified opinion, but presentation is different to the Pre-election Update.
- g **note** that the Treasury preferred option/outcome from recommendation (f) is Option 2;
- h **indicate** whether the Minister of Finance agrees with the Treasury's preferred option in recommendation (g);

Agree/disagree.
- i **note** the Treasury will report back to the Minister of Finance on the final presentation of the losses from the LSAP programme;
- j **note** that the Minister of Finance is required to sign a Statement of Responsibility on the FSG that attest to their integrity, compliance with the PFA and that they fairly reflect the financial position and performance of the Government; and

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- k **indicate** whether the Minister of Finance would like an opportunity to discuss this report with Officials.

Yes/no.

Jayne Winfield
Manager, Fiscal Reporting

Hon Grant Robertson
Minister of Finance

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Treasury Report: Presentation of Losses from the Large Scale Asset Purchases in the Financial Statements of the Government

Purpose of Report

1. The purpose of this report is to advise you of the different views that the OAG and the Treasury have on the presentation of losses from the LSAP programme in the FSG, the possible consequences on the audit opinion for the 2019/20 FSG and to seek the Minister of Finance's comment on the presentation options to progress this issue.
2. The OAG believe losses from the LSAP programme should be part of the government's "total expenses" and included within the OBEGAL rather than their current presentation as gains and losses below OBEGAL. The OAG has signalled they will issue a qualified audit opinion over the FSG for 30 June 2020, if OBEGAL does not include the impact of losses from LSAP.
3. The Treasury are of the view that these losses should not be included in the OBEGAL, but reported below-the-line as losses. This report covers:
 - background on OBEGAL as a fiscal indicator;
 - explanation of how the losses from the LSAP programme arise;
 - views on the presentation of the losses from LSAP; and
 - the possible options and outcomes (including our recommendation).

Background on OBEGAL as a Fiscal Indicator

4. The Public Finance Act 1989 requires the Government to set a fiscal strategy in accordance with the principle of responsible fiscal management. A government makes choices about fiscal indicators to use to measure progress towards its fiscal strategy. Fiscal indicators can be drawn directly from the FSG, prepared in accordance with generally accepted accounting practice (GAAP) or they may be constructed from some elements of financial information used to prepare the FSG.
5. Since 2001 New Zealand governments have used a complementary indicator to the GAAP based operating balance to measure performance against their fiscal strategy. From 2008, OBEGAL has been the indicator used by governments to measure performance against their fiscal objective. OBEGAL is a non-GAAP measure therefore is not prescribed by accounting standards; however, it is constructed from financial information in the FSG, which has been prepared in accordance with accounting standards.
6. In 2008, when moving the preparation of the FSG to a new suite of accounting standards based on IFRS (International Financial Reporting Standards), we took the opportunity to present the OBEGAL sub-total on the face of the Statement of Financial Performance. This provided additional transparency around how both the OBEGAL indicator and the bottom-line operating balance were calculated.

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7. The main purpose of OBEGAL (and previous complementary operating balance indicators) is as a communications device, designed with the objective of improving the feedback quality of information as to how the Government is performing against its fiscal strategy through fiscal policy choices. Complementary operating balance indicators were introduced to deal with concerns around the accountability to the government's fiscal strategy when using the operating balance which is subject to market fluctuations in asset and liability valuations. These items are highly variable and not within the direct control of the Government in the short-term. As a result, they are not helpful to readers of the financial statements in assessing or communicating the Government's fiscal management performance against its stated strategy.
8. It is important to note that the purpose of OBEGAL is not to remove all the volatility in the Government's operating performance or measure only the controllable portion of the operating balance. In addition, OBEGAL is not a substitute indicator for the operating balance but rather complementary to it. The operating balance remains the best measure to assess the overall financial performance of the Government, particularly over longer time horizons.
9. As OBEGAL is a non-GAAP indicator there is some judgement involved in determining the valuation changes that should be extracted from the operating balance to form the calculation of OBEGAL. In most cases judgements are straightforward, however when there is some uncertainty around the presentation of matters there are some key principles the Treasury apply to guide our judgement. These include:
 - limiting the number of items reported below OBEGAL, both to maintain credibility of the indicator, and to maintain its simplicity and therefore its understandability;
 - seek to separately report, below OBEGAL, items that are impacted by changing views about the time value of money affecting present valuations;
 - seek to separately report, below OBEGAL, revaluation changes that impact the operating balance caused by changing economic prices and conditions;
 - seek consistency with System of National Accounts (SNA) and Government Finance Statistics (GFS) accounting by ensuring that there are no items that are considered "transactions" in those frameworks, as opposed to "other economic events" which are reported below OBEGAL; and
 - seek to minimise compliance costs by not requiring difficult or arbitrary allocations of single items between revenues and expenses (above OBEGAL) and gains and losses (below OBEGAL).
10. While the operating balance remains the best measure of overall financial performance in our view, we acknowledge both the Government and the media often focus on OBEGAL as a better measure of the implementation of fiscal policy and fiscal responsibility. This leads to a greater prominence of OBEGAL compared to the GAAP operating balance measure.

Losses on the LSAP Programme

11. The primary aim of the LSAP programme is to support the economy by lowering borrowing costs to households and businesses and depreciating the New Zealand dollar. Under this programme, the Reserve Bank of New Zealand (Reserve Bank) intends to buy up to \$100 billion of New Zealand Government Bonds (NZGBs) and Local Government Funding Agency (LGFA) Bonds in the secondary market.

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12. As at 30 June 2020 the Reserve Bank had purchased \$22.0 billion of assets under the programme, comprising \$21.0 billion in NZGBs and \$1.0 billion in LGFA bonds. As well as the economic impacts from the LSAP programme there are a number of fiscal consequences for the FSG.
13. To acquire the financial assets under the LSAP programme on the secondary market, the Reserve Bank must pay current bondholders the market price for those bonds. The market price in the current environment will generally be higher than the bond prices that bondholders paid when the bonds were first issued by the Government (as interest rates have fallen) and therefore the NZGBs liability on the Crown's books.
14. As a consequence, a valuation difference arises on consolidation between the current market value, paid by the RBNZ for the NZGBs, and the historical value of the NZGB liability as recorded by the Crown. Broadly speaking, the valuation difference reflects the change in the value of bonds since they were issued owing to movements in interest rates in the market. This valuation movement on the repurchased bonds has been presented as a loss of \$3.3 billion that comes about on consolidation when eliminating the Reserve Bank bonds and the NZGB liability.
15. As the NZGBs purchased by the Reserve Bank move closer to their maturity, the valuation difference on consolidation narrows, meaning that the initial losses on consolidation reported reverse over time, through a reduction in future finance costs. The reason the valuation difference gets smaller is because as bonds get closer to their maturity it is expected that the market price of the bonds and the cash that will be paid out on those bonds will converge.

Views on the Presentation of Losses from LSAP

The Treasury's View

16. As noted above, the inclusion or exclusion of items from OBEGAL in some cases are a matter of judgement. When it became clear that LSAP losses on the purchase of NZGBs would be material and that the fiscal impacts of the Reserve Bank's interventions in the markets should be clearly explained in the FSG, the Treasury worked to determine the most appropriate disclosure of these losses. This included assessing the presentation of the losses against the key principles of OBEGAL, considering the approach in other jurisdictions, and discussing the issue with the OAG and the FSG Audit Committee.
17. The Treasury considers there is a balanced judgement to be made in determining whether losses on LSAP should be included in OBEGAL. On one hand, the LSAP programme has been implemented for monetary policy purposes and the decision was independently taken by the Monetary Policy Committee and the losses are due to movements in interest rates and the different valuation approaches for NZGB assets held by the Reserve Bank and the Crown's NZGB liability. On the other hand, the losses are directly due to a decision by the Reserve Bank to intervene in the market for monetary policy purposes. On balance, the Treasury's position has been to report the losses from LSAP below the OBEGAL line, in gains and losses and therefore, only included in the operating balance. The key factors leading to that view were:
 - Consistency with the overarching purpose of OBEGAL of providing accountability against the Government's fiscal strategy, which looks through LSAP losses and therefore provides a more relevant ex-ante and ex-post comparison.

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- Consistency with previous repurchases of NZGBs, notably by the Reserve Bank who repurchase in advance of the final maturity of a bond, to smooth operations and promote market liquidity, but also trading in Government stock by Crown financial institutions such as New Zealand Superannuation Fund (NZS Fund) and ACC.
- Consistency with the SNA and GFS accounting frameworks which report all financial instruments at fair value, that has the consequence of reporting unrealised losses as “other economic events” when they occur, and consequently no loss when a repurchase occurs.
- Consistency with the treatment of other gains and losses on financial instruments owing to market changes (e.g. changes in share prices), which are not included in OBEGAL.
- Greater understandability for users of the FSG, as OBEGAL stands for Operating Balance **before** Gains and Losses and the losses from LSAP are more easily understood and communicated as a loss rather than a finance cost presented in “total expenses” of the government.
- The losses from LSAP are more fairly attributed to (independent) monetary policy rather than fiscal policy which OBEGAL seeks to reflect.

The OAG's View

18. The OAG has considered our position and made other judgments in reaching a different view. They consider losses from LSAP repurchases should be recognised in OBEGAL because in their opinion, it would be more meaningful for the readers of the financial statements to see the full extent of government controlled activities as part of OBEGAL.
19. The OAG has provided formal advice to the Treasury on 3 September and 8 October 2020, with the latter advice articulating their position in writing. They have advised that in forming their view, the following were key considerations:
 - The Reserve Bank is consolidated into the FSG and the decisions that the Reserve Bank makes should be reflected in OBEGAL where this has a financial impact on the Government. The LSAP programme is not just a monetary policy decision, but also a fiscal policy decision at the whole of government level. The whole of government is one entity therefore OBEGAL in the FSG should reflect all decisions made.
 - A specific decision has been made to enter into the LSAP programme as a response to the COVID-19 pandemic. This decision was made in the knowledge that there would be a significant loss to the Crown on repurchase. In this sense, the loss takes the form of a “transaction” of the Crown, rather than a “loss” that should be below OBEGAL.
 - The precedent of the repurchases of NZGBs by the Reserve Bank as part of its normal business is not relevant as any valuation changes have been immaterial and there is a specific decision made to respond to stimulating the economy.
 - This is the first transaction of this type and scale in New Zealand's history, so there is no precedent to be consistent with.
 - The short to medium impact of repurchasing government bonds is to reduce interest costs in outer years, as well as allow the Government to sell new bonds in the future.

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- As interest costs are included as part of OBEGAL, the losses incurred on repurchasing the instruments that give rise to this cost should be included in OBEGAL as well. This is a transaction effected by Government which has resulted in increased losses which are finance costs of repurchasing the debt.
 - The LSAP programme will continue in the future, and quantitative easing is likely to be a key mechanism that the Government/Reserve Bank will continue to use to stimulate the economy.
 - Similarly they do not consider consistency with the treatment of similar transactions by entities that manage funds (such as ACC or the NZS Fund), is relevant to the issue, as the Minister is providing an expectation around returns on investments, rather than direction to specifically sell certain investments.
20. Overall, the OAG are of the view that the OBEGAL amount is a key non-GAAP measure used by the Treasury and the Government to communicate the Government's performance, and given its prominence as a communication tool, the current presentation excluding the LSAP losses does not fairly present the performance of the Government for the year.

The Treasury's concerns with the OAG's view

21. Both the Treasury and OAG agree that the accounting for the losses from LSAP comply with GAAP. The Treasury acknowledges the presentation of LSAP is a difficult judgement and that the OAG view has some merit; however, we have some significant concerns around their position.
22. The OAG's position that OBEGAL should reflect all decisions the Government has control over is contrary to the purpose of OBEGAL, which is primarily to communicate against the Government's fiscal strategy rather than the results of all decisions.
23. We believe the OAG's position would create an inconsistency between transactions as there are other items that are currently reported below OBEGAL which could be argued to be a result of Government decisions. For example, the Government have provided a directive to the NZS Fund to generate investment returns; however, most of these returns are reported below OBEGAL.
24. In the past the OAG has expressed a strong view that it is important the calculation of OBEGAL is kept consistent to ensure its credibility as a fiscal indicator over time. The Treasury's current judgement is that all gains and losses from financial instruments are presented below OBEGAL. We have recommended changes in the past to include some gains and losses from financial instruments in OBEGAL; however, at the time, the OAG had a very firm view that the judgements should not change. We also have concerns that moving away from a strictly consistent approach for calculating OBEGAL over time could lead to criticism of cherry picking particular transactions or event to be included in OBEGAL in a certain year. This would undermine the credibility of OBEGAL as a fiscal indicator.
25. The treatment is not aligned with international practice for reporting government or national reporting statistics. No jurisdiction that we are aware of reports such losses in their underlying performance measure.

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Attempts to reach a common view

26. There have been a number of discussions between the OAG and the Treasury as we have sought to reach a common view on this issue.
27. There has also been detailed discussions on this issue with the FSG Audit Committee, who agreed that the losses from LSAP are of significant public interest, material and unique, and therefore, should be made transparent and be clearly explained in the FSG. However, while the FSG Audit Committee noted it is a difficult judgement to make in respect of the OBEGAL presentation, a consensus view was not reached by them on whether the losses should be included or excluded from OBEGAL.
28. As a consequence of these discussions, the Treasury decided to separately disclose the losses from LSAP on repurchases on the face of the Statement of Financial Performance (rather than combine them in the “gains and losses” line for financial instruments). We believe this provides greater transparency of the transaction and made this change in the recent *Pre-election Economic and Fiscal Update* (Pre-election Update). The OAG acknowledge this is helpful and are pleased that this presentation has also been reflected in the unaudited FSG.
29. However, we have not been able to reach a common view on the main issue in respect of the OBEGAL presentation. At its heart, there seems to be three irreconcilable main differences in professional opinion:
- Whether the losses are due to market movements in the value of NZGBs since the period of their issue; or, whether the losses are due to a Government mandated transaction to repurchase bonds at a higher price on the secondary market and thereby incur an avoidable loss.
 - Whether OBEGAL is an appropriate yardstick for measuring the Government’s performance against its fiscal strategy, without the noise of market fluctuations, or whether the appropriate measure of financial performance of the Government should reflect the full extent of government-controlled activities, which would be the operating balance.
- Whether the decision was for the purpose of monetary policy or fiscal policy what control the Government had around the decision.
30. The first issue represents two different lenses on the cause of the loss, both of which have some merit. The other two issues however goes to the heart of how the Government develops, articulates and measures progress against its fiscal strategy.
31. Discussions on the issue are likely to continue until the signing date of the FSG (scheduled to be 30 October 2020). We see three possible outcomes from these discussions. The next section outlines the three possible outcomes and their potential consequences.

Possible Options and Outcomes

32. Ideally the Treasury would like to reach a common view with the OAG where the current presentation is accepted by the OAG as a fair reflection of the Government’s performance against its fiscal strategy. At this point in time, we consider there is a low probability of this outcome. We believe that there are three possible options/outcomes from the issue around the presentation of losses from LSAP, which are:
- Presentation remains unchanged with LSAP losses in gains and losses reported below OBEGAL (**Option 1**) – likely results in a qualified audit opinion.

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- OBEGAL is removed from the audited section of the FSG and is given reduced prominence in the commentary (**Option 2**) – reduces the risk of a qualified audit opinion, but as the losses would still be part of “gains and losses” and not “total expenses”, this option does not remove the qualification risk entirely.
 - Presentation changes where LSAP losses are reported in the calculation of OBEGAL (**Option 3**) – likely results in an unqualified audit opinion, but it is a different presentation to the Pre-election Update.
33. Overall, our assessment is that all the options pose minimal risk to the Government’s credit rating and investor confidence.
 34. Given that there are currently no specific point targets for fiscal objectives, we believe there is limited risk to the Government in achieving their fiscal strategy and the need to change fiscal policy.
 35. The Treasury’s ideal outcome would be to make no changes to the presentation and receive a clear audit opinion. However our assessment is that this outcome is unlikely and therefore on balance, the Treasury’s preference would be **Option 2** based on the fact it reduces the risk of a qualified audit opinion and is likely to pose the least credibility risk to the Government and the Treasury. A full analysis of the options is outlined in Annex Two.
 36. There could be communication challenges and it is possible media and readers of the accounts would look through the formatting change and still focus on OBEGAL. However, it would still be a good opportunity to re-focus the media and readers on the operating balance as a more comprehensive measure of annual performance. Annex One provides an illustration of how the Statement of Financial Performance would look under Option 2 and the other options. We have tested this option with the OAG and they are open to accepting this approach, subject to seeing the final presentation.
 37. We seek the Minister of Finance’s feedback on the issue and confirmation of our preferred option as we continue our work with the OAG.
 38. The Minister of Finance is required to sign a Statement of Responsibility on the FSG that attest to their integrity, compliance with the PFA and that they fairly reflect the financial position and performance of the Government.
 39. In order to sign off on the FSG the Minister of Finance will need to form a view on the appropriate presentation of losses from LSAP. The Treasury are available to discuss our view on the presentation. The Minister of Finance may also want to consider discussing the presentation with the Controller and Auditor-General directly.

Next Steps

40. The Treasury will continue working to finalise the FSG once we have received the Minister of Finance’s comments on this report. Once we get closer to finalisation we will report back to the Minister of Finance with further advice.
41. Under any of the above outcomes, there is a likely need to review the fiscal indicators that are used for the Government’s fiscal strategy and how they are presented in the interim financial statements and forecast financial statements. It is not a sustainable strategy to risk further qualified opinions in future years by leaving the current indicators unchanged. If the OAG issues a qualified audit opinion this year, it may be appropriate to undertake a review and consult with key stakeholders, including the public, on the use of fiscal indicators.

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Annex One: Changes to the FSG

Option 1 – Statement of Financial Performance (Presentation unchanged)

2020 Forecast at				Actual	
Budget	Budget			30 June	30 June
2019	2020			2020	2019
\$m	\$m			\$m	\$m
		Revenue			
88,541	81,588	Taxation revenue	4	84,349	85,723
6,027	6,126	Other sovereign revenue	4	6,269	6,028
94,568	87,714	Total sovereign revenue		90,618	91,751
19,041	19,196	Sales of goods and services	5	18,437	19,796
2,748	2,440	Interest revenue	6	2,300	2,646
4,397	5,053	Other revenue	7	4,416	4,949
26,186	26,689	Total revenue earned through operations		25,153	27,391
120,754	114,403	Total revenue (excluding gains)		115,771	119,142
		Expenses			
29,690	42,831	Transfer payments and subsidies	8	42,607	28,086
25,711	27,314	Personnel expenses	9	27,775	25,933
5,217	5,465	Depreciation	17	5,294	4,554
49,012	52,478	Other operating expenses	10	52,571	42,693
4,181	3,896	Interest expenses	6	3,754	4,298
5,547	6,418	Insurance expenses	12	6,903	5,812
1,266	5,357	Forecast new operating spending		-	-
(1,400)	(1,075)	Top-down expense adjustment		-	-
119,224	142,684	Total expenses (excluding losses)		138,904	111,376
375	12	Less minority interests share of operating balance before gains and losses		144	337
1,155	(28,293)	Operating balance before gains and losses (OBEGAL) (excluding minority interests)		(23,277)	7,429
-	(1,624)	Net gains/(losses) on large scale asset purchases	6	(3,258)	-
3,290	(4,470)	Net gains/(losses) on financial instruments	6	1,908	4,444
(71)	(1,297)	Net gains/(losses) on non-financial instruments	11	(7,430)	(11,575)
3,219	(7,391)	Total gains/(losses)		(8,780)	(7,131)
(3)	(50)	Less minority interests share of total gains/(losses)		(572)	115
3,222	(7,341)	Gains/(losses) (excluding minority interests)		(8,208)	(7,246)
273	143	Net surplus from associates and joint ventures		1,193	206
4,650	(35,491)	Operating balance (excluding minority interests)		(30,292)	389
		Operating balance consists of:			
4,650	(35,491)	Operating balance (excluding minority interests)		(30,292)	389
372	(38)	Minority interests share of operating balance	23	(428)	452
5,022	(35,529)	Operating balance (including minority interests)		(30,720)	841

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Option 2 – Statement of Financial Performance (with OBEGAL removed)

2020 Forecast at				Actual	
Budget	Budget			30 June	30 June
2019	2020			2020	2019
\$m	\$m			\$m	\$m
		Revenue			
88,541	81,588	Taxation revenue	4	84,349	85,723
6,027	6,126	Other sovereign revenue	4	6,269	6,028
94,568	87,714	Total sovereign revenue		90,618	91,751
19,041	19,196	Sales of goods and services	5	18,437	19,796
2,748	2,440	Interest revenue	6	2,300	2,646
4,397	5,053	Other revenue	7	4,416	4,949
26,186	26,689	Total revenue earned through operations		25,153	27,391
120,754	114,403	Total revenue (excluding gains)		115,771	119,142
		Expenses			
29,690	42,831	Transfer payments and subsidies	8	42,607	28,086
25,711	27,314	Personnel expenses	9	27,775	25,933
5,217	5,465	Depreciation	17	5,294	4,554
49,012	52,478	Other operating expenses	10	52,571	42,693
4,181	3,896	Interest expenses	6	3,754	4,298
5,547	6,418	Insurance expenses	12	6,903	5,812
1,266	5,357	Forecast new operating spending		-	-
(1,400)	(1,075)	Top-down expense adjustment		-	-
119,224	142,684	Total expenses (excluding losses)		138,904	111,376
1,530	(28,281)	Total revenue less expenses (excluding gains/losses)		(23,133)	7,766
-	(1,624)	Net gains/(losses) on large scale asset purchases	6	(3,258)	-
3,290	(4,470)	Net gains/(losses) on financial instruments	6	1,908	4,444
(71)	(1,297)	Net gains/(losses) on non-financial instruments	11	(7,430)	(11,575)
3,219	(7,391)	Total gains/(losses)		(8,780)	(7,131)
273	143	Net surplus from associates and joint ventures		1,193	206
(372)	38	Less minority interests share of operating balance		429	(452)
4,650	(35,491)	Operating balance (excluding minority interests)		(30,291)	389
		Operating balance consists of:			
4,650	(35,491)	Operating balance (excluding minority interests)		(30,291)	389
372	(38)	Minority interests share of operating balance	23	(429)	452
5,022	(35,529)	Operating balance (including minority interests)		(30,720)	841

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Additional Supplementary Information (part of the FSG but not audited), noting that there is still some work to be completed on this presentation.

2020 Forecast at			Actual	
Budget	Budget		30 June	30 June
2019	2020		2020	2019
\$m	\$m		\$m	\$m
OBEGAL Reconciliation				
120,754	114,403	Total revenue (excluding gains)	115,771	119,142
119,224	142,684	Less Total expenses (excluding losses)	138,904	111,376
		Less minority interests share of operating balance		
375	12	before gains and losses	144	337
Operating balance before gains and losses (OBEGAL)				
1,155	(28,293)	(excluding minority interests)	(23,277)	7,429
-	(1,624)	Net gains/(losses) on large scale asset purchases	(3,258)	-
3,290	(4,470)	Net gains/(losses) on financial instruments	1,908	4,444
(71)	(1,297)	Net gains/(losses) on non-financial instruments	(7,430)	(11,575)
3	50	Minority interests share of total gains/(losses)	572	(115)
273	143	Net surplus from associates and joint ventures	1,193	206
4,650	(35,491)	Operating balance (excluding minority interests)	(30,292)	389

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Option 3 – Statement of Financial Performance (Presentation changed)

2020 Forecast at				Actual	
Budget	Budget			30 June	30 June
2019	2020			2020	2019
\$m	\$m			\$m	\$m
				Note	
		Revenue			
88,541	81,588	Taxation revenue	4	84,349	85,723
6,027	6,126	Other sovereign revenue	4	6,269	6,028
94,568	87,714	Total sovereign revenue		90,618	91,751
19,041	19,196	Sales of goods and services	5	18,437	19,796
2,748	2,440	Interest revenue	6	2,300	2,646
4,397	5,053	Other revenue	7	4,416	4,949
26,186	26,689	Total revenue earned through operations		25,153	27,391
120,754	114,403	Total revenue (excluding gains)		115,771	119,142
		Expenses			
29,690	42,831	Transfer payments and subsidies	8	42,607	28,086
25,711	27,314	Personnel expenses	9	27,775	25,933
5,217	5,465	Depreciation	17	5,294	4,554
49,012	52,478	Other operating expenses	10	52,571	42,693
4,181	3,896	Interest expenses	6	3,754	4,298
5,547	6,418	Insurance expenses	12	6,903	5,812
1,266	5,357	Forecast new operating spending		-	-
(1,400)	(1,075)	Top-down expense adjustment		-	-
119,224	142,684	Total expenses (excluding losses)		138,904	111,376
-	(1,624)	Net gains/(losses) on large scale asset purchases ¹	6	(3,258)	-
375	12	Less minority interests share of operating balance before gains and losses		144	337
1,155	(29,917)	Operating balance before gains and losses (OBEGAL) (excluding minority interests)		(26,535)	7,429
3,290	(4,470)	Net gains/(losses) on financial instruments	6	1,908	4,444
(71)	(1,297)	Net gains/(losses) on non-financial instruments	11	(7,430)	(11,575)
3,219	(5,767)	Total gains/(losses)		(5,522)	(7,131)
(3)	(50)	Less minority interests share of total gains/(losses)		(572)	115
3,222	(5,717)	Gains/(losses) (excluding minority interests)		(4,950)	(7,246)
273	143	Net surplus from associates and joint ventures		1,193	206
4,650	(35,491)	Operating balance (excluding minority interests)		(30,292)	389
		Operating balance consists of:			
4,650	(35,491)	Operating balance (excluding minority interests)		(30,292)	389
372	(38)	Minority interests share of operating balance	23	(428)	452
5,022	(35,529)	Operating balance (including minority interests)		(30,720)	841

1. The presentation of the Net gains/(losses) on large scale asset purchases has changed to be included in OBEGAL. This is owing to the view of the Office of the Auditor-General that this more clearly reflects the performance of the total Government's performance given the prominence of OBEGAL as a communication tool.

The accompanying notes (including accounting policies) are an integral part of these statements.

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Annex Two: Analysis of Options and Outcome

	Option 1 – Presentation remains unchanged	Option 2 – OBEGAL is removed from the audited FSG	Option 3 – Presentation changes
Description	Losses from LSAP are reported as gains and losses, therefore excluded from OBEGAL. This represents no change in the presentation that was provided in the Pre-election Update.	This would involve removing the calculation of OBEGAL from the Statement of Financial Performance and changing the commentary that accompanies the FSG. We would need to consider options to communicate the results against the Government's fiscal strategy, which could include a separate section in the commentary.	This would involve moving the losses from LSAP into the calculation of the OBEGAL and would be inconsistent with the treatment in the fiscal forecasts presented in the Pre-election Update and Budget Update.
Qualified Audit Opinion	There is a high risk that the OAG will issue a qualified audit opinion.	This is likely to reduce the risk that the OAG will issue a qualified audit opinion, but does not eliminate the risk entirely.	This is likely to satisfy the OAG and eliminate the risk that the OAG will issue a qualified audit opinion.
Communication Strategy	The communication would need to focus on confirming the Government's view that losses arising from LSAP purchases should not be included in the OBEGAL, as that would diminish the relevance of reporting against the fiscal strategy, would be inconsistent with previous practice, and with other reporting frameworks (e.g. SNA and GFS), and would be less understandable to users. There would also need to be an emphasis on the rationale of using non-GAAP fiscal indicators for fiscal strategy purposes.	The communication would need to explain the reason for this change and it would need to be acknowledged that it is due to a dispute with the OAG. As the difference of views about OBEGAL between ourselves and the OAG will be clear, a similar communication strategy would need to be employed as for Option 1. The strategy will need to ensure the changes do not confuse users of the FSG.	The justification for the change will need to be made on the basis that we have revised our on-balance judgement and now consider that as the losses result from a discretionary transaction rather than market movements, and therefore the avoidable reported loss to the Government should be included in OBEGAL. The communication would need to emphasise the change has minimal impact of fiscal strategy and future fiscal policy settings.
Communication implications	The difference in opinion will undoubtedly gain some attention and different views on the matter are likely to be expressed. It is difficult to gauge the reaction of the Finance and Expenditure Select Committee, media and commentators. By being transparent in the Commentary, this will help mitigate some of the potential credibility risks.	The reaction to the change may be muted with the main negative impact of taking this option being the attenuation of the link between the fiscal indicator and the audited financial statements. OBEGAL does gain credibility and understandability from being included on the face of the financial statements, in a manner that can be contrasted with the other main fiscal indicator, net core Crown debt.	The change in judgement will receive attention from the Finance and Expenditure Select Committee, media and commentators and other users of the FSG, given the significant change in OBEGAL from the unaudited results presented in the Pre-election Update.
Capital Market implications	It is difficult to predict whether there will be an impact on New Zealand's credit rating from a qualified audit opinion. As part of rating agencies assessment they look at timeliness and reliability of data, so there may be some downside risk. However, none of the rating agencies include OBEGAL as one of their factors in their rating methodologies. This suggests there is minimal risk to New Zealand's credit rating in terms of fiscal metric. Some investors may be concerned by a qualified audit opinion which may impact investor confidence. We would look to carefully manage this risk through the communication process.	We would expect no impact on rating agencies assessment of the reliability of fiscal data. As noted above none of the rating agencies include OBEGAL as one of their ratings factors in their ratings methodologies. As with the other options, we would look to carefully manage the risk of any impact to investor confidence through the communications process.	Any downside risk to the credit rating of a qualified audit is reduced, although this is in effect replaced by downside risk associated with increased uncertainty about the implications for fiscal policy, and the more negative result for OBEGAL.
Fiscal Strategy and management implications	There is unlikely to be any concerns that the results are inconsistent with the current fiscal strategy. There is likely to be some credibility loss that may need to be considered when future fiscal targets are developed. There are unlikely to be any fiscal management implications.	There may be a loss in credibility of the fiscal strategy as the OBEGAL is no longer communicated in the Statement of Financial Performance. There are unlikely to be any fiscal management implications.	Although there would be an increase in OBEGAL deficits we believe the results would still be consistent with the current fiscal strategy. This approach may undermine the credibility of the fiscal management approach as the fiscal impacts have been managed outside Budget allowances. The Treasury would recommend looking through the losses for the purposes of future fiscal policy decisions.

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Treasury Report: COVID-19 Proactive Release Tranche Four

Date:	3 September 2020	Report No:	T2020/2843
		File Number:	SH-1-6-1-3-1-1-4

Action sought

	Action sought	Deadline
Minister of Finance (Hon Grant Robertson)	<p>Agree to proactively release the attached documents as part of an all-of-government COVID-19 release.</p> <p>Inform the Treasury of any changes to the documents proposed for proactive release by 3 pm on Friday 4 September 2020.</p> <p>Provide audit copies and finalised versions to the Prime Minister's Office by COB on Monday 7 September 2020.</p>	Monday 7 September 2020.
Minister of Broadcasting, Communications and Digital Media (Hon Kris Faafoi) Minister for Infrastructure (Hon Shane Jones)	<p>Agree to proactively release the attached documents as part of an all-of-government COVID-19 release.</p> <p>Inform the office of the Minister of Finance of any changes to the documents proposed for proactive release by 3 pm on Friday 4 September 2020</p>	Monday 7 September 2020

Contact for telephone discussion (if required)

Name	Position	Telephone	1st Contact
Jean McDowall	Advisor, Ministerial Advisory Service	s9(2)(k)	n/a (mob) ✓
David Hammond	Team Leader, Ministerial Advisory Service		N/A (mob)

Minister's Office actions (if required)

If agreed, **consult** with Ministers Peters, Twyford, Parker, Nash, and Shaw on the proactive release proposed by this paper.

Inform the Treasury of any changes required to the documents proposed for proactive release by 10 am on Friday 4 September 2020.

Following receipt of a files share link from the Treasury, **provide** audit copies and final documents to the Prime Minister's Office (cc DPMC information@dpmc.govt.nz) by COB on 7 September 2020.

Return the signed report to the Treasury.

Note any
feedback on
the quality of
the report

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Enclosure: Yes (attached)

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Treasury Report: COVID-19 Proactive Release Tranche Four

Executive Summary

The Prime Minister's Office (PMO) is coordinating the proactive release of a fourth tranche of papers associated with the COVID-19 response. The first, second and third tranches cover decisions up until 29 June 2020. The current tranche covers decisions up until 10 August 2020.

This report provides you with the 13 Finance portfolio documents that are in scope of this tranche of the release, with proposed redactions marked up. It also provides 10 Broadcasting portfolio documents and 2 Infrastructure portfolio documents.

The release of these documents is likely to give rise to considerable interest; specifically material on the methodology and process for the allocation of the \$3 billion Infrastructure Tagged Contingency is of broad interest, and this tranche contains detailed material that has not been previously released.

Recommended Action

We recommend that you:

- a **agree** to proactively release Cabinet Paper and Minute: *COVID-19: Financial Support Package for Television New Zealand Limited* and associated key advice,

Agree/disagree
Minister of Finance

Agree/disagree
Minister of Broadcasting,
Communications and Digital Media

- b **agree** to proactively release Cabinet Paper and Minute: *Infrastructure Reference Group Establishment and Work to Date* and associated key advice,

Agree/disagree
Minister of Finance

Agree/disagree
Minister for Infrastructure

- c. **agree** to proactively release Cabinet Minute: *Air New Zealand: Crown Loan Facility*,

Agree/disagree.
Minister of Finance

- d. **agree** to proactively release Cabinet Paper and Minute: *Infrastructure Reference Group (IRG): Update on Infrastructure Projects*,

Agree/disagree.
Minister of Finance

- e. **agree** to proactively release Cabinet Paper and Minute: *Extension of the Small Business Cashflow (Loan) Scheme after 24 July 2020*,

Agree/disagree.
Minister of Finance

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- f. **agree** to proactively release Cabinet Paper and Minute: *Delivering the 'Shovel Ready' Infrastructure Projects* and associated key advice,

Agree/disagree.
Minister of Finance
- g. **consult** your colleagues on the attached documents proposed for proactive release,

Agree/disagree.
Minister of Finance
- h. **inform** the Treasury of any changes to the documents proposed for proactive release,
and
- i. **provide** audit copies and finalised versions of the documents to the Prime Minister's Office by COB Monday 7 September 2020.

David Hammond
Team Leader Ministerial Advisory

Hon Grant Robertson
Minister of Finance

Hon Kris Faafoi
**Minister of Broadcasting,
Communications and
Digital Media**

Hon Shane Jones
Minister for Infrastructure

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Treasury Report: COVID-19 Proactive Release Tranche Four

Purpose of Report

1. On 26 August 2020, the Treasury received a list of documents identified by the Prime Minister's Office (PMO) as within scope of a fourth tranche of the all-of-government COVID-19 proactive release process. This report provides you with our recommendations on Finance, Broadcasting and Infrastructure portfolio papers for inclusion, which includes Cabinet papers and key associated advice.
2. The report also outlines communication implications and risks associated with the proposed release.

All-of-Government Proactive Release

3. The all-of-government proactive release process coordinated by PMO covers COVID-19 response decisions made by Cabinet, CVD Committee and COVID-19 Ministers with Power to Act.
4. The scope includes decision documents where final decisions are made and briefings or associated documents that informed these decisions.
5. The previous three tranches of the all-of-government proactive release process have encompassed decisions up until 29 June 2020. Fifty-five documents have been released under the Finance portfolio to date [T2020/1137, T2020/1191, T2020/1960 and T2020/2434 refer].
6. Tranche Four covers decisions through to 10 August 2020 and is scheduled for publication on the central COVID-19 website mid- to late September.

Finance Portfolio Documents in Tranche Four

7. Your office provided the Treasury with a list of papers identified by PMO as within scope of the Tranche Four release for the Finance portfolio. An updated version of this list is attached as Annex A. We have added a final column with the Treasury's comment.
8. Items shaded gold in the list are not proposed for inclusion in the release. The relevant reason is noted in the final "Treasury Comment" column of the list, which identifies if the document is scheduled for separate release or remains under active consideration.
9. Items shaded yellow are joint Finance portfolio papers being prepared for release in Tranche Four by another agency, in consultation with the Treasury. We understand these items have been included on your colleagues' lists.
10. Your agreement is sought to the release of all other items on the list. This includes three Cabinet items, and five key associated advice documents. Key advice was identified by the Treasury based on the definition provided by PMO, i.e. "directly related to the Cabinet Material – either cover briefings or documents that informed the Cabinet Paper in terms of options presented".
11. The items proposed for release in Tranche 4 are below, ordered chronologically:

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Document	Date	Document Title	Details of consultation
1.	23 March 2020	Cabinet Minute: Air New Zealand: Crown Loan Facility	Air New Zealand
2.	28 April 2020	Treasury Report: Television New Zealand Ltd COVID-19 Support	Television New Zealand Ministry for Culture and Heritage
3.	29 April 2020	Cabinet Paper: Infrastructure Reference Group Establishment and Work to Date	Crown Infrastructure Partners Ministry of Business and Innovation
4.	29 April 2020	Cabinet Minute: Infrastructure Reference Group Establishment and Work to Date	Crown Infrastructure Partners Ministry of Business and Innovation
5.	29 April 2020	Treasury Report: The Infrastructure Reference Group's List of 'shovel-ready' Infrastructure Projects	
6.	1 May 2020	Treasury Report: 'Shovel-ready' Infrastructure Projects - possible early announcements	
7.	4 May 2020	Aide Memoire: Further Advice on TVNZ	Television New Zealand Ministry for Culture and Heritage
8.	21-May-2020	Joint Report: Infrastructure Reference Group report - initial assessment and next steps	Crown Infrastructure Partners Ministry of Business and Innovation
9.	26 May 2020	Aide Memoire: An assessment framework to consider projects put forward by the Infrastructure Reference Group	
10.	2 June 2020	Treasury Report: TVNZ: COVID-19 Equity Support	Television New Zealand Ministry for Culture and Heritage
11.	11 June 2020	Treasury Report: Spectrum License Update	Television New Zealand Ministry for Culture and Heritage Ministry of Business, Innovation and Employment
12.	22 June 2020	Treasury Report: Update on Equity Support for TVNZ	Television New Zealand Ministry for Culture and Heritage

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Document	Date	Document Title	Details of consultation
13.	24 June 2020	Cabinet Paper: Infrastructure Reference Group (IRG): Update on Infrastructure Projects	
14.	24 June 2020	Cabinet Minute: Infrastructure Reference Group (IRG): Update on Infrastructure Projects	
15.	25 June 2020	Treasury Report: TVNZ: Updated Equity Support Cabinet Paper	Television New Zealand Ministry for Culture and Heritage
16.	1 July 2020	Cabinet Paper: Extension of the Small Business Cashflow (Loan) Scheme after 24 July 2020	Inland Revenue
17.	1 July 2020	Cabinet Minute: Extension of the Small Business Cashflow (Loan) Scheme after 24 July 2020	Inland Revenue
18.	15 July 2020	Treasury Report: Cabinet paper: Television New Zealand Uncalled Capital Support	Television New Zealand Ministry for Culture and Heritage
19.	20 July 2020	Cabinet Paper: Delivering the 'Shovel Ready' Infrastructure Projects	MBIE – Provincial Development Unit
20.	20 July 2020	Cabinet Minute: Delivering the 'Shovel Ready' Infrastructure Projects	MBIE – Provincial Development Unit
21.	22 July 2020	Cabinet Paper: COVID-19: Financial Support Package for Television New Zealand Limited	Television New Zealand Ministry for Culture and Heritage
22.	22 July 2020	Cabinet Minute: COVID-19: Financial Support Package for Television New Zealand Limited	Television New Zealand Ministry for Culture and Heritage
23.	24 July 2020	Letter: Delivery of 'shovel ready' infrastructure products – Ministerial instructions and expectations	Crown Infrastructure Partners
24.	27 July 2020	Treasury Report: TVNZ Uncalled Capital Support Documentation	Television New Zealand Ministry for Culture and Heritage

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12. We consider the above documents can be published in the proactive release, subject to information being withheld under the following sections of the Official Information Act 1982 as applicable:
- a **section 9(2)(a)** – to protect the privacy of natural persons, including deceased people
 - b **section 9(2)(b)(ii)** – to protect the commercial position of the person who supplied the information or who is the subject of the information
 - c **section 9(2)(f)(iv)** – to maintain the current constitutional conventions protecting the confidentiality of advice tendered by Ministers and officials
 - d **section 9(2)(g)(i)** – to maintain the effective conduct of public affairs through the free and frank expression of opinions
 - e **section 9(2)(g)(ii)** – to maintain the effective conduct of public affairs through protecting Ministers, members of government organisations, officers and employees from improper pressure or harassment.
 - f **section 9(2)(h)** – to maintain legal professional privilege.
 - g **section 9(2)(i)** – to enable the Crown to carry out commercial activities without disadvantage or prejudice
 - h **section 9(2)(j)** – to enable the Crown to negotiate without disadvantage or prejudice
 - i **section 9(2)(k)** – to prevent the disclosure of information for improper gain or improper advantage (including direct dial phone numbers of officials in order to reduce the possibility of staff being exposed to phishing and other scams).

Redacted copies and audit copies are attached to this report for your review.

COVID-19 Response and Recovery Fund papers

13. As you are aware, PMO has agreed to exclude key decision-making documents for the COVID-19 Response and Recovery Fund (CRRF) from the all-of-government release on the basis that core CRRF material will be released alongside other key Budget documents as part of the Treasury's Budget Proactive Release.

Risk Assessment and Communications Implications

14. As was the case with previous tranches, the proactive release is likely to create stakeholder and media interest given the impact of COVID-19 and the scale of the response. Our analysis of this tranche of material, however, is that several topics will be of high interest to media and stakeholders.
15. The Treasury considers there may be some communications risks and reputational issues from the publication of this proactive release:
- a The Air New Zealand Cabinet minute may reignite public interest about the Crown loan facility to the company and create additional interest about the company undertaking a possible capital raising, and if it did, whether the Crown will participate. However, Air New Zealand's recent year-end results announcement

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has already resulted in some commentary on these matters. We recently provided you talking points on this topic (T2020/2950).

b s9(2)(g)(i)

c

- d The Crown Infrastructure Partners (CIP) report IRG Project Readiness has been extensively redacted and CIP is withholding the IRG Project List. The Treasury is unable to advise on communications considerations arising from these documents without full visibility; however, the considerable public and stakeholder interest in the allocation of this Tagged Contingency is likely to create further interest.
- e The Treasury will consider how IRG material is managed including in responding to Official Information Act requests.
- f TVNZ announced the provision of the Crown uncalled capital facility on 25 August 2020. The proactive release of advice to shareholding Ministers relating to this support may increase public interest, particularly given TVNZ's higher-than-anticipated year-end cash position and the financial pressures experienced by the wider media sector. We recently provided communications material to the Minister of Broadcasting, Communication and Digital Media, should he require it.

16. The Treasury will work with your office to provide communications material if required to support the proactive release of the attached papers.

Timeframes and process

- 17. While consultation has been undertaken on key joint documents prepared for release by MSD and MBIE (as identified in Annex A), we do not have a full list of all decision-making or advice documents that will be included in the release. There may be other relevant documents on which the Treasury has not been consulted. Joint documents prepared for release by other agencies have not been assessed by the Treasury for legal risk.
- 18. Item 1: *Cabinet Minute: Air New Zealand: Crown Loan Facility* has been provided in redacted form only. This is because it contains market sensitive information that is subject to a confidentiality agreement. Distribution has been on a strictly need-to-know basis to protect the market sensitive information from becoming too widely available, which helps reduce the risk of any insider information breaches. If an unredacted version is required please contact Juston Anderson, Acting Manager, Commercial Performance, on 04 890 7211. This will ensure that Treasury has an appropriate audit of who has accessed the material.
- 19. Item 13: *Cabinet Paper Infrastructure Reference Group Establishment and Work to Date* was written by the Crown Infrastructure Partners and taken to Cabinet by the Minister for Infrastructure. It is included with the Treasury documents as it is related to other Cabinet material being released.

IN-CONFIDENCE

Consultation

20. As set out in the table of documents at paragraph 11 above, the Treasury has consulted with the following entities on one or more of the documents:

- Air New Zealand
- Crown Infrastructure Partners
- Inland Revenue
- MBIE – Provincial Development Unit
- Ministry of Business and Innovation
- Ministry for Culture and Heritage
- Television New Zealand

Next Steps

21. Please inform the Treasury of any required changes by 10 am on Friday 4 September. We will then make these changes and provide your office with a file share link to the updated audit copies and final versions.
22. Your office is required to provide the audit copies and final versions to PMO by COB on Monday 7 September.
23. PMO will work with DPMC to collate the documents for the fourth tranche of the all-of-government release, scheduled for publication on the central COVID-19 website mid- to late September 2020.

Annex A Tranche 4 AOG Proactive Release - Finance portfolio final document list has been withheld under s 9(2)(g)(i)

Annex B Tranche 4 Proactive Release - refused under s 18(d)

COMMERCIAL-IN-CONFIDENCE



Treasury Report: Firm Support Fortnightly State of Play (as at 3 September 2020)

Date:	3 September 2020	Report No:	T2020/2960
		File Number:	SH-1-6-1-3-5-4-2-1 (Firm Support - State of Play)

Action sought

	Action sought	Deadline
Minister of Finance (Hon Grant Robertson)	Note the contents of the attached report	9 September 2020
Associate Minister of Finance (Hon David Parker)	Note the contents of the attached report	9 September 2020
Associate Minister of Finance (Hon Shane Jones)	Note the contents of the attached report	9 September 2020
Associate Minister of Finance (Hon James Shaw)	Note the contents of the attached report	9 September 2020

Contact for telephone discussion (if required)

Name	Position	Telephone	1st Contact
Diego Cardona	Intern - Firm Support	s9(2)(k)	N/A (mob) ✓
Kristine Brown	Acting Manager - Triage, Firm Support	s9(2)(g)(ii)	
Alistair Birchall	Acting Manager – Firm Support		
Maureena van der Lem	Acting Director – Firm Support		

Minister's Office actions (if required)

Return the signed report to Treasury.

Note any feedback on the quality of the report

Enclosure: Yes (Annex attached)

COMMERCIAL-IN-CONFIDENCE

Treasury Report: Firm Support Fortnightly State of Play (as at 3 September 2020)

Purpose of the Report

1. This report, via a detailed attachment, provides you with:
 - a. A general market update.
 - b. A thematic slide with an overview of the performance reported by listed companies for the period ending 30 June 2020.
 - c. An update on the uptake of different policies available to support firms through COVID-19 measures.
 - d. An update on firm requests for Crown financial support in response to the impact of COVID-19.
 - e. An update of the private sector engagement the Firm Support Directorate has undertaken to understand the broad economic conditions.
 - f. An update on Ministerials that have been received requesting financial support.
2. This report is commercial-in-confidence, as it contains non-public information regarding discussions with businesses.

General Market Update

3. The COVID-19 pandemic has generated an unprecedented shock to economic uncertainty. While large businesses have managed to adapt and raise capital in the equity market, SMEs have less resilient balance sheets and are more depending on Government Support. Businesses have paused investments due to the difficulty to forecast, this will be reflected into lower economic activity in the next months. Recent earnings announcements from various listed companies have exposed the impact of COVID-19. Job ad volumes have dropped after the increase in Alert Levels and are still well below pre-COVID levels in all industry categories. The residential property market remains stable with property websites experiencing much higher international traffic.
4. *Annex 1* overviews:
 - a. Domestic Market Update.
 - b. International Market Update.
 - c. Thematic – NZ Earnings Announcements.
 - d. Firm Support Policy Implementation Updates.
 - e. Business Finance Guarantee Scheme Detailed Breakdown.
 - f. Private Sector Engagement.

COMMERCIAL-IN-CONFIDENCE

5. In the thematic slide in *Annex 1*, we have presented key performance metrics of the NZX50 companies that have reported earnings for the period ending 30 June 2020. In general, more than half of the companies that have reported experienced a reduction in revenue relative to the previous year, however, only 43% experienced a reduction in operating earnings. When comparing the balance sheet position with the previous year, about 68% of the companies suffered a reduction of net assets post COVID-19.
6. *Annex 1* provides an update on COVID-19 policy supports. In aggregate, the Wage Subsidy and Leave Payment Schemes have paid out \$13.8b. The Wage Subsidy Extension has paid out \$2.5b in respect to 204,202 transactions, and the Wage Subsidy Resurgence has paid out \$236m to 65,515 transactions. The Small Business Cashflow Scheme has disbursed \$1.5b to 93,758 approved applications. The Business Finance Guarantee Scheme has approved \$162.80m to 801 customers.
7. *Annex 1* also has a new section that details the Firm Support Directorate's approach to private sector engagement.
8. *Annex 2* outlines the requests for support led by other agencies.
9. *Annex 3* overviews current Ministerial requests for Firm Support Directorate's response.

COMMERCIAL-IN-CONFIDENCE

Recommended Action

We recommend that you:

- a **Note** the contents of this report.
- b **Note** that we will continue reporting on the private sector engagement sessions.

Maureena van der Lem
Acting Director, Firm Support

Hon Grant Robertson
Minister of Finance

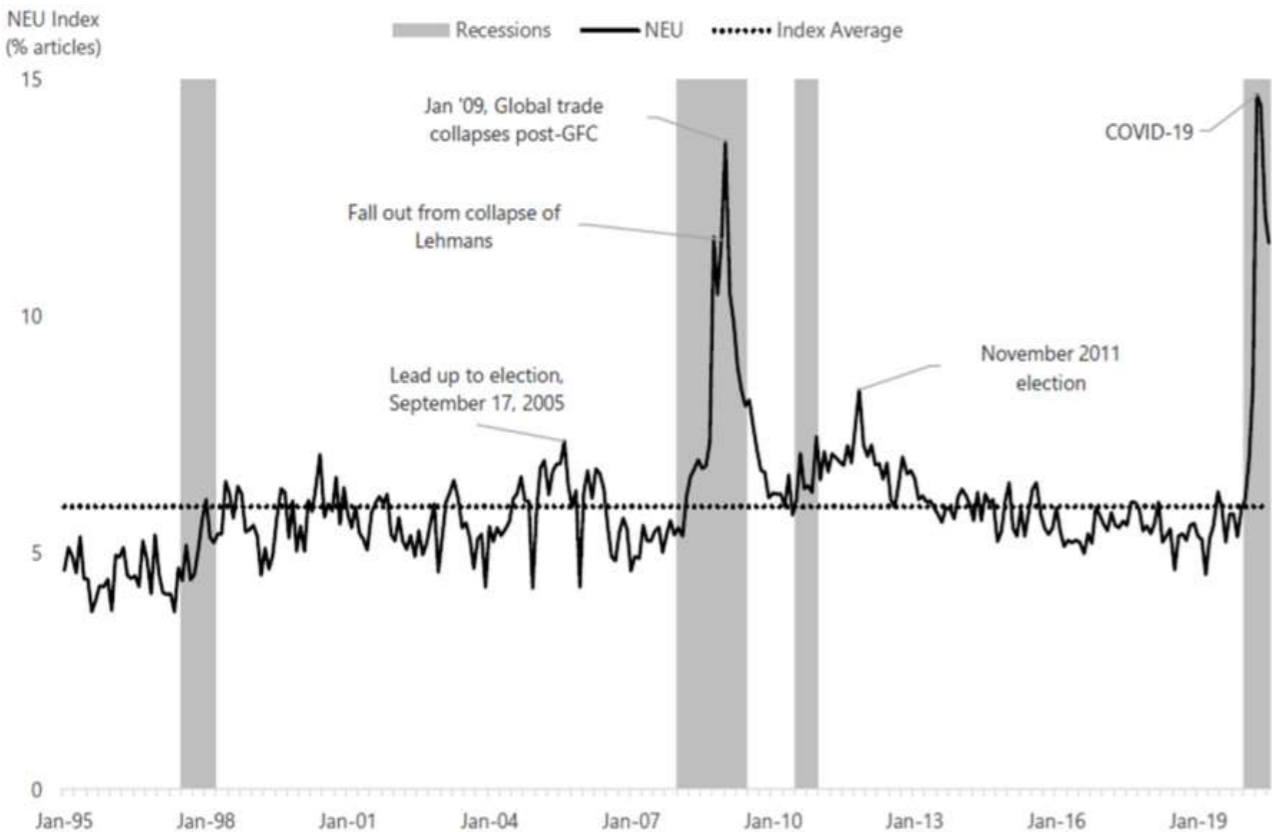
Hon David Parker
Associate Minister of Finance

Hon Shane Jones
Associate Minister of Finance

Hon James Shaw
Associate Minister of Finance

ANNEX 1: DOMESTIC MARKET UPDATE

New Zealand Economic Uncertainty Index



Source: Sense Partners

- Uncertainty is generating significant drag on business confidence and investment intentions. Sense Partners forecast that private investment could be as much as \$2.5 billion lower than expected by the end of 2021. This will have an impact on future activity and employment.
- While the impact of Alert Level 4 was relatively broad-based (beyond businesses closely linked to the border, such as aviation), the impact is increasingly falling on a more limited set of sectors (being those with productivity impacts from Alert Level settings, such as retail, hospitality, arts, and leisure).
- SMEs face the most immediate pressure, as they have less resilient balance sheets and more limited access to capital.
- Larger businesses have more ability to adapt, and particularly in the listed market, have raised additional equity. The bond market is also starting to re-open. Many businesses will nonetheless have weaker balance sheets to adapt to future shocks.

NZ Stock Market Headlines

+3%

NZX50 is up 3% between 17 August 2020 and 31 August 2020. A large number of NZX50 companies have reported earnings for the first half of 2020 during the past two weeks.

\$194m

Auckland Airport's after-tax profit reduced by 63% to \$194m in the year to 30 June 2020, with total passengers down 27% on the previous year due to COVID-19. It is expected to get worse before it gets better – as that included seven strong months before the pandemic hit.

+20%

New Zealand's largest listed wine company, Delegat Group, has performed well in the year to 30 June 2020. Operating profit was up 20% over 2019, global case sales were 9% up on the previous year, and cashflow from operations was up 42%.

-\$60m

Steel & Tube has announced that due to the acceleration of branch network changes, business restructuring and digitisation and the impact of COVID-19, the company had a net loss after tax of \$60m, dropping from a profit of \$10.4m in the previous year.

\$4m

New Zealand King Salmon has cancelled its final dividend due to the negative impact of COVID-19. Although net profit of \$18m for the year to 30 June 2020 was up 59% on the previous year, the figure benefited from lower expenses recognised for inventory costs. Operating cashflow reduced to \$4m from \$10.9m in FY19, despite the help of \$3.8m in wage subsidies.

-\$75m

Spark predicts COVID-19 will have a \$75m impact in FY21. The company's FY20 full-year results estimated COVID-19 to have cost the company \$25m, with that impact being felt primarily in the final quarter.

NZ Property Market Headlines

REINZ

Sales of lifestyle blocks reached an all-time high in July 2020, according to sales data from the Real Estate Institute of New Zealand show.

22%

Property listings website realestate.co.nz has seen a 22% rise in international traffic since the start of the COVID-19 crisis. Interest has increased at times of good news for New Zealand, such as the return to level 1 on 8 June 2020 and reaching 100 days with no cases in early August 2020.

Online only

Retailer OfficeMax is shutting all of its 14 brick and mortar locations and transitioning to an online-only model. It made the decision following a review that found the business needed to adapt to the COVID-19 world. 55 jobs will be lost after OfficeMax received \$4.5 million for 635 employees through the wage subsidy scheme.

Employment Statistics

65%

New job ads posted on SEEK during the fortnight ended 16 August 2020 are 65% of pre-COVID levels.

78%

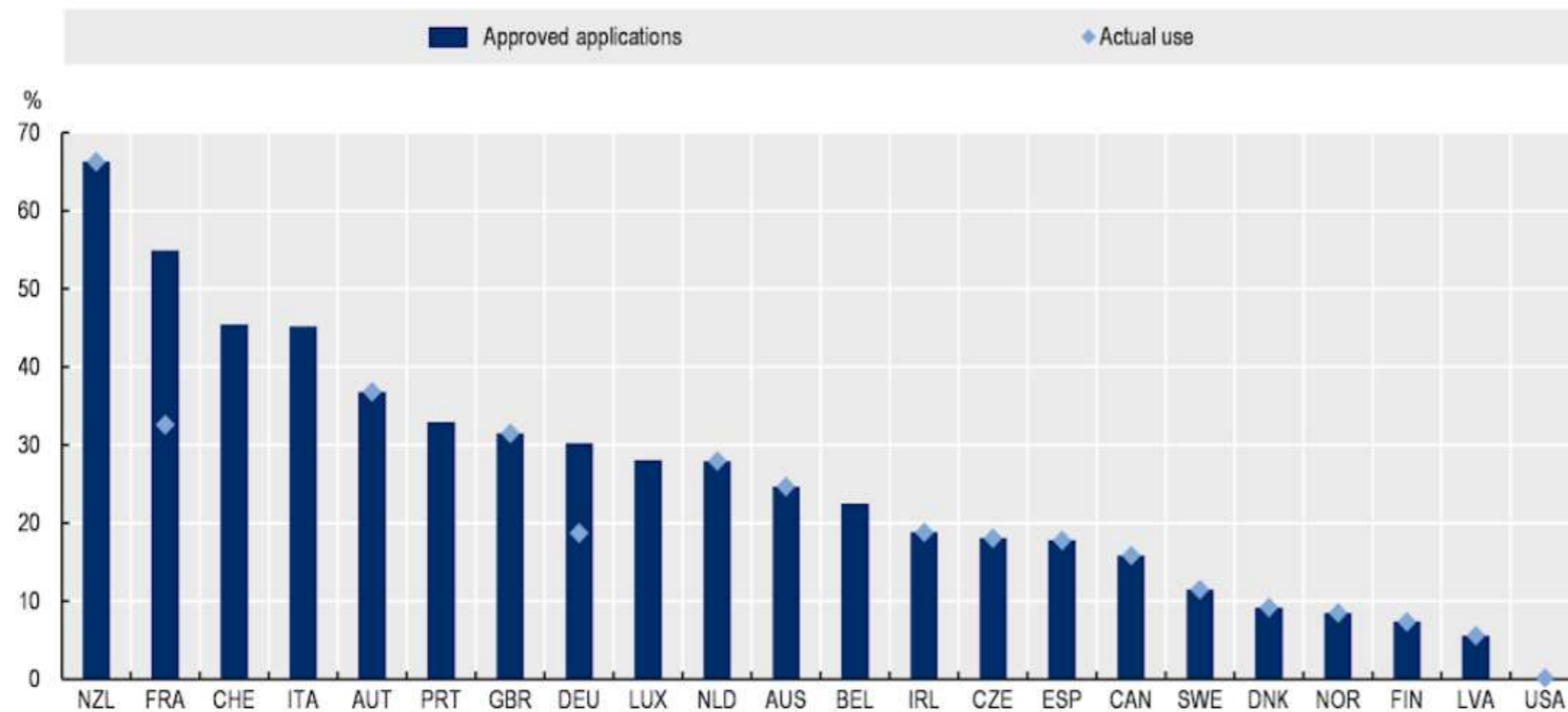
According to SEEK, job ad volume dropped 16% after the recent increase in Alert Levels. The biggest contributors to job ad volume are Trades & Services, Information & Communication Technology, Manufacturing, Transport & Logistics and Construction.

52%

Prior to the latest restrictions, Consumer Services roles available were 58% of pre-COVID-19 levels, and now they are down 6% to 52%. Whilst all sectors have been negatively impacted by the recent Alert Level restrictions, another notable sector that has been impacted is Construction, which has dropped from 79% to 70% of pre-COVID-19 job ad volume.

ANNEX 1: INTERNATIONAL MARKET UPDATE

% of dependent employees applications for job retention schemes in OECD countries.



Source: OECD

Global Markets Headlines

60m

According to the OECD, the use of job retention schemes during the pandemic was unprecedented and widespread. About 60 million workers across the OECD have been included in the initial requests by companies for support by job retention schemes. New Zealand is the country with the highest share of dependant employees with approved applications.

S&P 500

On Monday 24 of August 2020, the S&P 500 hit another record, closing above 3,400 for the first time as Apple and airlines rose amid positive COVID-19 treatment developments.

\$A2.7b

Qantas Group has suffered a \$A2.7b statutory loss before tax because of aircraft write downs and redundancy costs and a 91% reduction in underlying pre-tax profit. According to the airline, in the second half of the financial year to 30 June 2020, it had suffered a \$A4b drop in revenue because of the near total collapse in travel demand due to the COVID-19 crisis and associated border restrictions.

SME and Business Confidence

- SMEs account for 99% of businesses in Singapore and 72% of the workforce. During the peak of the outbreak, DBS — Southeast Asia's largest bank — made \$3.5b in temporary bridging loans to keep many of them going. Of those, around nine in 10 (87%) were made to small and micro-enterprises.
- Woolworths, in Australia, cut its final dividend after higher COVID-19 related costs and large one-off costs offset an increase in sales, leading to a 22% fall in net profit to \$1.2b.
- Flight Centre Australia has cut costs to the point where it believes it can break even if the business runs at 40% of normal levels. The guidance came as the company confirmed an \$849m pre-tax loss, the first since listing in 1995, due to COVID-19.

Employment Statistics

19,000

American Airlines said it will shed 19,000 workers by 1 October 2020, when federal aid ends, as it copes with the COVID-19 impact on travel demand, which isn't expected to rebound for years.

New Era

Thousands of office employees at Ford Motor Co. have come back to work in recent weeks to retrieve their belongings. With its white-collar employees working remotely at least until January 2021 because of the pandemic, Ford is taking advantage of its empty buildings to reconfigure the workplace for a new era in which employees will have more options to do their jobs remotely.

10%

Unemployment is projected to reach nearly 10% in OECD countries by the end of 2020, up from 5.3% at year-end 2019, and to go as high as 12% should a second pandemic wave hit. A job recovery is not expected until after 2021.

Global Property Market Headlines

Commercial Rent

Australia's largest shopping centre landlord, Scentre Group, is in dispute with one of its major tenants, clothing retailer Mosaic Brands, which is threatening to shut 500 stores unless landlords reduce rents. Scentre Group chief executive Peter Allen, reported a \$3.6b loss for the six months to 30 June 2020 after a significant reduction in property valuations.

UK housing

UK housing demand has increased since the end of the COVID-19 lockdown. The amount of time a home is available for sale before being sold has fallen to 27 days since restrictions were eased, compared to 39 days over the same period in 2019.

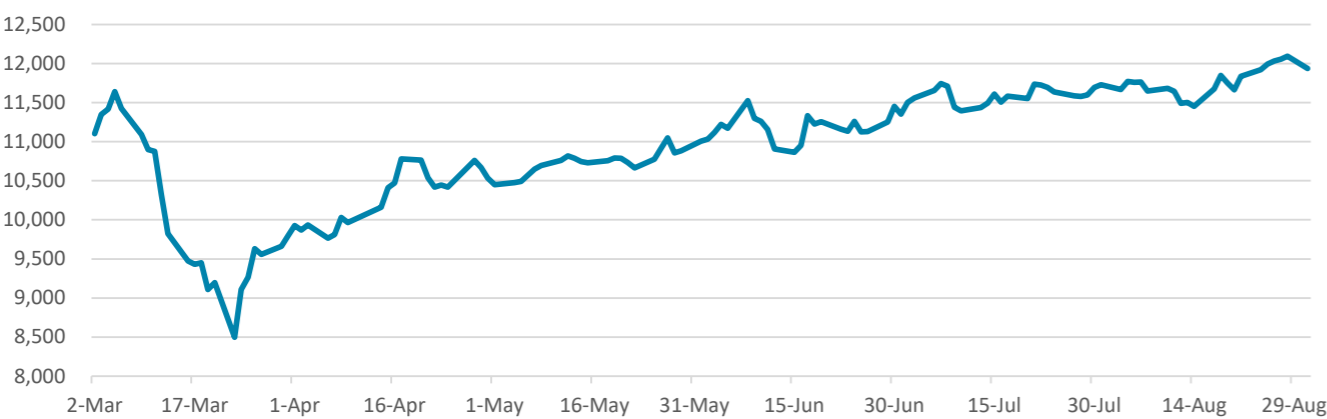
Tokyo city centre

The pandemic is transforming Tokyo's property lease market. In Shibuya, the amount of vacant restaurant properties has doubled over the course of the outbreak. Meanwhile, tenants for coworking offices are increasing, as people increasingly work outside their company headquarters.

ANNEX 1: THEMATIC – NZ EARNINGS ANNOUNCEMENTS

NZX 50 Performance

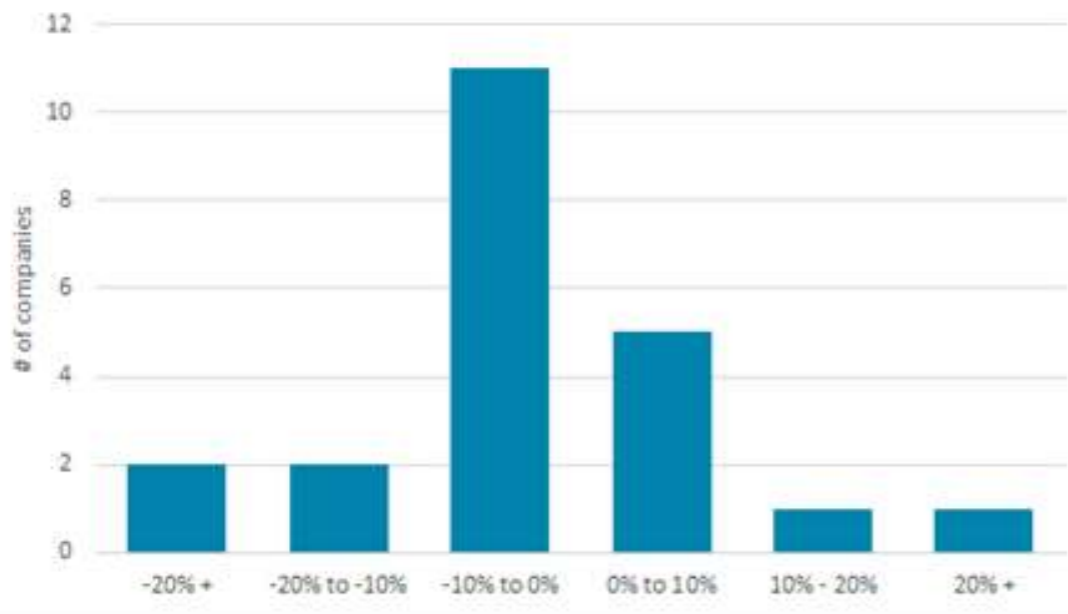
Between 2 March 2020 and 31 August 2020, the NZX50 has increased by 6% despite having a 24% reduction in March. The chart below shows the NZX50 performance during this six-month period:



Source: Bloomberg

Whilst the stock market has recovered, the underlying performance of the businesses shows the true impact of COVID-19. This thematic overview presents various key performance metrics of the NZX50 companies that have announced earnings for the period ending 30 June 2020. We note that various companies are yet to report earnings, we will finalise our analysis when the earnings season is complete.

Movement in Net Assets

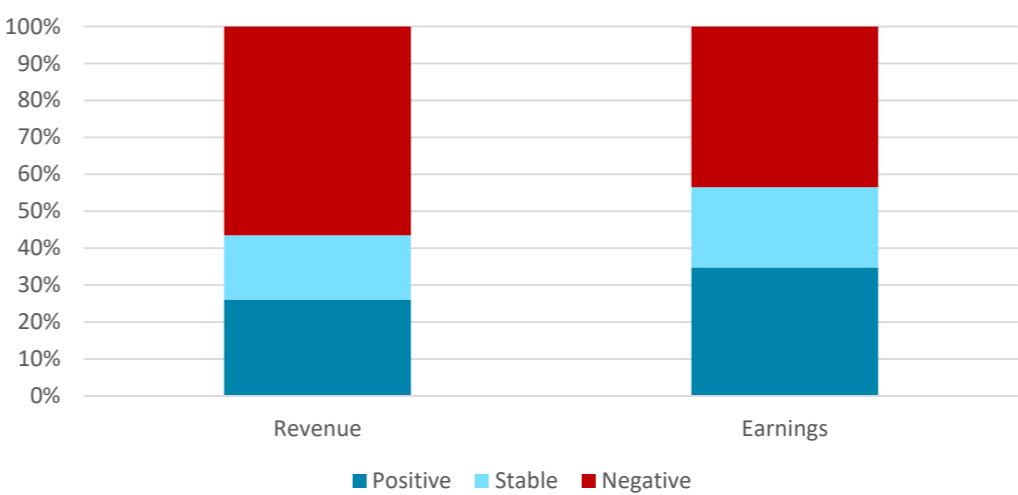


Source: Capital IQ and Treasury analysis

For the NZX50 companies that have reported earnings, the balance sheet position as at 30 June 2020 has been compared with the previous year to calculate the change in net assets. Our findings are below:

- Despite various companies raising equity, 68% of companies have experienced a decrease in net assets with a large portion of companies experiencing a -10% to 0% reduction.
- In aggregate, the total reduction in net assets in comparison to the previous year was -6%.
- As at 30 June 2019, net assets of the same companies had increased 5% from the prior year.

Revenue and Earnings Performance

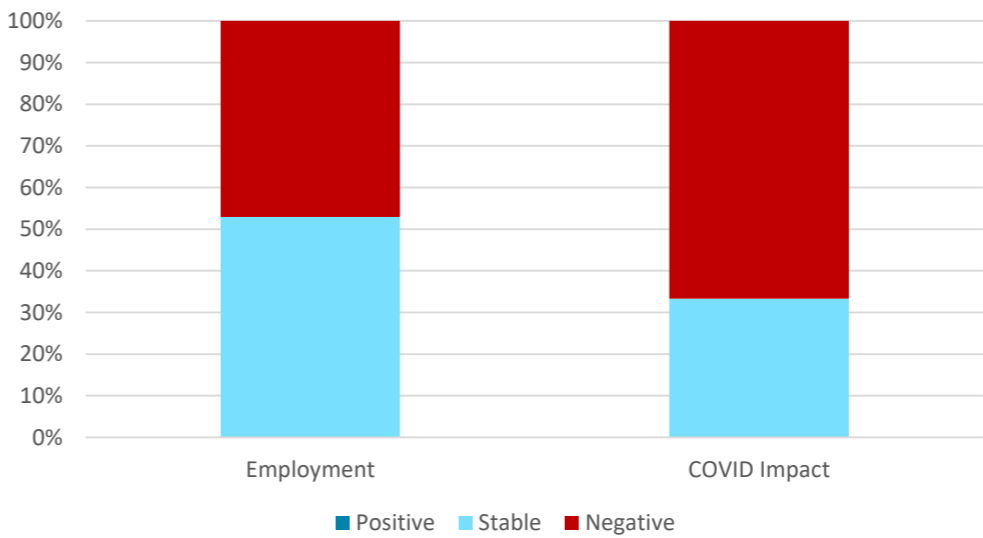


Source: Capital IQ and Treasury analysis

Of the NZX50 companies that have reported earnings, the following trends have been identified relative to the previous year:

- 57% of companies have experienced a reduction in revenue.
- Only 43% have experienced a reduction in operating earnings, suggesting that some companies have adapted to the reduced revenue by reducing operating expenses.
- 17% of companies are reporting stable revenue and 22% are reporting stable earnings.

Employment and General COVID-19 Impact



Source: Capital IQ and Treasury analysis

Comments relating to the chart above:

- Close to half of the companies have reported a reduction in staff or indicated that a reduction is likely to occur.
- 67% are reporting to have been negatively impacted, advising that they would have performed better if COVID-19 hadn't occurred.
- Whilst there are companies that have performed better, increasing revenue and/or earnings, none are attributing this to COVID-19.

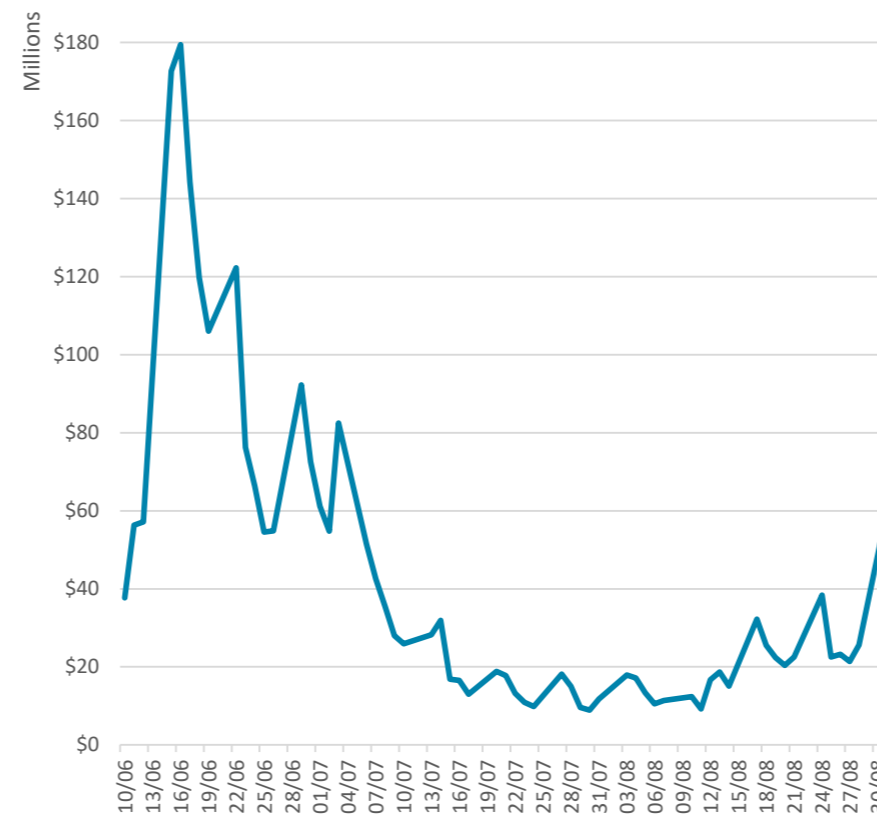
ANNEX 1: FIRM SUPPORT POLICY IMPLEMENTATION UPDATES

Wage Subsidy and Leave Payment Schemes (as at 31 August 2020)

- The Wage Subsidy Scheme has paid out \$10.9b in respect of 441,470 transactions.
- The Wage Subsidy Extension (WSX) has paid out \$2.5b in respect of 204,202 transactions.
- The Wage Subsidy Resurgence has paid out \$236m in respect of 65,515 transactions.
- The Essential Worker Leave has paid out \$25.4m in respect of 2,806 transactions.
- The COVID-19 Leave Support Scheme has paid out \$16.4m in respect of 2,157 transactions.
- In total, all the Wage Subsidy and Leave Payment Schemes have paid out \$13.8b in respect of 734,984 transactions, as at 31 August 2020.

Source: Ministry of Social Development

WSX Daily paid amount



Source: Ministry of Social Development

Wage Subsidy Resurgence Transactions and Payments

Date	Transactions	Payments
21/08/2020	9,237	\$32.8m
24/08/2020	21,871	\$75.8m
25/08/2020	9,955	\$37.0m
26/08/2020	6,791	\$21.9m
27/08/2020	5,633	\$19.8m
28/08/2020	4,394	\$15.0m
31/08/2020	7,634	\$33.3m

Source: Ministry of Social Development

Small Business Cashflow Scheme

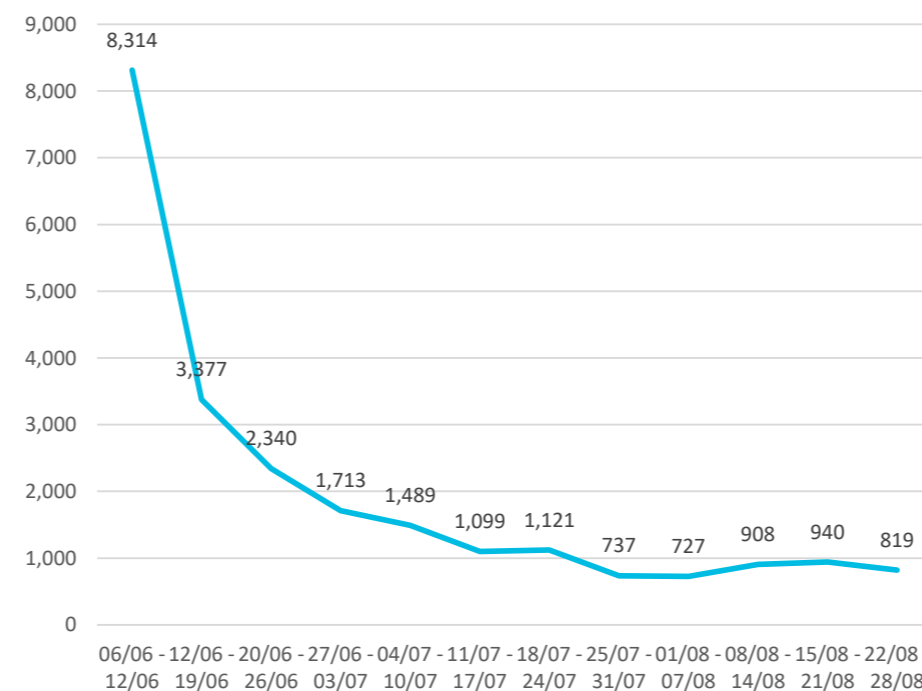
\$1.5b has been paid out to 93,758 approved applications as at 28 August 2020.

The greater Auckland region, Christchurch and Wellington report the highest volume of applicants, circa 62% of all applicants are based in one of these three regions.

While the construction industry has received the most loan proceeds to date in total, the largest loans on average were approved for applicants operating in accommodation and food services, followed by manufacturing, public administration and safety, and wholesale trade.

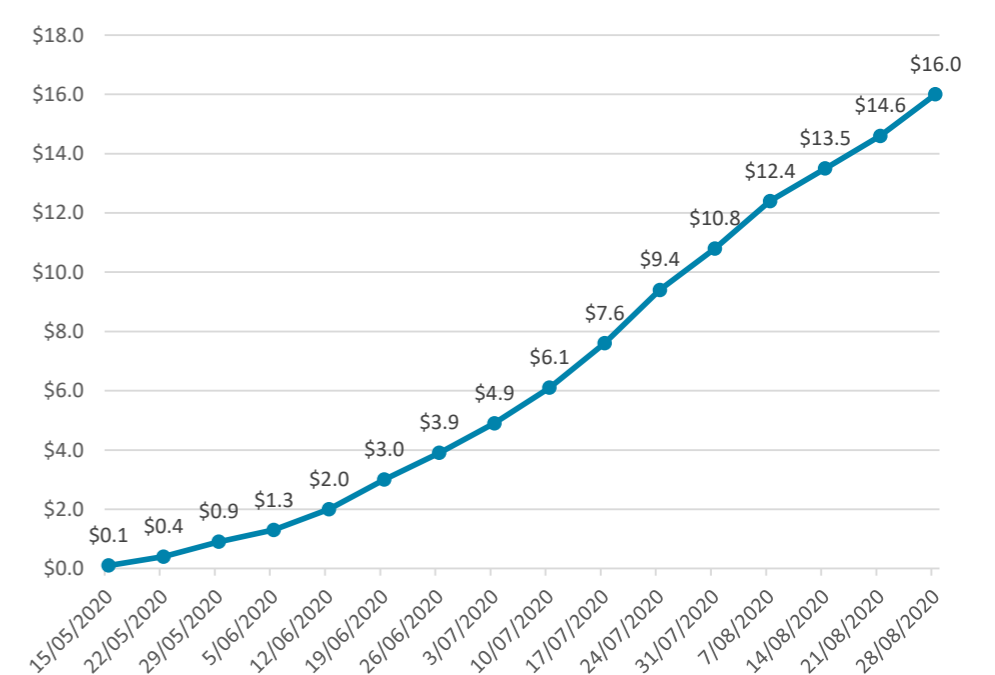
For loan recipients that are not individual persons, mature/long standing organisations that are more than 5 years old account for more than half (60%) of the total lending. These non-individual organisations may be more likely to have the durability to repay the loan. New organisations that have existed for less than one year accounted for 6% of the total loan amount issued.

Total volume of loans disbursements per week



Source: Inland Revenue

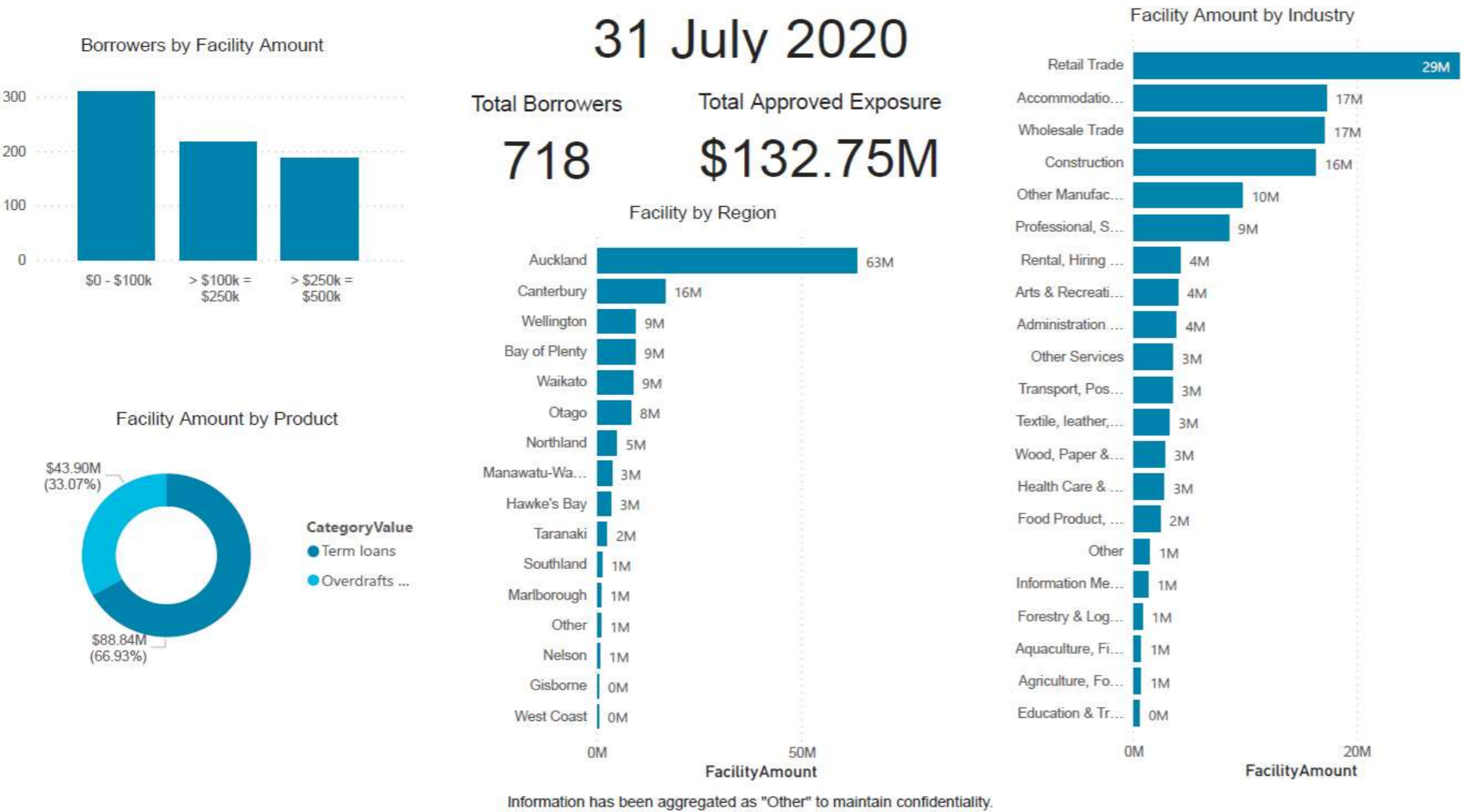
Cumulative loan repayments (\$m)



Source: Inland Revenue

ANNEX 1: BUSINESS FINANCE GUARANTEE SCHEME DETAILED BREAKDOWN

Business Finance Guarantee Dashboard
Breakdown of BFG facilities by amount, region and industry (to 31 July 2020)



Business Finance Guarantee
(as at 1 September 2020)

Please note the per bank data is commercially sensitive and not to be released publicly. Dates are as indicated.

Total Exposure
163M

Total Borrowers
801

The Business Finance Guarantee Scheme, as at 1 September 2020, has approved \$162.8 million* to 801 customers.

The simplified, expanded BFG was announced on 20 August 2020. It is too soon to say whether the slight uptick in lending is attributable to the scheme changes. Overall we still anticipate muted debt lending patterns in an environment of uncertainty.

s9(2)(b)(ii) and s9(2)(ba)(i)

*This total includes revolving credit facilities and term loans covered by the BFG Scheme.

ANNEX 1: PRIVATE SECTOR ENGAGEMENT

Overview of Private Sector Engagement

The Treasury have undertaken a range of proactive and reactive arrangements with both advisors and businesses. We are currently increasing the frequency of this engagement, particularly with larger industrials. This engagement is seeking to:

- gather market intelligence
- receive first-hand ‘grass roots’ information and feedback about stakeholders’ economic challenges and opportunities
- provide practical and anecdotal insights about the implementation of government policies and programmes.

This market intelligence informs and refines our thinking and improves our advice, while building awareness of the Treasury’s role and work programme.

Indicative Future Engagement

Meeting dates and times are yet to be confirmed however it is intended that the following sector specific engagement will be undertaken:

Sector	Meeting Timing	State of Play Report Date
Construction	1 – 12 September	17 September
Manufacturing	14 – 26 September	1 October
Transport / aviation	14 – 26 September	1 October
Retail	28 September – 9 October	15 October
Hospitality	14 – 24 October	29 October
Large industrials	14 – 24 October	29 October

The intention is to meet with at least five business owners from each sector from a range of geographies and business sizes.

*Given commercial sensitivity, engagement with NZAS/Rio Tinto will be managed outside this process.

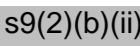
Engagement with Business Advisors

The Firm Support Directorate has engaged with various business advisors to understand the broad economic conditions and seek feedback on support packages. The feedback is summarised below:

Business advisor / Sector	Key Points Identified
Investment Bank	<ul style="list-style-type: none"> • Most of New Zealand businesses have experienced some sort of impact from the COVID-19 pandemic. Large business have, adapted and managed reasonably well. Equity markets have functioned well. Businesses have managed to raise capital and issue bonds to offset the economic pressure. • The recent Alert Level increase in Auckland is not expected to have significant impact on large businesses. The greatest impacts come with Alert Level 4 and, based on the previous lockdown recovery, business are confident that demand will be healthy when the Alert Level is reduced to Level 2. There is a sense that if Level 4 can be avoided, large businesses will be in a stable position. • Uncertainty is the major issue facing businesses. Businesses want to know what will happen at different Alert Levels.
Insolvency Practitioners	<ul style="list-style-type: none"> • The recent Alert Level increase has impacted business recovery from the initial lockdown. There has not been significant cashflow strain as businesses have been able to access cash through their banks, shareholders, the equity market, and through the government support measures – wage subsidy, IRD/SBCS. However, cash reserves are lower in general. • The Alert Level increase in combination with the end of the Wage Subsidy and the exhaustion of commercial solutions is causing distress. Support from banks and creditors will eventually cease. • Businesses in hospitality and construction will struggle to re-open. For example, restaurants were hit hard by food wastage. The construction sector has managed to finish the projects underway but there is a slowdown in new projects, particularly in the commercial space, given the market uncertainty. This also affects smaller contractors.
Investment Bank	<ul style="list-style-type: none"> • While in March, the conditions were concerning and panic was spreading, most large businesses have adapted to the new “reality”. A first wave of companies raised capital in the market and currently have enough cash. The focus is moving onto whether this will be sufficient to get them through. • Large businesses are performing better than SMEs because they have more ability to adapt and use scale to get through lockdowns. • Larger retailers have benefited from the quick recovery. Households have seen increased cashflow (staying at home, mortgage deferrals, and wage subsidy) and this has supported pent-up demand. • Government should be aware that while the first lockdown happened as we were going into winter which has a seasonal slowdown in business activity for some sectors. Summer has more economic activity (e.g., tourism and hospitality) that would result in lockdowns causing more pain. • Quick Alert Level shifts hurt businesses profoundly. They cannot adapt fast enough to overnight Alert Level changes.
Corporate Law Firm	<ul style="list-style-type: none"> • Large businesses, in practically all sectors, have experienced a revenue decline reflected on the bottom line. While profitability is down, cashflow has been less impacted. • During the first lockdown, companies were paying their bills relatively quickly, which could be a sign of supportive activity. Currently, payments are getting slower and businesses are stretching their cashflows. • Businesses reacted quickly to adapt to the new reality. Discretionary expenses were paused, costs cut, and redundancies grew (despite the Wage Subsidy). • In general, large businesses have been resilient, but the pain is yet to come.


ANNEX 2: REQUESTS LED BY OTHER AGENCIES WITH TREASURY SUPPORT

s9(2)(b)(ii)



ANNEX 3: MINISTERIAL REQUESTS – TO BE RESPONDED TO INDIVIDUALLY

s9(2)(ba)(i)



APPOINTMENT-IN-CONFIDENCE



Treasury Report: Accident Compensation Corporation: Due Diligence Report 2020

Date:	10 September 2020	Report No:	T2020/2327
		File Number:	CM-0-2-17-2020

Action sought

	Action sought	Deadline
Minister of Finance (Hon Grant Robertson)	For your information	none
Minister for ACC (Hon Carmel Sepuloni)	Agree recommendations	18 September 2020

Contact for telephone discussion (if required)

Name	Position	Telephone		1st Contact
Gael Webster	Manager, Governance and Appointments	s9(2)(k)	s9(2)(g)(ii)	✓

Minister's Office actions (if required)

Return the signed report to Treasury.

Note any feedback on the quality of the report

Enclosure: Yes (attached)

APPOINTMENT-IN-CONFIDENCE

Treasury Report: Accident Compensation Corporation: Due Diligence Report 2020

Executive Summary

The due diligence interviews for the Accident Compensation Corporation (ACC) are now complete and you are asked to agree in principle to appoint the preferred candidate, Bella Takiari-Brame, to be confirmed later this year pending the outcome of the General Election.

We recommend you support the decision of the previous Minister for ACC to appoint Dr Helen Nott as a new member, and to elevate James Miller to Deputy Chair of the ACC Board.

Given the risks inherent in high board turnover and no chair successor having been identified, we also recommend that Dame Paula Rebstock is reappointed for a short term as Chair on the ACC Board. This would provide leadership certainty, maintain institutional knowledge, and enable a continued process to identify a chair successor.

We recommend you short-list s9(2)(a) and Pat Bowler for interviews. These candidates would bring legal skills to the board to replace Kristy McDonald.

We recommend you agree to seek nominations from your colleagues, and to a Treasury search for further members to bring skills in investment, capital and financial markets, risk management, and corporate commercial governance, and for leadership experience for a potential chair successor. This would allow for the board to have the experience it needs following the pending departure of Anita Mazzoleni and Paula Rebstock.

Recommended Action

We recommend that you:

- a **note** that the previous Minister for ACC agreed late last year to appoint Dr Helen Nott as a new member and to elevate James Miller to Deputy Chair on the ACC Board, but these appointments have not yet been considered at the Appointments and Honours Committee

- b **agree** in principle to appoint Dr Helen Nott as a member from the earliest possible start date up to 31 May 2023

Agree/disagree.

- c **agree** in principle to elevate James Miller to Deputy Chair from the earliest possible start date until the end of his current term

Agree/disagree.

- d **note** that due diligence interviews have been completed and one new member is recommended for appointment

- e **agree** in principle to appoint Bella Takiari-Brame as a member from the earliest possible start date up to 31 August 2022

Agree/disagree.

APPOINTMENT-IN-CONFIDENCE

- f **agree** in principle to reappoint Dame Paula Rebstock as a member and Chair from the earliest possible date up to 31 October 2021

Agree/disagree.

- g **agree** to short-list the following candidates for interviews to replace Kristy McDonald on the board:

- s9(2)(a) *Agree/disagree*
- Pat Bowler *Agree/disagree*

- h **agree** to seek nominations from your colleagues, and to a Treasury search for candidates.

Agree/disagree.

Gael Webster
Manager, Governance and Appointments

Hon Carmel Sepuloni
Minister for ACC

APPOINTMENT-IN-CONFIDENCE

Treasury Report: Accident Compensation Corporation: Due Diligence Report 2020

Purpose of Report

- The due diligence interviews for the ACC Board are complete and you are asked to agree to make in principle decisions about preferred candidates. These are to:
 - appoint Bella Takiari-Brame and Dr Helen Nott as new members to replace David May and fill the current vacancy
 - elevate James Miller to Deputy Chair and
 - reappoint Dame Paula Rebstock as Chair and member until 31 October 2021.
- If you agree you will be provided with paperwork to confirm the appointments later this year pending the outcome of the General Election.
- You are asked to short-list s9(2)(a) and Pat Bowler for interviews, to replace Kristy McDonald.
- You are asked to agree to a search for a member with skills across investment, capital and financial markets, and risk management and corporate commercial governance to replace Anita Mazzoleni, as well as leadership experience for a potential chair successor to replace Dame Paula Rebstock.

Background

- The current composition of the ACC Board is:

Table 1: ACC Board composition and skills as at September 2020 (terms under consideration are shaded)

Member	Start date	End date	Region	Skills
Dame Paula Rebstock (Chair)	11 Apr 2011	31 Dec 2019	Auckland	Corporate governance, economic regulation, commerce, health and insurance, labour market policy
James Miller (Acting Deputy Chair)	1 Mar 2013	31 Aug 2021	Auckland	Financial markets, investment, commercial governance
Dr Tracey Batten	1 Feb 2019	31 Aug 2021	Auckland	Medical, CEO, health
John Brabazon	1 Feb 2019	31 Aug 2021	Auckland	Investment, capital markets, corporate governance
Kristy McDonald	3 Sep 2012	30 Jun 2019	Wellington	Criminal, administrative, constitutional and public law, industry regulation, ethics
David May	1 Jan 2018	31 Aug 2020	Wellington	Actuarial, insurance, senior governance, investment, ex CEO ACC
Anita Mazzoleni	19 Jul 2014	18 Jul 2020	Auckland	Commercial & administrative law, corporate and Crown governance, Māori networks
Vacancy (since Leona Murphy retired in July 2019)				

- The four board members whose terms have expired are continuing on the board pursuant to the run-on provisions of the Crown Entities Act.

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Earlier appointment decisions – Deputy Chair elevation and new member

7. The previous Minister for ACC agreed to appoint Dr Helen Nott as a member and James Miller as Deputy Chair late last year [*T2019/3400 refers*]. Draft APH Committee documentation for Dr Nott and Mr Miller was provided for consultation with coalition partners on 4 December 2019. We were advised that these proposed appointments stalled during consultation due to an absence of Māori representation on the board and did not proceed to APH. We now have a proposed Māori candidate (Bella Takiari-Brame) and we recommend these appointments are progressed after the Election.
8. Dr Helen Nott has significant insurance experience along with large scale transformation, data analytics, and some actuarial knowledge. She would fill a crucial gap left on the Board following the departure of Leona Murphy and would bring some actuarial skills in part to replace David May. We recommend appointing Dr Nott as soon as practicable, as she brings important skills and may not remain available if there are further delays to the process.
9. James Miller is an experienced manager and director with substantial experience in financial markets, investment management, and commercial governance, and is chair of ACC's Investment Committee. Mr Miller is currently Chair of NZX Ltd and a Director of Mercury NZ Ltd, and he is a former board member of the Financial Markets Authority and director of Auckland International Airport Ltd.
10. The previous Minister for ACC agreed to Mr Miller acting as Deputy Chair while the elevation was under consideration.

2020 appointment round

11. The 2019 appointment round was not successfully concluded, and a new appointment round commenced in March 2020 [*T2020/422 refers*] seeking a wide range of skills:
 - Legal experience, preferably in litigation and/or administrative public law
 - Senior governance or management leadership in the insurance, investment, or health sectors
 - Commercial experience with a background in some of the following: economics, finance, risk assurance and audit, or actuarial
 - Strong connections with Māori or involvement with Māori health outcomes.
12. Ten candidates were short-listed for interview by the previous Minister for ACC [*T2020/1716 refers*]. s9(2)(a) declined to be considered for this opportunity. Interviews with the remaining nine candidates were held on 23 and 27 July in Auckland. The panel comprised Chair Dame Paula Rebstock, Acting Deputy Chair James Miller and two representatives from the Treasury. Following the completion of interviews, the panel recommends you appoint Bella Takiari-Brame as a member on the ACC Board.

Recommended candidate

13. Bella Takiari-Brame is an accountant who had an international career at Shell, culminating as Treasury Controller. Ms Takiari-Brame was recently appointed as a director of Crown Infrastructure Partners Ltd, Braemar Hospital Ltd, The Lines Company Ltd, Te Ohu Kai Moana, a Council Member of Te Wānanga o Aotearoa and an independent Member of the Audit and Risk Committee for Waikato-Tainui. Since 2015 she has been a Trustee and interim Chief Executive of Maniapoto Māori Trust. She was previously Māngai Māori representative on the finance committee at Hamilton City Council and a director of Te Kupenga o Maniapoto. She is of Waikato-Tainui and Ngāti Maniapoto descent and has strong connections with Māori. She has experience in regulated industries, treasury, bonds, and bank financing, and brings audit and risk

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experience, including in the chair role. The panel were impressed by her and consider that she has the experience and skill required to chair the audit, risk and finance committee of an entity of the scale of ACC, and she is recommended for appointment.

Other interviewed candidates

14. s9(2)(a)

15.

16.

17.

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18. s9(2)(a)

19.

20.

21.

22.

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Chair succession

23. The process to identify a chair successor for Dame Paula Rebstock has been ongoing since last year, with one candidate not progressing beyond APH in 2019 and a second candidate withdrawing from the process in 2020 following lengthy due diligence. With the continuing vacancy and impending retirement of at least one Board member (David May) and soon after a further three (Anita Mazzoleni, Kristy McDonald and Dame Paula Rebstock) there is a significant risk of loss of institutional knowledge and Board stability. All four are continuing on the board past the expiry of their terms, which creates uncertainty for both the board and management.
24. On that basis it is recommended that you reappoint Dame Paula until 31 October 2021, to reduce turnover risk and allow time for new members to settle in, as well as allow time to search for further replacement members and a chair successor. If Dame Paula is not formally reappointed as Chair, she will carry on in her role under run-on provisions in the Crown Entities Act, until a replacement is found or you confirm a date when her term ends.

Chair of Audit and Risk committee

25. If you agree to appoint Bella Takiari-Brame she would take over the role of chair of the audit and risk committee from Ms Mazzoleni. Due to the scale and complexity of ACC accounts, a managed transition of this role is preferable, and we recommend retaining Ms Mazzoleni for up to six months to allow this transition. Ms Mazzoleni is willing to remain on the board for this purpose. We recommend that Ms Takiari-Brame replace David May as a member, as Mr May wishes to retire ^{s9(2)(a)}

Overview of proposed appointments

26. If you agree in principle to these recommendations, Dr Nott will fill the current vacancy, and Ms Takiari-Brame will replace David May. Kristy McDonald and Anita Mazzoleni will remain on the board until two further members are appointed, and Dame Paula will be reappointed for a short term to allow for chair succession to be addressed.
27. The proposed board would comprise:

Member	Region	Skills	Sex	Ethnicity
Dame Paula Rebstock (Chair)	Auckland	Senior corporate governance, economic regulation, commerce, health and insurance, labour market policy	F	NZ European
James Miller (Deputy Chair)	Auckland	Financial markets, investment, commercial governance	M	NZ European
Dr Tracey Batten	Auckland	Medical, CEO, health	F	Australian
John Brabazon	Auckland	Investment, capital markets, corporate governance	M	NZ European
Kristy McDonald	Wellington	Law-litigation strategy, Crown, governance	F	NZ European
Anita Mazzoleni	Auckland	Audit and Risk, commercial and administrative law, Māori networks	F	NZ European
Dr Helen Nott	NSW	International insurance, investment, actuarial knowledge	F	Australian
Bella Takiari-Brame	Hamilton	Audit and Risk, Finance, private and Crown governance, Māori networks	F	Māori

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Further positions to be filled on the board

Replacing Kristy McDonald on the board

28. We recommend you agree to short-list s9(2)(a) and Pat Bowler as candidates to bring legal skills to replace Kristy McDonald. Their brief bios are attached. They were previously put forward for short-listing in the current appointment round and both have confirmed interest in the role. Interviews could then proceed, and Treasury will report after the Election.

Skill requirements for further positions

29. Dr Helen Nott and Bella Takiari-Brame would bring some of the skills currently provided by David May and Anita Mazzoleni. On their departure from the board and the impending retirement of Dame Paula Rebstock, the skill gaps are across investment, capital and financial markets, risk management, and corporate commercial governance, as well as leadership for a potential chair successor.
30. s9(2)(a)
s9(2)(f)(iv)
31. In view of the recent call for nominations earlier this year for similar skills, we recommend that you agree to omit another public call for nominations, but seek nominations from your colleagues and agree to Treasury conducting a further search for candidates with the required skills and experience.

Diversity

32. If you agree to appoint Bella Takiari-Brame and Helen Nott, the ACC Board will consist of 71% women and 29% men. Five members would identify as NZ European, two members as Australian, and one member as Māori. The geographic spread would cover Auckland, Wellington, Hamilton, and Sydney.

Next Steps and Timetable

33. If you agree to the proposed appointments, we will seek confirmation of these in-principle decisions after the Election and prepare APH documentation.
34. If you agree to short-list the candidates to replace Kristy McDonald, Treasury will proceed with due diligence interviews as soon as possible and report after the Election.
35. If you agree, Treasury will also provide a letter for you to seek nominations from your colleagues for the remaining positions, conduct a further search, receive Ministerial nominations, and provide a short-list report after the Election.

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36. A proposed timeline for the remaining appointment process is outlined below, aiming for a 1 December 2020 commencement date if possible.

Table 3: Timeline to confirm ACC appointments

Action	Date
Minister agrees in principle to preferred candidates	End of September 2020
Confirmation of agreement by Minister of ACC and APH documentation sent to the Minister's office	Immediately post Election
Consultation period with Government colleagues if required	Early November
Lodge with Cabinet	Earliest possible time post Election
Cabinet Committee meeting	Earliest possible time post Election
New terms start	1 December 2020 or as soon as confirmed

Attached Documents

37. Attached to this report is:

- Annex I: CV for Bella Takiare-Brame
- Annex II: Brief bios for s9(2)(a) and Pat Bowler.

Annex I withheld under s 9(2)(a)

Annex II withheld under s 9(2)(a)

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Reference: T2020/3108SH-18-3 (Building System)

Date: 9 September 2020

To: Minister of Finance (Hon Grant Robertson)

Deadline: Read before meeting with the Minister of Health on September 10
(if any)

Aide Memoire: Covering advice for sports MIQ proposals

This aide memoire provides Treasury covering advice on a recent joint Ministry of Health (MoH) and Ministry of Business, Innovation and Employment (MBIE) briefing, "Assessment of Proposals from New Zealand Rugby, Netball New Zealand and New Zealand Cricket for a sport Managed Isolation and Quarantine Facility" (2021-0716 / HR 20201592 refers).

We have outstanding concerns with the paper, and we do not recommend Ministers agree to these proposals until further work is undertaken. Further, although the paper notes that Treasury was consulted, some key financial aspects have changed between consultation and the final version.

The proposals include financial shortfalls and vote implications.

The paper states there is a \$4.2m total shortfall between the proposals and the total cost of Managed Isolation and Quarantine (MIQ) in the paper.¹ The total shortfall may be larger as this number relies on some assumptions which could change.² The paper states that if the proposals progress, this shortfall would initially be met using existing MIQ funding and testing/wraparound service funding, and recommends you discuss options to meet this shortfall with other Ministers.

However, existing MIQ and testing/wraparound funding in Vote Building and Construction and Vote Health is already under pressure:

- MIQ funding in Vote Building and Construction: Ongoing funding for current MIQ provision has not yet been agreed. We estimate funding will be exhausted in mid-December 2020. MBIE expects the shortfall will have minimal impact on overall MIQ funding. Treasury's view is that additional pressures on this funding should be avoided, as current pressures have already caused vote issues such

¹ \$2.7m from the New Zealand Rugby proposal, \$1.5m from the New Zealand Cricket proposal.

² For example, that Defence would continue to provide personnel without additional funding, and that Health can fund these costs from baseline.

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as temporary funding reallocation across appropriations.

- Testing/wraparound service funding in Vote Health: an upcoming Cabinet paper by the Minister of Health will seek over \$800m for COVID-19 health response costs. These proposals may increase this funding request.

There are outstanding concerns regarding decision-making authority, legal risk, health risk, economic costs and benefits, and equity questions.

We do not recommend Ministers agree to these proposals until the following work is undertaken:

- **Clarification of authority to agree the proposals.** It is unclear if Joint Ministers are able to agree to a bespoke MIQ arrangement. This may be clarified in upcoming Cabinet paper on border exemptions on 14 September.
- **Bill of Rights Act analysis.** This paper does not include any BORA analysis; previous border proposals have raised BORA concerns.
- **Broader economic and wellbeing framework to consider border exemptions.** A Cabinet paper on border exemptions will include this. It is intended to be heard on 14 September.
- **Further economic analysis of these proposals compared to counterfactuals.** The economic benefit of these proposals is quite unclear, as is the counterfactual of tournaments being held in Australia (which should still bring in some revenue for the codes), or teams using standard MIQ arrangements (noting there are currently about 2000 empty MIQ rooms).
- **Quantification of risks that tournaments may not proceed.** Some sports teams have recently tested positive for COVID-19. An increase in alert levels may mean tournaments cannot be held.
- **Impacts on health workforce capacity and ability to mitigate risks and response to an outbreak.** The impact on BAU health services in Canterbury and Southern District Health Boards (DHBs), and the capacity of Queenstown Hospital and Southern DHB to manage COVID-19 cases, mitigate transmission risk, and respond to an outbreak, is not clear. All of these activities would have direct fiscal costs.

This further work would ensure informed decisions that mitigate precedent risk and highlight the economic and wellbeing trade-offs involved in creating group border exemptions and government support for particular sectors. Without this work, the Treasury does not support providing bespoke MIQ and border entry arrangements or related subsidies to any group outside the current MIQ system.

If Ministers agree to progress the proposals, we recommend the implicit subsidy is quantified, and made up with funding tagged for sports and recreation, as soon as possible.

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Government options to meet the shortfall represent a subsidy to the sports codes. We do not recommend Ministers make a decision on these proposals until the amount of the subsidy is quantified, and the further analysis identified above is undertaken.

However, if Ministers choose to progress the proposals, we recommend the shortfall is funded through a fiscally neutral transfer from Sports New Zealand's Sport Recovery Package (\$264.4M). Taking this step would not affect the quantum of unallocated funding tagged for future COVID response and recovery, or funding tagged for the current MIQ response. Filling the shortfall as soon as possible would avoid further pressure on existing MIQ funding.

We recommend, therefore, that you direct officials to calculate the total shortfall, and prepare the necessary paperwork for the fiscally neutral transfer outlined above. The total shortfall is still unclear as the additional health costs are not included, and some assumptions underlying the calculated shortfall are not yet confirmed.

We also recommend you discuss the estimated additional health costs of the proposals, and whether they are included in the estimate of COVID-19 health response costs, in your meeting with the Minister of Health on September 10.

Officials are available to provide further advice on this matter.

Gabrielle Groube, Analyst, Housing and Urban Growth, s9(2)(k)
John Beaglehole, Acting Manager, Housing and Urban Growth, s9(2)(k)

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Treasury Report: Update on PREFU Incident and Response

Date:	21 September 2020	Report No:	T2020/3172
		File Number:	KI-3-4-0-1

Action sought

	Action sought	Deadline
Hon Grant Robertson Minister of Finance	<p>Note the PREFU incident management response undertaken</p> <p>Note that an internal review into the incident is underway</p> <p>Note that immediate changes to improve information security have already taken place</p>	None

Contact for telephone discussion (if required)

Name	Position	Telephone	1st Contact
Clara Rowe	Analyst, Office of the Executive	s9(2)(k)	n/a (mob)
Anthea Williams	Treasury Solicitor (Chief Legal Advisor) - Tumuwakarae a Ture	s9(2)(g)(ii)	✓

Minister's Office actions (if required)

Return the signed report to the Treasury.

Note any feedback on the quality of the report

Enclosures: Incident Report to Minister of Finance; List of Printing Amendments in PREFU Booklet; Bluestar letter 16 September 2020; Emails from the Treasury to recipients; Treasury media statement; Bluestar media statement; Bluestar Incident Report 18 September 2020.

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Treasury Report: Update on PREFU Incident and Response

Executive Summary

1. On 16 September 2020 the Treasury publicly released the PREFU. The public release included oral briefings at two restricted sessions and the limited distribution of e-copies and up to 55 physical booklets to Members of Parliament, media and analysts. Following the launch, the Treasury identified that the physical booklets reflected a penultimate version of the PREFU that did not contain 60 proofreading amendments that had subsequently been corrected during the quality assurance process. Most of these were minor typographical changes but there were four amendments the Treasury deemed significant. The PREFU documents published on the Treasury's website, and provided electronically to members of Parliament, media and analysts, are correct, accurate and the final version.
2. After discovery of the misprint, the Treasury implemented an incident management response. This involved notifying yourself and the Public Service Commissioner on Wednesday 16 September. The Treasury then contacted the Associate Ministers of Finance, members of the Opposition who attended the Parliamentary Lock-up and media and analysts at the Restricted Briefing, on Thursday 17 September. Additional actions undertaken include identifying all errors in the physical booklets, notifying those who received misprinted booklets of the errors, reprinting and distributing correct PREFU booklets, and investigating the incident with the printer.
3. This incident was a result of two process failures. First, the printer accidentally printed the penultimate version of PREFU, not the final print proofs approved by the Treasury. Second, while the Treasury conducted high-level checks of the printed document, it did not conduct a line by line check to ensure the printed version was correct.
4. The Treasury acknowledges responsibility and we apologise for this error. The printer has issued a written apology to the Treasury and repeated this in a media statement (17 September 2020). The printer has conducted an initial investigation into the incident, and advised the Treasury that human error, and deviation from quality assurance processes (in two of its divisions during the preparation of the physical booklets) led to the delivery of the incorrect booklets.
5. The Treasury is implementing its own review into how the incident occurred and the changes that must be made in the Treasury's processes, including its interactions with external parties such as printers, to ensure future publications are safeguarded.
6. In advance of the review concluding, the Treasury has implemented immediate changes to strengthen the Treasury's approach to information management and security. This includes an immediate change to the sign-out process for external communications from the Treasury and a review of all quality assurance processes for every Tier 1 publication from the Treasury before Christmas 2020. Lessons from this incident will also be fed into the Strengthening the Treasury work programme, which has been working to improve governance, risk management and information security and management.

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Recommended Action

We recommend that you:

- a **Note** that on 16 September 2020 the Treasury undertook an incident management response after physical copies of the PREFU document were distributed that reflected a penultimate copy of the PREFU, and did not contain proofreading amendments that had been corrected in the Treasury quality assurance process.

Noted.

- b **Note** that the Treasury has begun a review into this incident and the changes that should be made in the Treasury's processes to safeguard future publications.

Noted.

- c **Note** that in advance of the review concluding, the Treasury has undertaken immediate changes to improve information security and provide a higher level of assurance for external publications.

Noted.

Anthea Williams

Treasury Solicitor (Chief Legal Advisor) - Tumuwakarae a Ture

Hon Grant Robertson

Minister of Finance

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Treasury Report: Update on PREFU Incident and Response

Purpose of Report

7. On 16 September 2020, the Treasury notified you that the physical booklets distributed at the PREFU briefings earlier that day to MPs, media and analysts were the penultimate version of PREFU, and did not incorporate final proofreading changes. This incident was a result of two process failures. First, the printer accidentally printed the penultimate version of PREFU, not the final print proofs approved by the Treasury. Second, while the Treasury conducted high-level checks of the printed document, it did not conduct a line by line check to ensure the printed version was correct. This report summarises the incident, the actions since taken, and the review that is now underway.

Summary of Incident

8. On 16 September 2020 the Treasury publicly released the PREFU. This involved oral briefings at a restricted session, where e-copies on USB sticks and physical booklets were distributed, as well as the publication of the PREFU on the Treasury's website. Shortly after the restricted session, a Treasury official identified that the physical booklets were not the final version approved by the Treasury for print.
9. It was subsequently identified that 60 amendments had been made between the final, approved booklet that were not captured in the printed version. While many were largely grammatical (for example "on-going" rather than "ongoing") there were four discrepancies that were more significant, including a misprint of the annual increase in net core Crown debt on one page. There were no errors in the oral briefings, the e-copies, or in the material on the Treasury website; these reflected the final, approved PREFU document.
10. The Treasury acknowledges responsibility and we apologise for this error.

Incident Management Response overview

11. The Treasury implemented an incident management response from 2pm Wednesday 16 September and the following actions were undertaken that day.
 - a You were notified, as was the Public Service Commissioner. The draft incident report was sent to you at 10pm Wednesday 16 September, followed by a final incident report at 3pm Thursday 17 September. The incident report to you is attached (Attachment One).
 - b A thorough review of the misprinted booklet against the approved PREFU booklet was undertaken to identify all proofing errors in the printed copy and compiled into a table (Attachment Two). The review was completed and a final table of misprints was populated by 11:00am Thursday 17 September for distribution to recipients of the physical booklet.
 - c The Treasury had discussions with the printer, who accepted responsibility for the misprinting and provided a written apology (Attachment Three). The printers prepared physical booklets of the correct PREFU booklet and delivered these to the Treasury by 8.30am Thursday 17 September.

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- d The Treasury compiled a list of all recipients of a physical booklet.
- e Media reporting on the PREFU was reviewed to identify if any reports relied on a misprint. One article (by TVNZ on Wednesday 16 September) was found to have reported a misprinted figure (reporting core Crown expenses as \$119.6bn instead of \$119.5bn). On Thursday morning, the reporter was contacted via phone to advise them of the correct figure and the story has been subsequently updated. We have reviewed the media and are not aware of any other articles using incorrect information from the misprinted booklet.
12. On 17 September, from shortly after 11:20am, the Treasury contacted all attendees of the restricted briefing to advise them of the misprinted physical booklet. Recipients were advised to rely on the e-copy and oral briefings, and that a correct physical booklet would be couriered to them that day. Recipients were also provided with a table setting out the 60 proof reading amendments in the misprinted physical booklet. Copies of the respective emails to parliamentary staff and to media/analysts are **attached** as Attachment Four. A statement was placed on the Treasury website about the error (Attachment Five).
13. In addition, the Treasury Secretary rang Hon. Paul Goldsmith MP and David Seymour MP to advise them of the incident, as both MPs had attended the restricted briefing and received both the correct e-copy and the misprinted physical copy. Hon. Goldsmith MP requested an in-person briefing for 4pm that day. This briefing was attended, for the Treasury, by Caralee McLiesh, Paul Helm and Natalie Labuschagne.
14. The Secretary also emailed the Associate Ministers of Finance to inform them of the incident shortly after 11:20am on Thursday 17 September.
15. Several external stakeholders were given a short briefing by phone (in particular the chair of our Risk and Audit Committee was briefed and the head of Auditor General was informed).
16. On Thursday 17 September at 8:30am, correct printed copies of PREFU were received from Bluestar (Printlink) to the Treasury. These were checked before being sent out to attendees of the restricted briefing, Parliamentary Lock-up and Ministers' offices – including in-person delivery to Hon. Goldsmith and the Press Gallery.
17. The Treasury also provided the option for attendees to return the misprinted copy to the Treasury to destroy. There were 227 misprinted copies received by the Treasury which up to 150 were distributed to Restricted Briefing attendees, Parliamentary Lock-up attendees, Ministers offices and Treasury staff. As at Monday 21 September, we have recalled 167 copies of the misprinted PREFU.
18. Late in the day on 17 September, the printers provided a press statement accepting responsibility for the misprinted PREFU (a copy in Attachment Six). This does not appear to have been reported by any media outlet. There have been discussions with Bluestar (Printlink) to establish how the misprint occurred. The printer accepted responsibility for the misprinting and provided a written apology at 5.15pm Wednesday 16 September (Attachment Three). Bluestar (Printlink) have conducted an initial investigation into the incident and provided the Treasury with an incident report (Attachment Seven).
19. The Treasury met with Bluestar (Printlink) on Monday 21 September to discuss the incident report. At that discussion it was agreed that Bluestar would complete its full investigation and provide a final report by the end of the week. We also advised Bluestar that as part of our internal PREFU incident review, we will be determining whether we have sufficient assurance from Bluestar that its processes and systems are robust and of high enough standard to give us confidence to continue with Bluestar as our printing provider.

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20. The Treasury now considers the Incident Management Response to be concluded and is moving into the review phase and strengthening internal processes. We continue to monitor the media.

Next Steps – Review phase

21. The Treasury is reviewing how the incident occurred and the changes that must be made to safeguard future publications.
22. An initial investigation report from the printers identified staff in two departments made errors (diverting from processes) which resulted in the penultimate version being printed and in the failure to identify the error (Attachment Seven).
23. One focus for the Treasury Review will be ensuring the Treasury has appropriate quality assurance processes in place for Tier 1 publications, both at the printers and within the Treasury. While the Treasury conducted high level checks of the printed document, it did not conduct a line-by-line check to ensure the printed version was correct. More robust quality assurance processes will be in place for the next Tier 1 publications, including the upcoming Annual Report, Briefing to the Incoming Minister and HYEPU.

Changes already underway

24. The Treasury has been undertaking a “Strengthening the Treasury” programme which encompasses the programme of work commissioned after the Budget Information Inquiry last year. We have completed a large number of actions to improve the processes and systems that were highlighted as needing improvement in the inquiry into the Budget Incident.
25. These have included:
 - a changes to our governance structure, including specific governance arrangements around IT, Security and the Budget process;
 - b a refresh of our risk appetite, launching a project to embed risk assessments in the way the Treasury works, as well as updating the Charter of our Risk and Audit Committee;
 - c updating our Security Policy and requiring all staff to annually attest their compliance with the relevant policies;
 - d commissioning an internal audit of our information management processes and behaviours (this is being conducted by EY and will report shortly);
 - e improving project management practice around the Budget process, including the appointment of a project manager; and,
 - f undertaking an independent security review of our websites.
26. To date, the work done within Strengthening the Treasury to date has resulted in a number of improvements to the robustness of the Treasury’s systems. The PREFU incident has highlighted the importance of the Strengthening the Treasury programme and the need to ensure that a staff desire to deliver work quickly and of high quality doesn’t detract from adherence to processes that provide quality assurance and accountability.

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27. In advance of the review concluding and being reported, the Secretary has undertaken immediate steps to strengthen the Treasury's approach to information management and security.
28. On Friday 19 September, the Secretary confirmed with Deputy Secretaries their accountability in their group for any advice or communication (formal and via email) to Ministers, to external stakeholders and information that is provided to the public. This will result in a change to the internal approval processes for providing advice to your office and those of the Associate Ministers. All Deputy Secretaries will work with their respective Directors and Managers to ensure they have sufficient plans in place to manage risk.
29. The Secretary has advised all Treasury staff, in writing, that she will have zero tolerance for further mistakes that jeopardise trust and confidence in the Treasury. She has emphasised that the Treasury's work must not be undermined by seemingly small process errors that have a significant impact.
30. The following operational process changes were also undertaken from Friday 18 September:
 - a The email operating system has been amended so that recipient addresses will not "auto-fill" and must be entered manually to mitigate the risk of misdirecting an email.
 - b A spot-audit is underway of documents created across the Treasury on Friday 18 September to ensure appropriate security settings are in place for documents within the document management system. This will provide baseline data to measure improvements in information security.
 - c The Communications and Web and Publishing teams are reviewing all external written communications intended before Christmas to ensure a robust quality assurance process, including appropriate sign-off processes, is in place for every "Tier 1" publication. This will include the requirements for the sign-off of final versions before publication, and the physical review of the "first print" at the printers.
31. Please advise if you would like further information on any of these matters. The Treasury will report to your office on the outcome of the review.

Attachment One: Final incident report, 3pm Thursday 17 September

Date: 17 September 2020

To: Hon Grant Robertson, Minister of Finance

From: Caralee McLiesh, Secretary to the Treasury

Information on PREFU printing issue

Summary

The hard copies of the PREFU document distributed at the Restricted Briefing, Parliamentary Lock Up were not the final version approved for print. 60 amendments had been made between the final, approved PREFU that were not captured in the printed version. The issue is contained to the printed copies only. The PREFU itself and the electronic versions of PREFU were correct, accurate and the final version.

Up to 54 hard copies have been distributed to media, commentators and Parliamentarians. Another 95 copies were distributed within Ministerial offices and the Treasury.

Bluestar (Printlink) have acknowledged responsibility for this error which occurred as a result of the incorrect file being picked up and utilised in their prepress/digital area. Bluestar (Printlink) have instigated a full investigation into quality assurance controls with a full incident report to be supplied to the Treasury on Friday of this week and a meeting scheduled for Monday 21 September 2020. The Treasury acknowledges responsibility and we apologise for this error.

A draft version of this report was provided to you on 16 September 2020. This is a final version as a few factual matters have now been clarified.

This document sets out:

1. What happened?
2. What was the nature of the issue?
3. Next steps
4. What are the inconsistencies between versions and how material are these?

1. What happened: timeline of events

- On **Wednesday 9 September**, an early PREFU file (PP1) was sent to Bluestar (Printlink) for PDF proofing.
- On **Thursday 10 September**, the PDF proof of PP1 was returned from Bluestar (Printlink) to the Treasury for final proofing by the Treasury.
- On **Friday 11 September at 1.22pm** Treasury approved the final and correct PREFU file (PP2) and sent this to Bluestar (Printlink). This file was the correct and final print file that had approval from the relevant managers within the Treasury.
- On **Monday 14 September** Bluestar (Printlink) used the incorrect earlier PREFU file (PP1) to print the hard copies of the PREFU document.

- On **15 September, at 12pm** advanced printed copies were received by the Treasury from the Bluestar (Printlink).
- On **16 September, at 8am** further printed copies were received by the Treasury from the Bluestar (Printlink).
- Once the printed copies were received from the printer, high level checks were undertaken on the printed version, to identify any obvious errors, pagination, graph placement, etc. Several staff members read the documents but there was no line-by-line check as to whether the printed version matched with the final and correct PREFU file (PP2).
- At **11am Wednesday, 16 September** the PREFU restricted briefing was held, and the printed copies were distributed to:
 - Media, journalists, economics and commentators
 - Treasury Analysts
 - People who attended the Parliamentary Lock-up (National Party and Act Party MPs and staffers attended).
- At approximately **2pm**, a Budget Management team member identified an error in the printed document that had previously been corrected in the proofreading process.
- A Treasury official rang the printers, and Bluestar (PrintLink) returned her call at **3.10pm (approx.)**. This was the first contact with Bluestar (PrintLink) about the issue.
- At **5.15pm** Bluestar (PrintLink) sent a letter of apology to the Treasury acknowledging their error in printing the wrong file.

2. What is the nature of the issue?

Bluestar (PrintLink) used an earlier printers' proof of PREFU (PP1) to print the hard copies of the PREFU document, and not the Treasury approved final and correct PREFU file (PP2). This meant that the hard copy versions of the PREFU document did not include the updates from the final QA step, resulting in errors in some numbers, and some wording changes not being reflected.

This has resulted in 60 mistakes in the hardcopy of the PREFU document. The 60 mistakes affected 42 pages of the PREFU document.

Bluestar (PrintLink) have acknowledged this error occurred in their prepress /digital area and advised that further investigation into quality assurance controls will be enacted urgently with a full incident report supplied to the Treasury on Friday of this week. They confirmed that the correct PDF was signed off by Treasury. They will be investigating further and revisiting their quality assurance processes in this area.

PREFU itself and the electronic versions of PREFU were and are correct, accurate and the final version. This includes:

- The electronic version published on the Treasury website.
- The USB that was distributed to people attending restricted briefing.
- The version used as the basis for the presentations of the Minister of Finance and the Secretary to the Treasury.

3. Next steps

[The following steps have been completed as at 3pm 17 September 2020]

- An incident management process has been followed by the Treasury.
- Bluestar (PrintLink) is to provide printed hard copies of the correct and final version PREFU document by 9am Thursday 17 September.
- A quality assurance check of the printed hard copies will be undertaken Thursday morning before further distribution.
- There will be an additional quality assurance check of list of errors identified.
- Communication to all recipients of hard copies of PREFU and preparation of statement on issue.
- A media statement informing of the error placed on the Treasury's website and emailed to lock-up attendees.
- The media scan identified that one media outlet had used an incorrect figure from the incorrect PREFU version in their reporting (TVNZ). The reporter has been contacted by phone to advise them of the correct figure.
- Treasury has contacted members of the Opposition (the National Party and Act Party) to advise of the error and to arrange the delivery of the copies of the correct printed versions.
- The Prime Minister's office and the offices of the Associate Ministers' of Finance have been informed.
- A follow-up conversation with General Manager of Bluestar (PrintLink) scheduled for week beginning 21 September. This will enable the Treasury to gain assurance that Bluestar (PrintLink) has robust systems and processes in place to ensure any future printing work that Treasury may engage them for will be done to the highest standard.

4. What are the inconsistencies between versions and how material are these?

A total of 60 discrepancies have been identified.

There are four significant discrepancies:

- *On page 5:*
 - “It is expected that core Crown expenses will continue to increase in the 2020/21 fiscal year, reaching \$119.6 billion” This should read: “It is expected that core Crown expenses will continue to increase in the 2020/21 fiscal year, reaching \$119.5 billion”.
- *On page 39:*
 - Beyond 2019/20, net core Crown debt is expected to increase on average by around \$23.5 (should be \$29.4) billion per year across the forecast period and as operating deficits begin to reduce so too does the annual increase in net core Crown debt. Net core Crown debt is forecast to reach 55.3% of GDP by the end of the forecast period.
- *On page 40:*

Table 2.1 – Fiscal indicators

Year ending 30 June	2019 ¹ Actual	2020 Unaudited Actual	2021 Forecast	2022 Forecast	2023 Forecast	2024 Forecast
\$billions						
Core Crown tax revenue	86.5	84.9	84.7	84.3	92.5	98.5
Core Crown expenses	87.0	108.8	119.5	109.9	111.7	116.1
Total Crown OBEGAL	7.4	(23.4)	(31.7)	(22.1)	(14.2)	(12.4)
Total Crown operating balance	0.4	(30.3)	(35.3)	(20.1)	(10.0)	(7.8)
Core Crown residual cash	(0.7)	(23.7)	(42.0)	(33.5)	(22.3)	(18.8)
			(41.0)	(28.6)		(18.9)
Net core Crown debt	57.7	83.4	130.2	160.1	182.2	201.1
Gross debt	84.4	101.5	93.8	99.5	132.2	159.7
Total borrowings	110.2	152.7	210.3	243.3	266.3	286.6
Net worth	143.3	115.7	80.4	60.6	50.9	43.5
% of GDP						
Core Crown tax revenue	28.5	28.1	28.0	26.3	27.2	27.1
Core Crown expenses	28.7	36.0	39.4	34.3	32.8	31.9
Total Crown OBEGAL	2.4	(7.7)	(10.5)	(6.9)	(4.2)	(3.4)
Total Crown operating balance	0.1	(10.0)	(11.6)	(6.3)	(2.9)	(2.1)
Core Crown residual cash	(0.2)	(7.8)	(13.9)	(10.4)	(6.5)	(5.2)
			(13.5)	(8.9)		
Net core Crown debt	19.0	27.6	43.0	49.9	53.5	55.3
Gross debt	27.8	33.6	31.0	31.0	38.8	43.9
Total borrowings	36.3	50.5	69.4	75.9	78.2	78.8
Net worth	47.2	38.3	26.6	18.9	14.9	12.0

- On page 80

Table 2.17 – Allowance sensitivity analysis: assumptions and results^[1]

	Forecast period			Projection period	Fiscal projection results (as % of nominal GDP)		
	Operating allowance (Capital allowance \$4.8b)			Operating allowance (Capital allowance \$3b in 2024/25)	Net debt	Total Crown OBEGAL	Core Crown expenses (excluding NZS, welfare and interest payments)
	2021/22	2022/23	2023/24	2024/25 (growing at 2% per annum thereafter)	2033/34	2033/34	2033/34
Main <i>Pre-election Update</i> assumption	\$2.4b	\$2.4b	\$2.6b	\$2.1b	48%	(0.5)%	18%
High short-term spending	\$3.4b	\$3.4b	\$3.6b	\$2.1b	51%	(0.7)%	18%
Low long-term spending	\$2.4b	\$2.4b	\$2.6b	\$1.5b \$1.8b	45%	0.2%	17%

[1] Governments can choose a mixture of policy options (eg, revenue settings); this table is a set of assumptions to show sensitivities and these are not the only choices available.

Appendix One: List of who received a hard copy version of the PREFU document

Who	Number Printed	Number Distributed
Lock-up – journalists and analyst	50	Up to 46
Lock-up – parliamentarians	15	9
Treasury Staff	41	Up to 41
Minister of Finance's Office	31	31
Prime Minister's Office	10	10
Associate Minister of Finance's Office (Parker)	5	5
Associate Minister of Finance's Office (Jones)	4	4
Associate Minister of Finance's Office (Shaw)	4	4
Bills Office	50	0
Parliamentary Library	14	0
National Library	2	0
Brian Easton	1	0
Total	227	Up to 150

Appendix Two: Restricted PREFU Journalist and Analyst Lock-up Attendees

	Name	Company	Email Address
1	Ben McKay	AAP	s9(2)(a)
2	Miles Workman	ANZ	
3	Cameron Bagrie	Bagrie	
4	Ganesh Nana	Berl	
5	Matthew Brockett	Bloomberg	
6	Tracy Withers	Bloomberg	
7	Craig Ebert	BNZ	
8	Patrick Smellie	BusinessDesk	
9	Rebecca Howard	BusinessDesk	
10	Liza Van Der Merwe	Deloitte	
11	Brad Olsen	Infometrics	
12	Jenée Tibshraeny	Interest	
13	Jeremy Couchman	Kiwibank	
14	John Cantin	KPMG	
15	David Grahame	Maori television	
16	Brent Edwards	NBR	
17	Tova O'Brien	Newshub nation	
18	Mitchell Alexander	Newshub nation	
19	Zane Small	Newshub nation	
20	Ryan Benton (V)	Newshub nation	
21	Jonathan Molloy (V)	Newshub nation	
22	Bernard Hickey	Newsroom	
23	Sam Sachdeva	Newsroom	
24	Barry Soper	Newstalk ZB	
25	Alex Mason	Newstalk ZB	
26	Andrea Black	NZ Council of Trade Unions	
27	Audrey Young	NZ Herald	
28	Jason Walls	NZ Herald	
29	Hamish Rutherford	NZ Herald	

30	Mark Mitchell (V)	NZ Herald	s9(2)(a)
31	Joe Ascroft	NZ Taxpayers Union	
32	Richard Harman	POLITIK	
33	Praveen Menon	Reuters	
34	Jane Patterson	RNZ	
35	Gyles Beckford	RNZ	
36	Jackson Williams	Sky News	
37	Thomas Coughlan	Stuff	
38	Luke Malpass	Stuff	
39	Henry Cooke	Stuff	
40	Rob Kitchin (V)	Stuff	
41	Justin Giovannetti	The Spinoff	
42	Anna Whyte	TVNZ	
43	Jessica Mutch McKay	TVNZ	
44	TBD	TVNZ	
45	TBD	TVNZ	
46	Stephen Wright	Wall Street Journal	
-	Brian Easton	-	DID NOT SHOW-UP
-	Colin Lynch	PWC	DID NOT SHOW-UP
-	Dom Thomas	RNZ	DID NOT SHOW-UP
-	Jessica Roden	TVNZ	DID NOT SHOW-UP

Reconciliation:

Total printed for lock-up: 50

Provided to attendees: Up to 46 (some, such as video camera people, will not have taken the document)

Restricted PREFU Parliamentary Lock-up Attendees

	Name	Company	Email Address
1	Hon Paul Goldsmith	National	
2	Mac McKenna	National	
3	Michael Blank	National	
4	Julia Stewart	National	
5	Paul Melville	National	
6	Extra copy	National	
7	Extra copy	National	
8	David Seymour	ACT	
9	Andrew Ketels	ACT	

Reconciliation:

Total printed for lock-up: 15
Provided to attendees: 9

Other Printed Hard Copies

Copies that have been distributed:

Who	How many copies
Treasury staff (we do not currently have a list of this)	41
Minister of Finance's Office	31
Prime Minister's Office	10
Associate Minister of Finance's Office (Hon Parker)	5
Associate Minister of Finance's Office (Hon Jones)	4
Associate Minister of Finance's Office (Hon Shaw)	4
Total	95

Copies that have not been distributed yet, or have already been retrieved:

Who	How many copies
Bills Office (collected by Julie Scobie 3.30pm)	50
Parliamentary Library	14
National Library of New Zealand	2
Brian Easton	1
Total	67

Attachment Two: List of proofing amendments

Where in correct version?	Misprinted Version	Correct Version
Page iv	Figure 2.13 – Borrowings by segments...69	Figure 2.13 – Third party borrowings by segments...69
	Figure 2.22 – Net core Crown debt (excluding NZS Fund and advances)...80	Figure 2.22 – Net core Crown debt under different expenditure scenarios ...80
	Figure 2.23 – Total Crown OBEGAL ...81	Figure 2.23 – Total Crown OBEGAL under different expenditure scenarios ...81
Page 1	9 September 2020	10 September 2020
Page 5	It is expected that core Crown expenses will continue to increase in the 2020/21 fiscal year, reaching \$119.6 billion	It is expected that core Crown expenses will continue to increase in the 2020/21 fiscal year, reaching \$119.5 billion
Page 8	Most of the forecast deficit can be explained by either the automatic stabilisers (shaded blue) or the effects of the temporary COVID-19 fiscal support measures	Most of the forecast deficit can be explained by either the automatic stabilisers (shaded blue) or the effects of the COVID-19 fiscal support measures
Page 9 (footnote)	There is considerable uncertainty about estimates of the fiscal	There is considerable uncertainty around estimates of the fiscal
Page 12	Border restrictions are assumed to begin easing from the September 2021 quarter onwards, allowing for a partial resumption of some services exports, possibility as a result of safe travel zones	Border restrictions are assumed to begin easing from the September 2021 quarter onwards, allowing for a partial resumption of some services exports, possibly as a result of safe travel zones
Page 15	Activity rebounded after Alert Level 4 and 3 restrictions were eased, but COVID-19 expected to dampen September 2020 quarter growth and the economic recovery...'	Activity rebounded after Alert Level 4 and 3 restrictions were eased, but COVID-19 is expected to dampen September 2020 quarter growth and the economic recovery...'
Page 23	By the end of the June quarter, around \$12.5 billion in Wage Subsidy Scheme...	By the end of the June quarter, around \$12.1 billion in Wage Subsidy Scheme...
Page 27	Quarterly GDP in China grew 11.5%, following a fall of 10.0 % in the...	Quarterly GDP in China grew 11.5%, following a fall of 10.0% in the...
Page 29	Weaker domestic prices are broadly and a lower terms of trade mean that nominal GDP...	Weaker domestic prices and a lower terms of trade mean that nominal GDP...
Page 30	The level of fiscal support has been very considerable to date, but additional policy support may be provided if the virus proves difficult to contain	The level of fiscal support has been very considerable to date, but additional support may be provided if the virus proves difficult to contain
Page 37	Nominal GDP is weakest in the resurgence in community transmission scenario'	Cumulative nominal GDP is weakest in the resurgence in community transmission scenario'
Page 38	In the earlier recovery in services exports scenario, stronger nominal GDP growth... In the extended border controls scenario...	In the earlier recovery in services exports scenario , stronger nominal GDP growth... In the extended border controls scenario ...
Page 39	The economic impact of COVID-19, coupled with the resulting Government fiscal response, will have a significant impact on the Government's finances, with on-going operating deficits and an increasing level of debt.	The economic impact of COVID-19, coupled with the resulting Government fiscal response, will have a significant impact on the Government's finances, with ongoing operating deficits and an increasing level of debt.
	Beyond 2019/20, net core Crown debt is expected to increase on average by around \$23.5 billion per year across the forecast period and as operating...	Beyond 2019/20, net core Crown debt is expected to increase on average by around \$29.4 billion per year across the forecast and as operating...
	The estimated costs of some individual initiatives funded from the CRRF have been updated, resulting in an overall reduction in costs of around \$4 billion, compared to the Budget Update.	The estimated costs of some individual initiatives funded from the CRRF have been updated, resulting in an overall reduction in the fiscal impact of around \$4 billion from the CRRF, compared to the Budget Update.
Page 40	In the near term, compared to the Budget Update published in May, OBEGAL and net core Crown debt have weakened while most of the other key indicators have improved, and for 2021/22 and 2022/23 all indicators have improved. This reflects that economic activity has held up better than expected and there has been a reduction in the estimated costs of some of the Government's COVID-19 fiscal support measures. However, the operating deficit outlook by the end of the forecast period is expected to be weaker, reflecting a slower-paced economic recovery and an increase in expenditure from COVID-19 fiscal support measures. The weaker outlook in the 2023/24 fiscal year will mean the fiscal outlook over the projection period (2024/25 to 2033/34 will also be weaker compared to the Budget Update.	<ul style="list-style-type: none"> The OBEGAL deficit outlook by the end of the forecast period is expected to be weaker, reflecting a slower-paced economic recovery and an increase in expenditure from COVID-19 fiscal support measures. The weaker outlook in the 2023/24 fiscal year will mean the fiscal outlook over the projection period (2024/25 to 2033/34) will also be weaker compared to the Budget Update, with OBEGAL deficits continuing out to 2033/34. In 2019/20, compared to the Budget Update, most key fiscal indicators have come in stronger on the back of the economy holding up better than expected and lower than forecast Government spending. Over the next three years the difference to the Budget Update is largely owing to the change in the profile of the Government's COVID-19 fiscal support measures.

Where in correct version?	Misprinted Version	Correct Version																																																																																																																																																																																																																																																																																																						
	<p>Errors highlighted:</p> <p>Table 2.1 – Fiscal indicators</p> <table><tr><th>Year ending 30 June</th><th>2019¹ Actual</th><th>2020 Unaudited Actual</th><th>2021 Forecast</th><th>2022 Forecast</th><th>2023 Forecast</th><th>2024 Forecast</th></tr><tr><td colspan="7">\$billions</td></tr><tr><td>Core Crown tax revenue</td><td>86.5</td><td>84.9</td><td>84.7</td><td>84.3</td><td>92.5</td><td>98.5</td></tr><tr><td>Core Crown expenses</td><td>87.0</td><td>108.8</td><td>119.5</td><td>109.9</td><td>111.7</td><td>116.1</td></tr><tr><td>Total Crown OBEGAL</td><td>7.4</td><td>(23.4)</td><td>(31.7)</td><td>(22.1)</td><td>(14.2)</td><td>(12.4)</td></tr><tr><td>Total Crown operating balance</td><td>0.4</td><td>(30.3)</td><td>(35.3)</td><td>(20.1)</td><td>(10.0)</td><td>(7.8)</td></tr><tr><td>Core Crown residual cash</td><td>(0.7)</td><td>(23.7)</td><td>(42.0)</td><td>(33.5)</td><td>(22.3)</td><td>(18.8)</td></tr><tr><td>Net core Crown debt</td><td>57.7</td><td>83.4</td><td>130.2</td><td>160.1</td><td>182.2</td><td>201.1</td></tr><tr><td>Gross debt</td><td>84.4</td><td>101.5</td><td>93.8</td><td>99.5</td><td>132.2</td><td>159.7</td></tr><tr><td>Total borrowings</td><td>110.2</td><td>152.7</td><td>210.3</td><td>243.3</td><td>266.3</td><td>286.6</td></tr><tr><td>Net worth</td><td>143.3</td><td>115.7</td><td>80.4</td><td>60.6</td><td>50.9</td><td>43.5</td></tr><tr><td colspan="7">% of GDP</td></tr><tr><td>Core Crown tax revenue</td><td>28.5</td><td>28.1</td><td>28.0</td><td>26.3</td><td>27.2</td><td>27.1</td></tr><tr><td>Core Crown expenses</td><td>28.7</td><td>36.0</td><td>39.4</td><td>34.3</td><td>32.8</td><td>31.9</td></tr><tr><td>Total Crown OBEGAL</td><td>2.4</td><td>(7.7)</td><td>(10.5)</td><td>(6.9)</td><td>(4.2)</td><td>(3.4)</td></tr><tr><td>Total Crown operating balance</td><td>0.1</td><td>(10.0)</td><td>(11.6)</td><td>(6.3)</td><td>(2.9)</td><td>(2.1)</td></tr><tr><td>Core Crown residual cash</td><td>(0.2)</td><td>(7.8)</td><td>(13.9)</td><td>(10.4)</td><td>(6.5)</td><td>(5.2)</td></tr><tr><td>Net core Crown debt</td><td>19.0</td><td>27.6</td><td>43.0</td><td>49.9</td><td>53.5</td><td>55.3</td></tr><tr><td>Gross debt</td><td>27.8</td><td>33.6</td><td>31.0</td><td>31.0</td><td>38.8</td><td>43.9</td></tr><tr><td>Total borrowings</td><td>36.3</td><td>50.5</td><td>69.4</td><td>75.9</td><td>78.2</td><td>78.8</td></tr><tr><td>Net worth</td><td>47.2</td><td>38.3</td><td>26.6</td><td>18.9</td><td>14.9</td><td>12.0</td></tr></table> <p>Note: 1 '2019 Actual' numbers have been restated to reflect updated accounting standards. For more details refer to the forecast financial statements note 17 on page 158.</p> <p>Source: The Treasury</p>	Year ending 30 June	2019 ¹ Actual	2020 Unaudited Actual	2021 Forecast	2022 Forecast	2023 Forecast	2024 Forecast	\$billions							Core Crown tax revenue	86.5	84.9	84.7	84.3	92.5	98.5	Core Crown expenses	87.0	108.8	119.5	109.9	111.7	116.1	Total Crown OBEGAL	7.4	(23.4)	(31.7)	(22.1)	(14.2)	(12.4)	Total Crown operating balance	0.4	(30.3)	(35.3)	(20.1)	(10.0)	(7.8)	Core Crown residual cash	(0.7)	(23.7)	(42.0)	(33.5)	(22.3)	(18.8)	Net core Crown debt	57.7	83.4	130.2	160.1	182.2	201.1	Gross debt	84.4	101.5	93.8	99.5	132.2	159.7	Total borrowings	110.2	152.7	210.3	243.3	266.3	286.6	Net worth	143.3	115.7	80.4	60.6	50.9	43.5	% of GDP							Core Crown tax revenue	28.5	28.1	28.0	26.3	27.2	27.1	Core Crown expenses	28.7	36.0	39.4	34.3	32.8	31.9	Total Crown OBEGAL	2.4	(7.7)	(10.5)	(6.9)	(4.2)	(3.4)	Total Crown operating balance	0.1	(10.0)	(11.6)	(6.3)	(2.9)	(2.1)	Core Crown residual cash	(0.2)	(7.8)	(13.9)	(10.4)	(6.5)	(5.2)	Net core Crown debt	19.0	27.6	43.0	49.9	53.5	55.3	Gross debt	27.8	33.6	31.0	31.0	38.8	43.9	Total borrowings	36.3	50.5	69.4	75.9	78.2	78.8	Net worth	47.2	38.3	26.6	18.9	14.9	12.0	<p>Correct version (changed numbers highlighted):</p> <p>Table 2.1 – Fiscal indicators</p> <table><tr><th>Year ending 30 June</th><th>2019¹ Actual</th><th>2020 Unaudited Actual</th><th>2021 Forecast</th><th>2022 Forecast</th><th>2023 Forecast</th><th>2024 Forecast</th></tr><tr><td colspan="7">\$billions</td></tr><tr><td>Core Crown tax revenue</td><td>86.5</td><td>84.9</td><td>84.7</td><td>84.3</td><td>92.5</td><td>98.5</td></tr><tr><td>Core Crown expenses</td><td>87.0</td><td>108.8</td><td>119.5</td><td>109.9</td><td>111.7</td><td>116.1</td></tr><tr><td>Total Crown OBEGAL</td><td>7.4</td><td>(23.4)</td><td>(31.7)</td><td>(22.1)</td><td>(14.2)</td><td>(12.4)</td></tr><tr><td>Total Crown operating balance</td><td>0.4</td><td>(30.3)</td><td>(35.3)</td><td>(20.1)</td><td>(10.0)</td><td>(7.8)</td></tr><tr><td>Core Crown residual cash</td><td>(0.7)</td><td>(23.7)</td><td>(41.0)</td><td>(28.6)</td><td>(22.3)</td><td>(18.9)</td></tr><tr><td>Net core Crown debt</td><td>57.7</td><td>83.4</td><td>130.2</td><td>160.1</td><td>182.2</td><td>201.1</td></tr><tr><td>Gross debt</td><td>84.4</td><td>101.5</td><td>93.8</td><td>99.3</td><td>132.2</td><td>159.7</td></tr><tr><td>Total borrowings</td><td>110.2</td><td>152.7</td><td>210.3</td><td>243.3</td><td>266.3</td><td>286.6</td></tr><tr><td>Net worth</td><td>143.3</td><td>115.7</td><td>80.4</td><td>60.6</td><td>50.9</td><td>43.5</td></tr><tr><td colspan="7">% of GDP</td></tr><tr><td>Core Crown tax revenue</td><td>28.5</td><td>28.1</td><td>28.0</td><td>26.3</td><td>27.2</td><td>27.1</td></tr><tr><td>Core Crown expenses</td><td>28.7</td><td>36.0</td><td>39.4</td><td>34.3</td><td>32.8</td><td>31.9</td></tr><tr><td>Total Crown OBEGAL</td><td>2.4</td><td>(7.7)</td><td>(10.5)</td><td>(6.9)</td><td>(4.2)</td><td>(3.4)</td></tr><tr><td>Total Crown operating balance</td><td>0.1</td><td>(10.0)</td><td>(11.6)</td><td>(6.3)</td><td>(2.9)</td><td>(2.1)</td></tr><tr><td>Core Crown residual cash</td><td>(0.2)</td><td>(7.8)</td><td>(13.5)</td><td>(8.9)</td><td>(6.5)</td><td>(5.2)</td></tr><tr><td>Net core Crown debt</td><td>19.0</td><td>27.6</td><td>43.0</td><td>49.9</td><td>53.5</td><td>55.3</td></tr><tr><td>Gross debt</td><td>27.8</td><td>33.6</td><td>31.0</td><td>31.0</td><td>38.8</td><td>43.9</td></tr><tr><td>Total borrowings</td><td>36.3</td><td>50.5</td><td>69.4</td><td>75.9</td><td>78.2</td><td>78.8</td></tr><tr><td>Net worth</td><td>47.2</td><td>38.3</td><td>26.6</td><td>18.9</td><td>14.9</td><td>12.0</td></tr></table> <p>Note: 1 '2019 Actual' numbers have been restated to reflect updated accounting standards. 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	<p>Table 2.4 – 2019/20 unaudited results compared to previous years</p> <table><tr><th>Year ended 30 June \$billions</th><th>2016 Actual</th><th>2017 Actual</th><th>2018 Actual</th><th>2019 Actual</th><th>2020 Unaudited Actual</th><th>Variance to 2019</th><th>2020 Budget Update</th><th>Variance to Budget</th></tr><tr><td>Core Crown tax revenue</td><td>70.4</td><td>75.6</td><td>80.2</td><td>86.5</td><td>84.9</td><td>(1.6)</td><td>82.3</td><td>2.6</td></tr><tr><td>Core Crown expenses</td><td>73.9</td><td>76.3</td><td>80.6</td><td>87.0</td><td>108.8</td><td>(21.8)</td><td>114.0</td><td>5.2</td></tr><tr><td>OBE GAL</td><td>1.8</td><td>4.1</td><td>5.5</td><td>7.4</td><td>(23.4)</td><td>(30.8)</td><td>(28.3)</td><td>4.9</td></tr><tr><td>Operating balance</td><td>(5.4)</td><td>12.3</td><td>8.4</td><td>0.3</td><td>(30.3)</td><td>(30.6)</td><td>(37.1)</td><td>6.8</td></tr><tr><td>Core Crown residual 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\$billions	2016 Actual	2017 Actual	2018 Actual	2019 Actual	2020 Unaudited Actual	Variance to 2019	2020 Budget Update	Variance to Budget	Core Crown tax revenue	70.4	75.6	80.2	86.5	84.9	(1.6)	82.3	2.6	Core Crown expenses	73.9	76.3	80.6	87.0	108.8	(21.8)	114.0	5.2	OBE GAL	1.8	4.1	5.5	7.4	(23.4)	(30.8)	(28.3)	4.9	Operating balance	(5.4)	12.3	8.4	0.3	(30.3)	(30.6)	(37.1)	6.8	Core Crown residual cash	(1.3)	2.6	1.3	(0.7)	(23.7)	(23.0)	(32.0)	8.3	Net core Crown debt	61.9	59.5	57.5	57.7	83.4	(25.7)	88.9	5.5	as a percentage of GDP	24.0%	21.7%	19.6%	19.0%	27.6%		30.2%		Gross debt	86.9	87.1	88.1	84.4	101.5	(17.1)	99.8	1.7	as a percentage of GDP	33.7%	31.7%	30.1%	27.8%	33.6%		33.9%		Total Crown borrowings	114.0	111.8	115.7	110.2	152.7	(42.5)	164.8	12.1	Net worth	95.5	116.5	135.6	143.3	115.7	(27.6)	106.0	9.7	<p>Table 2.4 – 2019/20 unaudited results compared to previous years</p> <table><tr><th>Year ended 30 June \$billions</th><th>2016 Actual</th><th>2017 Actual</th><th>2018 Actual</th><th>2019 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Page 45	The calculation for the 2020 and 2021 income tax years differs from previous years (and other years in the forecast), in which income tax assessments were based on 105% of the prior year terminal tax).	The calculation for the 2020 and 2021 income tax years differs from previous years (and other years in the forecast), in which income tax assessments were based on 105% of the prior year terminal tax.																																																																																																																																																																																																																								
Page 46	In nominal terms, core Crown expenses increased by \$21.9 billion (25.1%) to \$108.8 billion. Within core Crown expenses the most significant growth was in expenses related to social assistance spending which increased by \$15.2 billion, from \$28.8 billion in 2018/19 to \$44.0 billion in 2019/20.	In nominal terms, core Crown expenses increased by \$21.8 billion (25.1%) to \$108.8 billion. Within core Crown expenses the most significant growth was in expenses related to social assistance spending which increased by \$14.6 billion, from \$29.0 billion in 2018/19 to \$43.6 billion in 2019/20.																																																																																																																																																																																																																								
Page 47	Net core Crown debt of \$83.4 billion for 2019/20 has increased by \$25.6 billion from \$57.7 billion in 2018/19.	Net core Crown debt of \$83.4 billion for 2019/20 has increased by \$25.7 billion from \$57.7 billion in 2018/19.																																																																																																																																																																																																																								
Page 54	The various macroeconomic assumptions that underpin each of the scenarios are explained more broadly in the Alternative Scenarios section of the Economic Outlook chapter on page 13.	The various macroeconomic assumptions that underpin each of the scenarios are explained more broadly in the Alternative Scenarios section of the Economic Outlook chapter on page 30.																																																																																																																																																																																																																								
Page 55	In the last year of the forecast, core Crown expenses reach \$116.1 billion. Crown expenses as a percentage of GDP are expected to peak at 39.4% in 2020/21 before declining to 31.9% by 2023/24 (Figure 2.4).	In the last year of the forecast, core Crown expenses reach \$116.1 billion. Core Crown expenses as a percentage of GDP are expected to peak at 39.4% in 2020/21 before declining to 31.9% by 2023/24 (Figure 2.4).																																																																																																																																																																																																																								
Page 56	Growth in Jobseeker Support and Emergency Benefit and Accommodation Assistance benefits is expected to contribute \$1.4 billion and \$0.7 billion respectively to the growth in social assistance costs (excluding the Wage Subsidy impact).	Growth in Jobseeker Support and Emergency Benefit and Accommodation Assistance benefits is expected to contribute \$1.6 billion and \$0.7 billion respectively to the growth in social assistance costs (excluding the Wage Subsidy impact).																																																																																																																																																																																																																								
Page 62	From 2019/20 up until 2023/24, a cash shortfall of \$110.8 billion is expected (Figure 2.9). This cash shortfall is funded largely through additional borrowing. ...while capital spending increases the operating deficits... • \$18.8 billion on providing capital to Crown entities (eg, to Waka Kotahi NZ Transport Agency (NZTA) for state highways (\$7.4 billion), to DHBs to build or develop hospitals (\$3.7 billion) and to KiwiRail to invest in the rail network (\$3.1 billion)).	From 2019/20 up until 2023/24, a cash shortfall of \$110.7 billion is expected (Figure 2.9). This cash shortfall is funded largely through additional borrowing. ...while capital spending increases the cash deficits... • \$18.8 billion on providing capital to Crown entities (eg, to Waka Kotahi NZ Transport Agency (NZTA) for state highways (\$7.4 billion), to DHBs to build or develop hospitals (\$3.7 billion) and to KiwiRail to invest in the rail network (\$3.0 billion)).																																																																																																																																																																																																																								
Page 63	Tāmaki	Tāmaki Regeneration																																																																																																																																																																																																																								
Page 64	The increase in net core Crown debt is mainly driven by the need to fund the residual cash deficits of around \$110.8 billion expected beyond 2019/20 up to 2023/24.	The increase in net core Crown debt is mainly driven by the need to fund the residual cash deficits of around \$110.7 billion expected beyond 2019/20 up to 2023/24.																																																																																																																																																																																																																								

Where in correct version?	Misprinted Version	Correct Version												
	As a percentage of GDP, net core Crown debt is expected to increase rapidly from 27.6% in 2019/20 to 43.0% in 2020/21 (Figure 2.10). It then gradually rises, to reach 55.3% in 2023/24. Net core Crown debt excludes the NZS Fund assets; if these were included, net debt would be lower at 36.8% of GDP.	As a percentage of GDP, net core Crown debt is expected to increase rapidly from 27.6% in 2019/20 to 43.0% in 2020/21 (Figure 2.10). It then gradually rises, to reach 55.3% in 2023/24.												
	Beyond 2021, gross debt rises rapidly	Beyond 2021, gross debt rises rapidly...												
	Forecast gross debt as a percentage of GDP rises significantly, before reaching 56.2% by the end of the forecast period.	Forecast gross debt as a percentage of GDP rises significantly, before reaching 43.9% by the end of the forecast period.												
	While net core Crown debt increases in all years (Figure 2.11), gross debt is static up until 2020/21 .	While net core Crown debt increases in all years, gross debt is relatively static up until 2021/22 (Figure 2.11) .												
Page 65	<table><tr><td>Total</td></tr><tr><td>155.0</td></tr><tr><td>162.5</td></tr><tr><td>(39.3)</td></tr><tr><td>2.7</td></tr><tr><td>120.5</td></tr></table>	Total	155.0	162.5	(39.3)	2.7	120.5	<table><tr><td>Total</td></tr><tr><td>155.0</td></tr><tr><td>162.5</td></tr><tr><td>(39.3)</td></tr><tr><td>(2.7)</td></tr><tr><td>120.5</td></tr></table>	Total	155.0	162.5	(39.3)	(2.7)	120.5
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	In addition, short-term borrowing is expected to be \$2.7 billion higher at the end of the forecast period (Table 2.9).	In addition, short-term borrowing is expected to be \$2.7 billion lower at the end of the forecast period (Table 2.9).												

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Page 66	<p>Table 2.10 – Fiscal indicators and the financial forecasts</p> <table><tr><th>Financial Results</th><th>Actual 30 June 2019 \$billions</th><th>Unaudited Actual 30 June 2020 \$billions</th><th>30 June 2021 \$billions</th><th colspan="3">Forecast 30 June 2022 \$billions 30 June 2023 \$billions 30 June 2024 \$billions</th></tr><tr><td>Core Crown taxation revenue...</td><td>86.5</td><td>84.9</td><td>84.7</td><td>84.3</td><td>92.5</td><td>98.5</td></tr><tr><td>...combined with other core Crown revenue...</td><td>7.0</td><td>6.8</td><td>6.6</td><td>6.8</td><td>7.0</td><td>7.4</td></tr><tr><td>...funds core Crown expenses...</td><td>(87.0)</td><td>(108.8)</td><td>(119.5)</td><td>(109.9)</td><td>(111.7)</td><td>(118.1)</td></tr><tr><td>...and with SOE and CE results...</td><td>0.9</td><td>(6.3)</td><td>(3.5)</td><td>(3.3)</td><td>(2.0)</td><td>(2.2)</td></tr><tr><td>...this results in an operating balance before gains and losses (OBEGAL)...</td><td>7.4</td><td>(23.4)</td><td>(31.7)</td><td>(22.1)</td><td>(14.2)</td><td>(12.4)</td></tr><tr><td>...with gains/losses leading to operating surplus/(deficit)...</td><td>0.3</td><td>(30.3)</td><td>(35.3)</td><td>(20.1)</td><td>(10.0)</td><td>(7.8)</td></tr><tr><td>...with income in SOEs, CEs¹ and the NZS Fund retained...</td><td>(1.5)</td><td>5.8</td><td>3.3</td><td>3.1</td><td>1.8</td><td>2.0</td></tr><tr><td>...and some items do not impact cash</td><td>(0.2)</td><td>33.6</td><td>52.7</td><td>8.2</td><td>4.7</td><td>6.3</td></tr><tr><td>This leads to an operating residual cash surplus/(deficit)...</td><td>6.0</td><td>(14.3)</td><td>(11.0)</td><td>(30.9)</td><td>(17.7)</td><td>(11.9)</td></tr><tr><td>...used to make contributions to the NZS Fund...</td><td>(1.0)</td><td>(1.5)</td><td>(1.5)</td><td>(2.1)</td><td>(2.4)</td><td>(1.4)</td></tr><tr><td>...and to use for capital expenditure...</td><td>(3.0)</td><td>(3.0)</td><td>(3.0)</td><td>(3.4)</td><td>(3.2)</td><td>(2.8)</td></tr><tr><td>...and to make advances (eg. to students)</td><td>(2.7)</td><td>(5.0)</td><td>(4.9)</td><td>(5.8)</td><td>(4.4)</td><td>(3.9)</td></tr><tr><td>Adjusting for forecast adjustments (top-down/new spending)...</td><td>-</td><td>-</td><td>-</td><td>(0.9)</td><td>(1.6)</td><td>(2.4)</td></tr><tr><td>...results in a borrowing requirement (cash deficit/surplus)</td><td>(0.7)</td><td>(23.8)</td><td>(20.4)</td><td>(42.9)</td><td>(29.3)</td><td>(22.4)</td></tr><tr><td>Opening net core Crown debt...</td><td>57.5</td><td>57.7</td><td>83.4</td><td>130.2</td><td>160.1</td><td>182.2</td></tr><tr><td>...when combined with the residual cash (surplus)/deficit...</td><td>0.7</td><td>23.8</td><td>20.4</td><td>42.9</td><td>29.3</td><td>22.4</td></tr><tr><td>...and other fair value movements in financial assets and financial liabilities...</td><td>(0.5)</td><td>1.9</td><td>26.4</td><td>(13.0)</td><td>(7.2)</td><td>(3.5)</td></tr><tr><td>...results in a closing net core Crown debt...</td><td>57.7</td><td>83.4</td><td>130.2</td><td>160.1</td><td>182.2</td><td>201.1</td></tr><tr><td>...which as a % of GDP is</td><td>19.0%</td><td>27.6%</td><td>43.0%</td><td>49.9%</td><td>53.5%</td><td>55.3%</td></tr></table> <p>Note: 1 State-owned enterprises (SOEs) and Crown entities (CEs)</p> <p>Source: The Treasury</p>	Financial Results	Actual 30 June 2019 \$billions	Unaudited Actual 30 June 2020 \$billions	30 June 2021 \$billions	Forecast 30 June 2022 \$billions 30 June 2023 \$billions 30 June 2024 \$billions			Core Crown taxation revenue...	86.5	84.9	84.7	84.3	92.5	98.5	...combined with other core Crown revenue...	7.0	6.8	6.6	6.8	7.0	7.4	...funds core Crown expenses...	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Page 80	<p>Table 2.17 – Allowance sensitivity analysis: assumptions and results²⁰</p> <table><tr><th rowspan="4"></th><th colspan="3">Forecast period</th><th>Projection period</th><th colspan="3">Fiscal projection results (as % of nominal GDP)</th></tr><tr><th colspan="3">Operating allowance (Capital allowance \$4.8b)</th><th>Operating allowance (Capital allowance \$3b in 2024/25)</th><th>Net debt</th><th>Total Crown OBEGAL</th><th>Core Crown expenses (excluding NZS, welfare and interest payments)</th></tr><tr><th>2021/22</th><th>2022/23</th><th>2023/24</th><th>2024/25 (growing at 2% per annum thereafter)</th><th>2033/34</th><th>2033/34</th><th>2033/34</th></tr><tr><th></th><th></th><th></th><th></th><th></th><th></th><th></th></tr><tr><td>Main <i>Pre-election Update</i> assumption</td><td>\$2.4b</td><td>\$2.4b</td><td>\$2.6b</td><td>\$2.1b</td><td>48%</td><td>(0.5)%</td><td>18%</td></tr><tr><td>High short-term spending</td><td>\$3.4b</td><td>\$3.4b</td><td>\$3.6b</td><td>\$2.1b</td><td>51%</td><td>(0.7)%</td><td>18%</td></tr><tr><td>Low long-term spending</td><td>\$2.4b</td><td>\$2.4b</td><td>\$2.6b</td><td>\$1.5b</td><td>45%</td><td>0.2%</td><td>17%</td></tr></table>		Forecast period			Projection period	Fiscal projection results (as % of nominal GDP)			Operating allowance (Capital allowance \$4.8b)			Operating allowance (Capital allowance \$3b in 2024/25)	Net debt	Total Crown OBEGAL	Core Crown expenses (excluding NZS, welfare and interest payments)	2021/22	2022/23	2023/24	2024/25 (growing at 2% per annum thereafter)	2033/34	2033/34	2033/34								Main <i>Pre-election Update</i> assumption	\$2.4b	\$2.4b	\$2.6b	\$2.1b	48%	(0.5)%	18%	High short-term spending	\$3.4b	\$3.4b	\$3.6b	\$2.1b	51%	(0.7)%	18%	Low long-term spending	\$2.4b	\$2.4b	\$2.6b	\$1.5b	45%	0.2%	17%	<p>Table 2.17 – Allowance sensitivity analysis: assumptions and results²⁰</p> <table><tr><th rowspan="4"></th><th colspan="3">Forecast period</th><th>Projection period</th><th colspan="3">Fiscal projection results (as % of nominal GDP)</th></tr><tr><th colspan="3">Operating allowance (Capital allowance \$4.8b)</th><th>Operating allowance (Capital allowance \$3b in 2024/25)</th><th>Net debt</th><th>Total Crown OBEGAL</th><th>Core Crown expenses (excluding NZS, welfare and interest payments)</th></tr><tr><th>2021/22</th><th>2022/23</th><th>2023/24</th><th>2024/25 (growing at 2% per annum thereafter)</th><th>2033/34</th><th>2033/34</th><th>2033/34</th></tr><tr><th></th><th></th><th></th><th></th><th></th><th></th><th></th></tr><tr><td>Main <i>Pre-election Update</i> assumption</td><td>\$2.4b</td><td>\$2.4b</td><td>\$2.6b</td><td>\$2.1b</td><td>48%</td><td>(0.5)%</td><td>18%</td></tr><tr><td>High short-term spending</td><td>\$3.4b</td><td>\$3.4b</td><td>\$3.6b</td><td>\$2.1b</td><td>51%</td><td>(0.7)%</td><td>18%</td></tr><tr><td>Low long-term spending</td><td>\$2.4b</td><td>\$2.4b</td><td>\$2.6b</td><td>\$1.8b</td><td>45%</td><td>0.2%</td><td>17%</td></tr></table>		Forecast period			Projection period	Fiscal projection results (as % of nominal GDP)			Operating allowance (Capital allowance \$4.8b)			Operating allowance (Capital allowance \$3b in 2024/25)	Net debt	Total Crown OBEGAL	Core Crown expenses (excluding NZS, welfare and interest payments)	2021/22	2022/23	2023/24	2024/25 (growing at 2% per annum thereafter)	2033/34	2033/34	2033/34								Main <i>Pre-election Update</i> assumption	\$2.4b	\$2.4b	\$2.6b	\$2.1b	48%	(0.5)%	18%	High short-term spending	\$3.4b	\$3.4b	\$3.6b	\$2.1b	51%	(0.7)%	18%	Low long-term spending	\$2.4b	\$2.4b	\$2.6b	\$1.8b	45%	0.2%	17%																																																																																																																																																																																																																																																																																																																						
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Page 81	Total Crown OBEGAL	Total Crown OBEGAL under different expenditure scenarios																																																																																																																																																																																																																																																																																																																																																																																																																																
	<p>Table 2.18 – Summary of fiscal projections, as percentages of nominal GDP</p> <table><tr><th>Year ended 30 June</th><th>2020</th><th>2021</th><th>2022</th><th>2023</th><th>2024</th><th>2025</th><th>2026</th><th>2027</th><th>2028</th><th>2029</th><th>2030</th><th>2031</th><th>2032</th><th>2033</th><th>2034</th></tr><tr><td></td><td colspan="5">Forecasts</td><td colspan="10">Projections</td></tr><tr><td>Core Crown revenue</td><td>30.4</td><td>30.1</td><td>28.4</td><td>29.2</td><td>29.1</td><td>29.5</td><td>29.9</td><td>30.2</td><td>30.4</td><td>30.5</td><td>30.5</td><td>30.6</td><td>30.6</td><td>30.7</td><td>30.7</td></tr><tr><td>Core Crown expenses</td><td>36.0</td><td>39.4</td><td>34.3</td><td>32.8</td><td>31.9</td><td>31.1</td><td>30.9</td><td>30.7</td><td>30.5</td><td>30.3</td><td>30.2</td><td>30.2</td><td>30.2</td><td>30.2</td><td>30.2</td></tr><tr><td>Core Crown residual cash</td><td>-7.8</td><td>-13.9</td><td>-10.4</td><td>-8.5</td><td>-5.2</td><td>-3.6</td><td>-3.0</td><td>-2.3</td><td>-1.7</td><td>-1.4</td><td>-1.1</td><td>-1.1</td><td>-0.9</td><td>-0.8</td><td>-0.7</td></tr><tr><td>Total Crown revenue</td><td>38.3</td><td>37.3</td><td>35.6</td><td>36.6</td><td>36.3</td><td>36.7</td><td>37.1</td><td>37.5</td><td>37.7</td><td>37.7</td><td>37.8</td><td>37.9</td><td>37.9</td><td>38.0</td><td>38.0</td></tr><tr><td>Total Crown expenses</td><td>46.0</td><td>47.7</td><td>42.4</td><td>40.6</td><td>39.6</td><td>38.8</td><td>38.6</td><td>38.4</td><td>38.3</td><td>38.1</td><td>38.1</td><td>38.2</td><td>38.2</td><td>38.3</td><td>38.4</td></tr><tr><td>Total Crown OBEGAL¹</td><td>-7.7</td><td>-10.5</td><td>-6.9</td><td>-4.2</td><td>-3.4</td><td>-2.1</td><td>-1.6</td><td>-1.1</td><td>-0.7</td><td>-0.5</td><td>-0.4</td><td>-0.5</td><td>-0.4</td><td>-0.4</td><td>-0.5</td></tr><tr><td>Total Crown operating balance²</td><td>-10.0</td><td>-11.6</td><td>-6.3</td><td>-2.9</td><td>-2.1</td><td>-1.1</td><td>-0.5</td><td>0.0</td><td>0.4</td><td>0.7</td><td>0.8</td><td>0.8</td><td>0.9</td><td>0.9</td><td>0.9</td></tr><tr><td>Core Crown GSID³</td><td>41.4</td><td>59.0</td><td>65.2</td><td>67.4</td><td>67.8</td><td>69.1</td><td>69.7</td><td>69.5</td><td>68.7</td><td>67.6</td><td>66.5</td><td>65.4</td><td>64.3</td><td>63.1</td><td>61.9</td></tr><tr><td>Net core Crown debt⁴</td><td>27.6</td><td>43.0</td><td>49.9</td><td>53.5</td><td>55.3</td><td>56.2</td><td>56.3</td><td>55.9</td><td>54.9</td><td>53.7</td><td>52.6</td><td>51.5</td><td>50.4</td><td>49.2</td><td>48.0</td></tr><tr><td>Total Crown net worth</td><td>38.3</td><td>26.6</td><td>18.9</td><td>14.9</td><td>12.0</td><td>10.3</td><td>9.3</td><td>8.9</td><td>8.9</td><td>9.2</td><td>9.7</td><td>10.1</td><td>10.6</td><td>11.1</td><td>11.6</td></tr><tr><td>Net worth attributable to the 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²	-10.0	-11.6	-6.3	-2.9	-2.1	-1.1	-0.5	0.0	0.4	0.7	0.8	0.8	0.9	0.9	0.9	Core Crown GSID ³	41.4	59.0	65.2	67.4	67.8	69.1	69.7	69.5	68.7	67.6	66.5	65.4	64.3	63.1	61.9	Net core Crown debt ⁴	27.6	43.0	49.9	53.5	55.3	56.2	56.3	55.9	54.9	53.7	52.6	51.5	50.4	49.2	48.0	Total Crown net worth	38.3	26.6	18.9	14.9	12.0	10.3	9.3	8.9	8.9	9.2	9.7	10.1	10.6	11.1	11.6	Net worth attributable to the Crown ⁵	36.4	24.8	17.2	13.3	10.4	8.7	7.8	7.4	7.5	7.8	8.3	8.7	9.3	9.8	10.3	<p>Table 2.18 – Summary of fiscal projections, as percentages of nominal GDP</p> <table><tr><th>Year ended 30 June</th><th>2020</th><th>2021</th><th>2022</th><th>2023</th><th>2024</th><th>2025</th><th>2026</th><th>2027</th><th>2028</th><th>2029</th><th>2030</th><th>2031</th><th>2032</th><th>2033</th><th>2034</th></tr><tr><td></td><td colspan="5">Forecasts</td><td colspan="10">Projections</td></tr><tr><td>Core Crown 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expenses</td><td>46.0</td><td>47.7</td><td>42.4</td><td>40.6</td><td>39.6</td><td>38.8</td><td>38.6</td><td>38.4</td><td>38.3</td><td>38.1</td><td>38.1</td><td>38.2</td><td>38.2</td><td>38.3</td><td>38.4</td></tr><tr><td>Total Crown OBEGAL¹</td><td>-7.7</td><td>-10.5</td><td>-6.9</td><td>-4.2</td><td>-3.4</td><td>-2.1</td><td>-1.6</td><td>-1.1</td><td>-0.7</td><td>-0.5</td><td>-0.4</td><td>-0.5</td><td>-0.4</td><td>-0.4</td><td>-0.5</td></tr><tr><td>Total Crown operating balance²</td><td>-10.0</td><td>-11.6</td><td>-6.3</td><td>-2.9</td><td>-2.1</td><td>-1.1</td><td>-0.5</td><td>0.0</td><td>0.4</td><td>0.7</td><td>0.8</td><td>0.8</td><td>0.9</td><td>0.9</td><td>0.9</td></tr><tr><td>Core Crown GSID³</td><td>41.1</td><td>59.0</td><td>65.2</td><td>67.4</td><td>67.8</td><td>69.1</td><td>69.7</td><td>69.5</td><td>68.7</td><td>67.6</td><td>66.5</td><td>65.4</td><td>64.3</td><td>63.1</td><td>61.9</td></tr><tr><td>Net core Crown debt⁴</td><td>27.6</td><td>43.0</td><td>49.9</td><td>53.5</td><td>55.3</td><td>56.2</td><td>56.3</td><td>55.9</td><td>54.9</td><td>53.7</td><td>52.6</td><td>51.5</td><td>50.4</td><td>49.2</td><td>48.0</td></tr><tr><td>Total Crown net worth</td><td>38.3</td><td>26.6</td><td>18.9</td><td>14.9</td><td>12.0</td><td>10.3</td><td>9.3</td><td>8.9</td><td>8.9</td><td>9.2</td><td>9.7</td><td>10.1</td><td>10.6</td><td>11.1</td><td>11.6</td></tr><tr><td>Net worth attributable to the Crown⁵</td><td>36.4</td><td>24.8</td><td>17.2</td><td>13.3</td><td>10.4</td><td>8.7</td><td>7.8</td><td>7.4</td><td>7.5</td><td>7.8</td><td>8.3</td><td>8.7</td><td>9.3</td><td>9.8</td><td>10.3</td></tr></table>	Year ended 30 June	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034		Forecasts					Projections										Core Crown revenue	30.4	30.1	28.4	29.2	29.1	29.5	29.9	30.2	30.4	30.5	30.5	30.6	30.6	30.7	30.7	Core Crown expenses	36.0	39.4	34.3	32.8	31.9	31.1	30.9	30.7	30.5	30.3	30.2	30.2	30.2	30.2	30.2	Core Crown residual cash	-7.8	-13.5	-8.9	-6.5	-5.2	-3.6	-3.0	-2.3	-1.7	-1.4	-1.1	-1.1	-0.9	-0.8	-0.7	Total Crown revenue	38.3	37.3	35.6	36.6	36.3	36.7	37.1	37.5	37.7	37.7	37.8	37.9	37.9	38.0	38.0	Total Crown expenses	46.0	47.7	42.4	40.6	39.6	38.8	38.6	38.4	38.3	38.1	38.1	38.2	38.2	38.3	38.4	Total Crown OBEGAL ¹	-7.7	-10.5	-6.9	-4.2	-3.4	-2.1	-1.6	-1.1	-0.7	-0.5	-0.4	-0.5	-0.4	-0.4	-0.5	Total Crown operating balance ²	-10.0	-11.6	-6.3	-2.9	-2.1	-1.1	-0.5	0.0	0.4	0.7	0.8	0.8	0.9	0.9	0.9	Core Crown GSID ³	41.1	59.0	65.2	67.4	67.8	69.1	69.7	69.5	68.7	67.6	66.5	65.4	64.3	63.1	61.9	Net core Crown debt ⁴	27.6	43.0	49.9	53.5	55.3	56.2	56.3	55.9	54.9	53.7	52.6	51.5	50.4	49.2	48.0	Total Crown net worth	38.3	26.6	18.9	14.9	12.0	10.3	9.3	8.9	8.9	9.2	9.7	10.1	10.6	11.1	11.6	Net worth attributable to the Crown ⁵	36.4	24.8	17.2	13.3	10.4	8.7	7.8	7.4	7.5	7.8	8.3	8.7	9.3	9.8	10.3
Year ended 30 June	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034																																																																																																																																																																																																																																																																																																																																																																																																																			
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Core Crown expenses	36.0	39.4	34.3	32.8	31.9	31.1	30.9	30.7	30.5	30.3	30.2	30.2	30.2	30.2	30.2																																																																																																																																																																																																																																																																																																																																																																																																																			
Core Crown residual cash	-7.8	-13.9	-10.4	-8.5	-5.2	-3.6	-3.0	-2.3	-1.7	-1.4	-1.1	-1.1	-0.9	-0.8	-0.7																																																																																																																																																																																																																																																																																																																																																																																																																			
Total Crown revenue	38.3	37.3	35.6	36.6	36.3	36.7	37.1	37.5	37.7	37.7	37.8	37.9	37.9	38.0	38.0																																																																																																																																																																																																																																																																																																																																																																																																																			
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Net core Crown debt ⁴	27.6	43.0	49.9	53.5	55.3	56.2	56.3	55.9	54.9	53.7	52.6	51.5	50.4	49.2	48.0																																																																																																																																																																																																																																																																																																																																																																																																																			
Total Crown net worth	38.3	26.6	18.9	14.9	12.0	10.3	9.3	8.9	8.9	9.2	9.7	10.1	10.6	11.1	11.6																																																																																																																																																																																																																																																																																																																																																																																																																			
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Core Crown expenses	36.0	39.4	34.3	32.8	31.9	31.1	30.9	30.7	30.5	30.3	30.2	30.2	30.2	30.2	30.2																																																																																																																																																																																																																																																																																																																																																																																																																			
Core Crown residual cash	-7.8	-13.5	-8.9	-6.5	-5.2	-3.6	-3.0	-2.3	-1.7	-1.4	-1.1	-1.1	-0.9	-0.8	-0.7																																																																																																																																																																																																																																																																																																																																																																																																																			
Total Crown revenue	38.3	37.3	35.6	36.6	36.3	36.7	37.1	37.5	37.7	37.7	37.8	37.9	37.9	38.0	38.0																																																																																																																																																																																																																																																																																																																																																																																																																			
Total Crown expenses	46.0	47.7	42.4	40.6	39.6	38.8	38.6	38.4	38.3	38.1	38.1	38.2	38.2	38.3	38.4																																																																																																																																																																																																																																																																																																																																																																																																																			
Total Crown OBEGAL ¹	-7.7	-10.5	-6.9	-4.2	-3.4	-2.1	-1.6	-1.1	-0.7	-0.5	-0.4	-0.5	-0.4	-0.4	-0.5																																																																																																																																																																																																																																																																																																																																																																																																																			
Total Crown operating balance ²	-10.0	-11.6	-6.3	-2.9	-2.1	-1.1	-0.5	0.0	0.4	0.7	0.8	0.8	0.9	0.9	0.9																																																																																																																																																																																																																																																																																																																																																																																																																			
Core Crown GSID ³	41.1	59.0	65.2	67.4	67.8	69.1	69.7	69.5	68.7	67.6	66.5	65.4	64.3	63.1	61.9																																																																																																																																																																																																																																																																																																																																																																																																																			
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Net worth attributable to the Crown ⁵	36.4	24.8	17.2	13.3	10.4	8.7	7.8	7.4	7.5	7.8	8.3	8.7	9.3	9.8	10.3																																																																																																																																																																																																																																																																																																																																																																																																																			
Page 123	“Total quantifiable contingent liabilities 9,579” [\$millions]																																																																																																																																																																																																																																																																																																																																																																																																																																	
Page 133	They are based on the accounting policies and assumptions that follow. As with all such assumptions, there is a degree of uncertainty surrounding them. This uncertainty increases as the forecast horizon extends. There are risks to both the Economic and fiscal forecasts which are discussed further in the Risks to the Fiscal Forecasts chapter discusses these in more detail.																																																																																																																																																																																																																																																																																																																																																																																																																																	
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	The finalisation dates and key assumptions that underpin the preparation of the Forecast Financial Statements are outlined in the Fiscal Outlook chapter (pages 39 to 76).	The finalisation dates and key assumptions that underpin the preparation of the Forecast Financial Statements are outlined in the Fiscal Outlook chapter (pages 39 to 83).																																																																																																																																																																																																																																																																																																																																																																																
Page 134	Factors that may lead to a material difference between information in these Forecast Financial Statements and the actual reported results in future years are set out in the Risks to the Fiscal Forecasts chapter on pages 85 to 120. Key forecast assumptions are set out on pages 49 to 50.	Factors that may lead to a material difference between information in these Forecast Financial Statements and the actual reported results in future years are set out in the Risks to the Fiscal Forecasts chapter on pages 85 to 132. Key forecast assumptions are set out on pages 49 to 50.																																																																																																																																																																																																																																																																																																																																																																																
Page 140	<table><tr><th></th><th>2019</th><th>2020</th><th>2020</th><th>2021</th><th>2022</th><th>2023</th><th>2024</th></tr><tr><th></th><th>Actual¹</th><th>Previous Budget</th><th>Unaudited Actual</th><th>Forecast</th><th>Forecast</th><th>Forecast</th><th>Forecast</th></tr><tr><th></th><th>\$m</th><th>\$m</th><th>\$m</th><th>\$m</th><th>\$m</th><th>\$m</th><th>\$m</th></tr><tr><td colspan="8">Core Crown expenses</td></tr><tr><td colspan="8">By functional classification²</td></tr><tr><td>Social security and welfare</td><td>28,740</td><td>30,811</td><td>44,028</td><td>39,897</td><td>37,846</td><td>38,514</td><td>39,899</td></tr><tr><td>Health</td><td>18,268</td><td>19,198</td><td>19,891</td><td>23,132</td><td>21,343</td><td>21,407</td><td>21,486</td></tr><tr><td>Education</td><td>14,293</td><td>14,919</td><td>16,322</td><td>15,968</td><td>17,252</td><td>16,950</td><td>17,010</td></tr><tr><td>Core government services</td><td>5,166</td><td>5,610</td><td>6,083</td><td>5,966</td><td>5,155</td><td>5,133</td><td>5,368</td></tr><tr><td>Law and order</td><td>4,625</td><td>4,890</td><td>4,911</td><td>5,384</td><td>5,147</td><td>5,179</td><td>5,142</td></tr><tr><td>Transport and communications</td><td>2,889</td><td>3,103</td><td>3,179</td><td>5,548</td><td>3,718</td><td>3,758</td><td>3,558</td></tr><tr><td>Economic and industrial services</td><td>3,006</td><td>4,328</td><td>3,988</td><td>4,744</td><td>3,798</td><td>3,661</td><td>3,447</td></tr><tr><td>Defence</td><td>2,395</td><td>2,541</td><td>2,499</td><td>2,762</td><td>2,745</td><td>2,736</td><td>2,840</td></tr><tr><td>Heritage, culture and recreation</td><td>918</td><td>996</td><td>1,106</td><td>1,576</td><td>1,237</td><td>1,050</td><td>992</td></tr><tr><td>Primary services</td><td>960</td><td>1,036</td><td>961</td><td>1,448</td><td>906</td><td>822</td><td>746</td></tr><tr><td>Housing and community development</td><td>727</td><td>897</td><td>1,015</td><td>1,972</td><td>1,535</td><td>1,224</td><td>1,134</td></tr><tr><td>Environmental protection</td><td>1,119</td><td>1,281</td><td>1,485</td><td>1,691</td><td>1,591</td><td>1,567</td><td>1,491</td></tr><tr><td>GSF pension expenses</td><td>66</td><td>73</td><td>73</td><td>30</td><td>31</td><td>49</td><td>71</td></tr><tr><td>Other</td><td>96</td><td>341</td><td>63</td><td>739</td><td>339</td><td>325</td><td>341</td></tr><tr><td>Finance costs</td><td>3,691</td><td>3,454</td><td>3,228</td><td>2,044</td><td>1,408</td><td>1,702</td><td>2,364</td></tr><tr><td>Forecast new operating spending</td><td>-</td><td>1,266</td><td>-</td><td>10,057</td><td>7,431</td><td>8,467</td><td>11,048</td></tr><tr><td>Top-down expense adjustment</td><td>-</td><td>(1,400)</td><td>-</td><td>(3,500)</td><td>(1,550)</td><td>(850)</td><td>(800)</td></tr><tr><td>Total core Crown expenses excluding losses</td><td>86,959</td><td>93,344</td><td>108,832</td><td>119,458</td><td>109,932</td><td>111,694</td><td>116,137</td></tr></table> <p>1. The '2019 Actual' and '2020 Previous Budget' numbers were restated to reflect the adoption of new accounting standards from 1 July 2019. Refer to note 17 for details of the impact of these changes.</p> <p>2. The classifications of the functions of the Government reflect current approved baselines. Forecast new operating spending is shown as a separate line item in the above analysis and will be allocated to functions of the Government once decisions are made in future Budgets.</p>		2019	2020	2020	2021	2022	2023	2024		Actual ¹	Previous Budget	Unaudited Actual	Forecast	Forecast	Forecast	Forecast		\$m	\$m	\$m	\$m	\$m	\$m	\$m	Core Crown expenses								By functional classification²								Social security and welfare	28,740	30,811	44,028	39,897	37,846	38,514	39,899	Health	18,268	19,198	19,891	23,132	21,343	21,407	21,486	Education	14,293	14,919	16,322	15,968	17,252	16,950	17,010	Core government services	5,166	5,610	6,083	5,966	5,155	5,133	5,368	Law and order	4,625	4,890	4,911	5,384	5,147	5,179	5,142	Transport and communications	2,889	3,103	3,179	5,548	3,718	3,758	3,558	Economic and industrial services	3,006	4,328	3,988	4,744	3,798	3,661	3,447	Defence	2,395	2,541	2,499	2,762	2,745	2,736	2,840	Heritage, culture and recreation	918	996	1,106	1,576	1,237	1,050	992	Primary services	960	1,036	961	1,448	906	822	746	Housing and community development	727	897	1,015	1,972	1,535	1,224	1,134	Environmental protection	1,119	1,281	1,485	1,691	1,591	1,567	1,491	GSF pension expenses	66	73	73	30	31	49	71	Other	96	341	63	739	339	325	341	Finance costs	3,691	3,454	3,228	2,044	1,408	1,702	2,364	Forecast new operating spending	-	1,266	-	10,057	7,431	8,467	11,048	Top-down expense adjustment	-	(1,400)	-	(3,500)	(1,550)	(850)	(800)	Total core Crown expenses excluding losses	86,959	93,344	108,832	119,458	109,932	111,694	116,137	<table><tr><th></th><th>2019</th><th>2020</th><th>2020</th><th>2021</th><th>2022</th><th>2023</th><th>2024</th></tr><tr><th></th><th>Actual¹</th><th>Previous Budget</th><th>Unaudited Actual</th><th>Forecast</th><th>Forecast</th><th>Forecast</th><th>Forecast</th></tr><tr><th></th><th>\$m</th><th>\$m</th><th>\$m</th><th>\$m</th><th>\$m</th><th>\$m</th><th>\$m</th></tr><tr><td colspan="8">Core Crown expenses</td></tr><tr><td colspan="8">By functional classification²</td></tr><tr><td>Social security and welfare</td><td>28,740</td><td>30,811</td><td>44,028</td><td>39,897</td><td>37,846</td><td>38,514</td><td>39,899</td></tr><tr><td>Health</td><td>18,268</td><td>19,198</td><td>19,891</td><td>23,132</td><td>21,343</td><td>21,407</td><td>21,486</td></tr><tr><td>Education</td><td>14,293</td><td>14,919</td><td>16,322</td><td>15,968</td><td>17,252</td><td>16,950</td><td>17,010</td></tr><tr><td>Core government services</td><td>5,166</td><td>5,610</td><td>6,083</td><td>5,966</td><td>5,155</td><td>5,133</td><td>5,368</td></tr><tr><td>Law and order</td><td>4,625</td><td>4,890</td><td>4,911</td><td>5,384</td><td>5,147</td><td>5,179</td><td>5,142</td></tr><tr><td>Transport and communications</td><td>2,889</td><td>3,103</td><td>3,179</td><td>5,548</td><td>3,718</td><td>3,758</td><td>3,558</td></tr><tr><td>Economic and industrial services</td><td>3,006</td><td>4,328</td><td>3,988</td><td>4,744</td><td>3,798</td><td>3,661</td><td>3,447</td></tr><tr><td>Defence</td><td>2,395</td><td>2,541</td><td>2,499</td><td>2,762</td><td>2,745</td><td>2,736</td><td>2,840</td></tr><tr><td>Heritage, culture and recreation</td><td>918</td><td>996</td><td>1,106</td><td>1,576</td><td>1,237</td><td>1,050</td><td>992</td></tr><tr><td>Primary services</td><td>960</td><td>1,036</td><td>961</td><td>1,448</td><td>906</td><td>822</td><td>746</td></tr><tr><td>Housing and community development</td><td>727</td><td>897</td><td>1,015</td><td>1,972</td><td>1,535</td><td>1,224</td><td>1,134</td></tr><tr><td>Environmental protection</td><td>1,119</td><td>1,281</td><td>1,485</td><td>1,691</td><td>1,591</td><td>1,567</td><td>1,491</td></tr><tr><td>GSF pension expenses</td><td>66</td><td>73</td><td>73</td><td>30</td><td>31</td><td>49</td><td>71</td></tr><tr><td>Other</td><td>96</td><td>341</td><td>63</td><td>739</td><td>339</td><td>325</td><td>341</td></tr><tr><td>Finance costs</td><td>3,691</td><td>3,454</td><td>3,228</td><td>2,044</td><td>1,408</td><td>1,702</td><td>2,364</td></tr><tr><td>Forecast new operating spending</td><td>-</td><td>1,266</td><td>-</td><td>10,057</td><td>7,431</td><td>8,467</td><td>11,048</td></tr><tr><td>Top-down expense adjustment</td><td>-</td><td>(1,400)</td><td>-</td><td>(3,500)</td><td>(1,550)</td><td>(850)</td><td>(800)</td></tr><tr><td>Total core Crown expenses excluding losses</td><td>86,959</td><td>93,344</td><td>108,832</td><td>119,458</td><td>109,932</td><td>111,694</td><td>116,137</td></tr></table> <p>1. 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Forecast new operating spending is shown as a separate line item in the above analysis and will be allocated to functions of the Government once decisions are made in future Budgets.</p>		2019	2020	2020	2021	2022	2023	2024		Actual ¹	Previous Budget	Unaudited Actual	Forecast	Forecast	Forecast	Forecast		\$m	\$m	\$m	\$m	\$m	\$m	\$m	Core Crown expenses								By functional classification²								Social security and welfare	28,740	30,811	44,028	39,897	37,846	38,514	39,899	Health	18,268	19,198	19,891	23,132	21,343	21,407	21,486	Education	14,293	14,919	16,322	15,968	17,252	16,950	17,010	Core government services	5,166	5,610	6,083	5,966	5,155	5,133	5,368	Law and order	4,625	4,890	4,911	5,384	5,147	5,179	5,142	Transport and communications	2,889	3,103	3,179	5,548	3,718	3,758	3,558	Economic and industrial services	3,006	4,328	3,988	4,744	3,798	3,661	3,447	Defence	2,395	2,541	2,499	2,762	2,745	2,736	2,840	Heritage, culture and recreation	918	996	1,106	1,576	1,237	1,050	992	Primary services	960	1,036	961	1,448	906	822	746	Housing and community development	727	897	1,015	1,972	1,535	1,224	1,134	Environmental protection	1,119	1,281	1,485	1,691	1,591	1,567	1,491	GSF pension expenses	66	73	73	30	31	49	71	Other	96	341	63	739	339	325	341	Finance costs	3,691	3,454	3,228	2,044	1,408	1,702	2,364	Forecast new operating spending	-	1,266	-	10,057	7,431	8,467	11,048	Top-down expense adjustment	-	(1,400)	-	(3,500)	(1,550)	(850)	(800)	Total core Crown expenses excluding losses	86,959	93,344	108,832	119,458	109,932	111,694	116,137
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Education	14,293	14,919	16,322	15,968	17,252	16,950	17,010																																																																																																																																																																																																																																																																																																																																																																											
Core government services	5,166	5,610	6,083	5,966	5,155	5,133	5,368																																																																																																																																																																																																																																																																																																																																																																											
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Heritage, culture and recreation	918	996	1,106	1,576	1,237	1,050	992																																																																																																																																																																																																																																																																																																																																																																											
Primary services	960	1,036	961	1,448	906	822	746																																																																																																																																																																																																																																																																																																																																																																											
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Defence	2,395	2,541	2,499	2,762	2,745	2,736	2,840																																																																																																																																																																																																																																																																																																																																																																											
Heritage, culture and recreation	918	996	1,106	1,576	1,237	1,050	992																																																																																																																																																																																																																																																																																																																																																																											
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Finance costs	3,691	3,454	3,228	2,044	1,408	1,702	2,364																																																																																																																																																																																																																																																																																																																																																																											
Forecast new operating spending	-	1,266	-	10,057	7,431	8,467	11,048																																																																																																																																																																																																																																																																																																																																																																											
Top-down expense adjustment	-	(1,400)	-	(3,500)	(1,550)	(850)	(800)																																																																																																																																																																																																																																																																																																																																																																											
Total core Crown expenses excluding losses	86,959	93,344	108,832	119,458	109,932	111,694	116,137																																																																																																																																																																																																																																																																																																																																																																											

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Page 153	<p><i>[Misprinted version missing heading]</i></p> <p>Schedule of Movements</p> <p>Cost or Valuation</p> <table><tr><td>Opening balance</td><td>175,019</td><td>185,438</td><td>192,808</td><td>205,723</td><td>218,420</td><td>230,122</td><td>240,917</td></tr><tr><td>Additions¹</td><td>9,462</td><td>11,130</td><td>9,568</td><td>13,366</td><td>12,792</td><td>11,515</td><td>9,575</td></tr><tr><td>Disposals</td><td>(1,157)</td><td>(848)</td><td>(1,224)</td><td>(614)</td><td>(1,037)</td><td>(669)</td><td>(571)</td></tr><tr><td>Net revaluations</td><td>9,623</td><td>(29)</td><td>2,546</td><td>-</td><td>-</td><td>-</td><td>-</td></tr><tr><td>Other²</td><td>(139)</td><td>64</td><td>2,025</td><td>(55)</td><td>(53)</td><td>(51)</td><td>(92)</td></tr><tr><td>Total cost or valuation</td><td>192,808</td><td>195,755</td><td>205,723</td><td>218,420</td><td>230,122</td><td>240,917</td><td>249,829</td></tr></table> <p>Accumulated Depreciation and Impairment</p> <table><tr><td>Opening balance</td><td>16,356</td><td>21,507</td><td>15,183</td><td>19,291</td><td>24,816</td><td>30,360</td><td>36,065</td></tr><tr><td>Eliminated on disposal</td><td>(791)</td><td>(116)</td><td>(686)</td><td>(154)</td><td>(152)</td><td>(173)</td><td>(414)</td></tr><tr><td>Eliminated on revaluation</td><td>(2,452)</td><td>-</td><td>(2,086)</td><td>-</td><td>-</td><td>-</td><td>-</td></tr><tr><td>Impairment losses charged to operating balance</td><td>(2,516)</td><td>-</td><td>1,297</td><td>-</td><td>-</td><td>-</td><td>-</td></tr><tr><td>Depreciation expense</td><td>4,554</td><td>5,217</td><td>5,294</td><td>5,650</td><td>5,697</td><td>5,878</td><td>6,068</td></tr><tr><td>Other²</td><td>32</td><td>(4)</td><td>289</td><td>29</td><td>(1)</td><td>-</td><td>4</td></tr><tr><td>Total accumulated depreciation and impairment</td><td>15,183</td><td>26,604</td><td>19,291</td><td>24,816</td><td>30,360</td><td>36,065</td><td>41,723</td></tr></table> <p>Total property, plant and equipment</p> <table><tr><td></td><td>177,625</td><td>169,151</td><td>186,432</td><td>193,604</td><td>199,762</td><td>204,852</td><td>208,106</td></tr></table> <p>1. 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Other mainly relates to the establishment of NZIST and transfers to/from other asset categories.</p>	Opening balance	175,019	185,438	192,808	205,723	218,420	230,122	240,917	Additions ¹	9,462	11,130	9,568	13,366	12,792	11,515	9,575	Disposals	(1,157)	(848)	(1,224)	(614)	(1,037)	(669)	(571)	Net revaluations	9,623	(29)	2,546	-	-	-	-	Other ²	(139)	64	2,025	(55)	(53)	(51)	(92)	Total cost or valuation	192,808	195,755	205,723	218,420	230,122	240,917	249,829	Opening balance	16,356	21,507	15,183	19,291	24,816	30,360	36,065	Eliminated on disposal	(791)	(116)	(686)	(154)	(152)	(173)	(414)	Eliminated on revaluation	(2,452)	-	(2,086)	-	-	-	-	Impairment losses charged to operating balance	(2,516)	-	1,297	-	-	-	-	Depreciation expense	4,554	5,217	5,294	5,650	5,697	5,878	6,068	Other ²	32	(4)	289	29	(1)	-	4	Total accumulated depreciation and impairment	15,183	26,604	19,291	24,816	30,360	36,065	41,723		177,625	169,151	186,432	193,604	199,762	204,852	208,106	<table><tr><th>2019</th><th>2020</th><th>2020</th><th>2021</th><th>2022</th><th>2023</th><th>2024</th></tr><tr><th>Actual</th><th>Previous</th><th>Unaudited</th><th>Forecast</th><th>Forecast</th><th>Forecast</th><th>Forecast</th></tr><tr><th>\$m</th><th>Budget</th><th>Actual</th><th>\$m</th><th>\$m</th><th>\$m</th><th>\$m</th></tr></table> <p>Schedule of Movements</p> <p>Cost or Valuation</p> <table><tr><td>Opening balance</td><td>175,019</td><td>185,438</td><td>192,808</td><td>205,723</td><td>218,420</td><td>230,122</td><td>240,917</td></tr><tr><td>Additions¹</td><td>9,462</td><td>11,130</td><td>9,568</td><td>13,366</td><td>12,792</td><td>11,515</td><td>9,575</td></tr><tr><td>Disposals</td><td>(1,157)</td><td>(848)</td><td>(1,224)</td><td>(614)</td><td>(1,037)</td><td>(669)</td><td>(571)</td></tr><tr><td>Net revaluations</td><td>9,623</td><td>(29)</td><td>2,546</td><td>-</td><td>-</td><td>-</td><td>-</td></tr><tr><td>Other²</td><td>(139)</td><td>64</td><td>2,025</td><td>(55)</td><td>(53)</td><td>(51)</td><td>(92)</td></tr><tr><td>Total cost or valuation</td><td>192,808</td><td>195,755</td><td>205,723</td><td>218,420</td><td>230,122</td><td>240,917</td><td>249,829</td></tr></table> <p>Accumulated Depreciation and Impairment</p> <table><tr><td>Opening balance</td><td>16,356</td><td>21,507</td><td>15,183</td><td>19,291</td><td>24,816</td><td>30,360</td><td>36,065</td></tr><tr><td>Eliminated on disposal</td><td>(791)</td><td>(116)</td><td>(686)</td><td>(154)</td><td>(152)</td><td>(173)</td><td>(414)</td></tr><tr><td>Eliminated on revaluation</td><td>(2,452)</td><td>-</td><td>(2,086)</td><td>-</td><td>-</td><td>-</td><td>-</td></tr><tr><td>Impairment losses charged to operating balance</td><td>(2,516)</td><td>-</td><td>1,297</td><td>-</td><td>-</td><td>-</td><td>-</td></tr><tr><td>Depreciation expense</td><td>4,554</td><td>5,217</td><td>5,294</td><td>5,650</td><td>5,697</td><td>5,878</td><td>6,068</td></tr><tr><td>Other²</td><td>32</td><td>(4)</td><td>289</td><td>29</td><td>(1)</td><td>-</td><td>4</td></tr><tr><td>Total accumulated depreciation and impairment</td><td>15,183</td><td>26,604</td><td>19,291</td><td>24,816</td><td>30,360</td><td>36,065</td><td>41,723</td></tr></table> <p>Total property, plant and equipment</p> <table><tr><td></td><td>177,625</td><td>169,151</td><td>186,432</td><td>193,604</td><td>199,762</td><td>204,852</td><td>208,106</td></tr></table> <p>1. 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Other mainly relates to the establishment of NZIST and transfers to/from other asset categories.</p>	2019	2020	2020	2021	2022	2023	2024	Actual	Previous	Unaudited	Forecast	Forecast	Forecast	Forecast	\$m	Budget	Actual	\$m	\$m	\$m	\$m	Opening balance	175,019	185,438	192,808	205,723	218,420	230,122	240,917	Additions ¹	9,462	11,130	9,568	13,366	12,792	11,515	9,575	Disposals	(1,157)	(848)	(1,224)	(614)	(1,037)	(669)	(571)	Net revaluations	9,623	(29)	2,546	-	-	-	-	Other ²	(139)	64	2,025	(55)	(53)	(51)	(92)	Total cost or valuation	192,808	195,755	205,723	218,420	230,122	240,917	249,829	Opening balance	16,356	21,507	15,183	19,291	24,816	30,360	36,065	Eliminated on disposal	(791)	(116)	(686)	(154)	(152)	(173)	(414)	Eliminated on revaluation	(2,452)	-	(2,086)	-	-	-	-	Impairment losses charged to operating balance	(2,516)	-	1,297	-	-	-	-	Depreciation expense	4,554	5,217	5,294	5,650	5,697	5,878	6,068	Other ²	32	(4)	289	29	(1)	-	4	Total accumulated depreciation and impairment	15,183	26,604	19,291	24,816	30,360	36,065	41,723		177,625	169,151	186,432	193,604	199,762	204,852	208,106
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Page 154	<p><i>[Misprinted version missing heading]</i></p> <p>NOTE 12: Payables</p> <table><tr><td>Accounts payable</td><td>10,449</td><td>7,582</td><td>11,927</td><td>10,795</td><td>11,323</td><td>11,643</td><td>12,481</td></tr><tr><td>Taxes repayable</td><td>6,293</td><td>5,265</td><td>5,043</td><td>4,986</td><td>5,038</td><td>5,065</td><td>5,078</td></tr><tr><td>Total payables</td><td>16,742</td><td>12,847</td><td>16,970</td><td>15,781</td><td>16,361</td><td>16,708</td><td>17,559</td></tr></table>	Accounts payable	10,449	7,582	11,927	10,795	11,323	11,643	12,481	Taxes repayable	6,293	5,265	5,043	4,986	5,038	5,065	5,078	Total payables	16,742	12,847	16,970	15,781	16,361	16,708	17,559	<table><tr><th>2019</th><th>2020</th><th>2020</th><th>2021</th><th>2022</th><th>2023</th><th>2024</th></tr><tr><th>Actual</th><th>Previous</th><th>Unaudited</th><th>Forecast</th><th>Forecast</th><th>Forecast</th><th>Forecast</th></tr><tr><th>\$m</th><th>Budget</th><th>Actual</th><th>\$m</th><th>\$m</th><th>\$m</th><th>\$m</th></tr></table> <p>NOTE 12: Payables</p> <table><tr><td>Accounts payable</td><td>10,449</td><td>7,582</td><td>11,927</td><td>10,795</td><td>11,323</td><td>11,643</td><td>12,481</td></tr><tr><td>Taxes repayable</td><td>6,293</td><td>5,265</td><td>5,043</td><td>4,986</td><td>5,038</td><td>5,065</td><td>5,078</td></tr><tr><td>Total payables</td><td>16,742</td><td>12,847</td><td>16,970</td><td>15,781</td><td>16,361</td><td>16,708</td><td>17,559</td></tr></table>	2019	2020	2020	2021	2022	2023	2024	Actual	Previous	Unaudited	Forecast	Forecast	Forecast	Forecast	\$m	Budget	Actual	\$m	\$m	\$m	\$m	Accounts payable	10,449	7,582	11,927	10,795	11,323	11,643	12,481	Taxes repayable	6,293	5,265	5,043	4,986	5,038	5,065	5,078	Total payables	16,742	12,847	16,970	15,781	16,361	16,708	17,559																																																																																																																																																																																
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June Years	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Annual average % change	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Forecast	Forecast	Forecast	Forecast	Forecast
Private consumption	2.9	-1.0	2.3	2.0	3.5	2.5	3.4	3.2	4.4	6.1	3.9	3.0	-2.4	1.2	3.6	2.6	3.7
Public consumption	4.4	3.4	-0.3	2.6	0.8	-0.1	3.1	3.4	1.5	2.7	3.5	3.6	5.3	4.8	1.6	1.5	1.1
TOTAL CONSUMPTION	3.2	0.1	1.7	2.2	2.8	1.8	3.4	3.3	3.7	5.3	3.8	3.2	-0.8	2.1	3.1	2.3	3.0
Residential investment	-3.8	-22.0	-2.5	-3.1	10.2	18.1	13.1	6.3	10.1	3.9	0.0	2.2	-12.5	-5.0	7.5	10.3	11.1
Business investment	10.4	-9.0	-8.0	8.3	5.9	0.7	9.4	7.0	1.9	1.9	11.1	2.5	-10.1	-0.6	5.3	5.0	7.8
TOTAL INVESTMENT	6.5	-12.2	-8.8	5.7	6.8	4.5	10.3	6.8	3.9	2.4	8.1	2.4	-10.7	-1.7	5.8	6.3	8.7
Stock change (contribution to growth)	0.9	-1.4	0.9	-0.1	0.1	-0.3	0.5	0.0	-0.3	0.4	0.1	-0.7	0.2	0.1	0.1	0.0	0.0
GROSS NATIONAL EXPENDITURE	4.9	-4.2	0.7	2.7	4.0	2.1	4.8	3.8	3.3	5.0	5.0	2.2	-3.0	1.3	3.8	3.2	4.3
Exports	3.3	-2.9	4.8	2.2	2.1	3.0	0.3	6.3	5.7	0.8	3.9	2.7	-7.0	-15.4	8.0	10.9	6.9
Imports	11.6	-12.0	-1.0	11.4	4.4	2.6	9.0	6.6	1.2	6.2	8.0	1.7	-5.7	-7.7	6.7	6.6	6.7
EXPENDITURE ON GDP	2.4	-1.4	2.7	0.2	3.3	2.3	2.3	3.8	4.5	3.5	4.0	2.5	-3.2	-0.4	3.7	4.0	4.2
GDP (production measure)	2.3	-1.2	1.1	1.1	2.8	2.2	2.8	3.9	3.7	3.4	3.2	2.8	-3.1	-0.5	3.6	3.9	4.1
- annual % change	0.5	-2.9	2.9	0.9	2.7	2.4	2.9	3.9	4.2	3.1	3.2	2.1	-16.3	16.3	3.5	4.0	4.1
Real GDP per capita	1.4	-2.5	-0.1	0.1	2.1	1.8	1.7	2.2	1.8	1.4	1.5	1.2	-4.8	-2.0	2.9	2.9	3.0
Nominal GDP (expenditure basis)	7.7	0.3	3.8	4.6	4.5	1.7	8.2	3.5	5.2	6.5	6.7	3.6	-0.4	0.2	5.8	6.3	6.8
GDP deflator	5.2	1.6	1.1	4.4	1.2	-0.6	5.7	-0.3	0.7	2.9	2.6	1.1	2.9	0.6	2.0	2.2	2.5
Output gap (% deviation, June year average)	2.8	-6.6	-1.2	-1.9	-1.3	-1.6	-1.6	-0.8	-0.2	0.3	0.7	1.1	-4.2	-6.4	-4.8	-3.0	-1.2
Employment	1.3	-0.2	-1.3	1.5	0.9	0.1	3.1	3.1	2.2	4.8	3.1	1.7	1.3	-3.2	1.2	2.6	3.2
Unemployment (% June quarter s.a.)	3.8	5.7	6.5	6.0	6.3	5.9	5.2	5.5	5.0	4.8	4.5	4.0	4.0	7.7	7.6	6.6	5.3
Wages (average ordinary-time hourly, ann % change)	5.4	4.7	1.1	3.0	2.9	2.1	2.5	2.7	2.0	1.5	3.0	4.4	3.0	0.9	2.5	2.6	2.9
CPI inflation (ann % change)	4.0	1.9	1.7	5.3	1.0	0.7	1.6	0.4	0.4	1.7	1.5	1.7	1.5	1.2	1.2	1.4	1.9
Merchandise terms of trade (SNA basis)	10.0	-4.3	-3.0	9.7	-1.7	-3.8	16.4	-4.7	5.0	4.5	-3.5	4.1	-4.1	-5.3	-0.1	0.8	1.0
House prices (ann % change)	-4.4	-3.2	3.4	-0.2	4.0	8.9	6.3	11.8	15.0	6.5	3.6	1.5	6.7	-4.4	4.7	7.4	8.5
Current account balance - \$billion	-13.4	-9.4	-3.5	-6.0	-7.7	-7.9	-5.9	-8.3	-5.4	-7.0	-9.8	-10.2	-7.2	-15.5	-16.5	-14.0	-14.0
Current account balance - % of GDP	-7.1	-4.9	-1.8	-2.9	-3.6	-3.6	-2.5	-3.4	-2.1	-2.6	-3.3	-3.4	-2.4	-5.1	-5.2	-4.1	-3.8
TWI (June quarter)	73.0	62.3	68.8	70.8	72.4	76.3	81.5	76.2	73.6	76.5	73.8	72.7	69.7	70.0	70.0	70.0	70.0
90-day bank bill rate (June quarter)	6.8	2.9	2.9	2.7	2.6	2.6	3.4	3.5	2.4	2.0	2.0	1.7	0.3	0.1	0.1	0.1	0.1
10-year bond rate (June quarter)	6.4	6.6	5.7	5.3	3.7	3.5	4.4	3.6	2.7	2.9	2.6	1.8	0.8	0.7	1.2	1.6	2.0
Data for 2020 and subsequently are forecasts. Data for 2019 and prior years are those that were available when the forecasts were finalised.																	

Correct Version

June Years	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Annual average % change	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Forecast	Forecast	Forecast	Forecast	Forecast
Private consumption	2.3	2.0	3.5	2.5	3.4	3.2	4.4	6.1	3.9	3.0	-2.4	1.2	3.6	2.6	3.7
Public consumption	-0.3	2.6	0.8	-0.1	3.1	3.4	1.5	2.7	3.5	3.6	5.3	4.8	1.6	1.5	1.1
TOTAL CONSUMPTION	1.7	2.2	2.8	1.8	3.4	3.3	3.7	5.3	3.8	3.2	-0.6	2.1	3.1	2.3	3.0
Residential investment	-2.5	-3.1	10.2	18.1	13.1	6.3	10.1	3.9	0.0	2.2	-12.5	-5.0	7.5	10.3	11.1
Business investment	-8.0	8.3	5.9	0.7	9.4	7.0	1.9	1.9	11.1	2.5	-10.1	-0.6	5.3	5.0	7.8
TOTAL INVESTMENT	-6.8	5.7	6.8	4.5	10.3	6.8	3.9	2.4	8.1	2.4	-10.7	-1.7	5.8	6.3	8.7
Stock change (contribution to growth)	0.9	-0.1	0.1	-0.3	0.5	0.0	-0.3	0.4	0.1	-0.7	0.2	0.1	0.1	0.0	0.0
GROSS NATIONAL EXPENDITURE	0.7	2.7	4.0	2.1	4.8	3.8	3.3	5.0	5.0	2.2	-3.0	1.3	3.8	3.2	4.3
Exports	4.8	2.2	2.1	3.0	0.3	6.3	5.7	0.8	3.9	2.7	-7.0	-15.4	8.0	10.9	6.9
Imports	-1.0	11.4	4.4	2.6	9.0	6.6	1.2	6.2	8.0	1.7	-5.7	-7.7	6.7	6.6	6.7
EXPENDITURE ON GDP	2.7	0.2	3.3	2.3	2.3	3.8	4.5	3.5	4.0	2.5	-3.2	-0.4	3.7	4.0	4.2
GDP (production measure)	1.1	1.1	2.8	2.2	2.8	3.9	3.7	3.4	3.2	2.8	-3.1	-0.5	3.6	3.9	4.1
- annual % change	2.9	0.9	2.7	2.4	2.9	3.9	4.2	3.1	3.2	2.1	-16.3	16.3	3.5	4.0	4.1
Real GDP per capita	-0.1	0.1	2.1	1.6	1.7	2.2	1.8	1.4	1.5	1.2	-4.8	-2.0	2.9	2.9	3.0
Nominal GDP (expenditure basis)	3.8	4.6	4.5	1.7	8.2	3.5	5.2	6.5	6.7	3.6	-0.4	0.2	5.8	6.3	6.8
GDP deflator	1.1	4.4	1.2	-0.6	5.7	-0.3	0.7	2.9	2.6	1.1	2.9	0.6	2.0	2.2	2.5
Output gap (% deviation, June year average)	-1.2	-1.9	-1.3	-1.6	-1.6	-0.8	-0.2	0.3	0.7	1.1	-4.2	-6.4	-4.8	-3.0	-1.2
Employment	-1.3	1.5	0.9	0.1	3.1	3.1	2.2	4.8	3.1	1.7	1.3	-3.2	1.2	2.6	3.2
Unemployment (% June quarter s.a.)	6.5	6.0	6.3	5.9	5.2	5.5	5.0	4.8	4.5	4.0	4.0	7.7	7.6	6.6	5.3
Wages (average ordinary-time hourly, ann % change)	1.1	3.0	2.9	2.1	2.5	2.7	2.0	1.5	3.0	4.4	3.0	0.9	2.5	2.6	2.9
CPI inflation (ann % change)	1.7	5.3	1.0	0.7	1.6	0.4	0.4	1.7	1.5	1.7	1.5	1.2	1.2	1.4	1.9
Merchandise terms of trade (SNA basis)	-3.0	9.7	-1.7	-3.8	16.4	-4.7	-2.7	5.0	4.5	-3.5	4.1	-5.3	-0.1	0.8	1.0
House prices (ann % change)	3.4	-0.2	4.0	8.9	6.3	11.8	15.0	6.5	3.6	1.5	6.7	-4.4	4.7	7.4	8.5
Current account balance - \$billion	-3.5	-6.0	-7.7	-7.9	-5.9	-8.3	-5.4	-7.0	-9.8	-10.2	-7.2	-15.5	-16.5	-14.0	-14.0
Current account balance - % of GDP	-1.8	-2.9	-3.6	-3.6	-2.5	-3.4	-2.1	-2.6	-3.3	-3.4	-2.4	-5.1	-5.2	-4.1	-3.8
TWI (June quarter)	68.6	70.8	72.4	76.3	81.5	76.2	73.6	76.5	73.8	72.7	69.7	70.0	70.0	70.0	70.0
90-day bank bill rate (June quarter)	2.9	2.7	2.6	2.6	3.4	3.5	2.4	2.0	2.0	1.7	0.3	0.1	0.1	0.1	0.1
10-year bond rate (June quarter)	5.7	5.3	3.7	3.5	4.4	3.6	2.7	2.9	2.6	1.8	0.8	0.7	1.2	1.6	2.0
Data for 2020 and subsequently are forecasts. Data for 2019 and prior years are those that were available when the forecasts were finalised.															

Attachment Three: Bluestar (PrintLink) apology letter



Level 1, 27 Bath Street
Parnell, Auckland, 1052
New Zealand

Caro Cole
Digital Channels and Publishing Manager
The Treasury
Wellington

16th September 2020

PREFU 2020 document – incorrect version produced.

Dear Caro,

I am writing to formally apologise for the production of an incorrect version of the PREFU 2020 document which was received by Treasury at 8am this morning.

We acknowledge that the correct PDF was supplied by Treasury, however a previous version of the file was processed through our preproduction and digital departments. This is unacceptable and an incident review is underway; this is likely to invoke a corrective action plan being implemented. We have robust processes in place to ensure that this should not happen but acknowledge that we have had a failing in the process.

Upon notification of the issue, we immediately undertook to reprint the correct version and committed to provide these to you before 9am, Thursday 17th September. Please be assured that no charges will be incurred by Treasury.

We reiterate our sincere apologies and disappointment that this happened, and the inconvenience that this has caused to Treasury. I will provide you with a copy of the Incident review report and corrective action plan. Please let me know if there is anything further you require from us in the interim.

Yours sincerely,

A handwritten signature in blue ink, appearing to be "Darren Comrie", written over a light blue circular stamp.

Darren Comrie
Group General Manager

Attachment Four: Email to Parliamentary Lock-up and Restricted Briefing attendees

Email to attendees of restricted briefing and Parliamentary Lock-up:

Kia ora,

We're following up with those who attended the PREFU 2020 briefing to let you know that the printed booklets handed out at the briefing were misprinted. The printed document reflected the official forecasts in Treasury's finalised database, but was a penultimate version that did not incorporate final proofreading changes.

The electronic copies you received on USB, and the PREFU documents published on the Treasury website, are correct, accurate and the final version and can be relied on as source material:
<https://www.treasury.govt.nz/publications/efu/pre-election-economic-and-fiscal-update-2020>

The Treasury has received a formal acknowledgement and apology from the printer for not printing the final version approved by the Treasury.

We've compiled a list that identifies where the misprinted booklet differs from the published PREFU information. That list is attached.

The Treasury acknowledges responsibility and apologises for the error.

Please don't hesitate to let us know if you have any questions. We will provide you with a copy of the re-printed booklet.

Kind regards
Treasury Communications

Attachment Five: Treasury Media Statement

Treasury media statement:

Statement on PREFU printed booklet misprint

Following publication of the 2020 Pre-election Economic and Fiscal Update on Wednesday 16 September, the Treasury identified that the printed booklets provided at briefings to members of Parliament, media and analysts were misprinted. The printed document reflected the official forecasts in Treasury's finalised database, but was a penultimate version that did not incorporate final proofreading changes.

The PREFU documents published on the Treasury's website, and provided electronically to members of Parliament, media and analysts, are correct, accurate and the final version. The Treasury has received a formal acknowledgement and apology from the printer for not printing the final version approved by the Treasury.

The Treasury has communicated with all those who received misprinted booklets to make them aware of the error and to replace the printed document with the correct version.

The Treasury acknowledges responsibility and apologises for the error.

Here is the link to the 2020 PREFU on the Treasury

website: <https://www.treasury.govt.nz/publications/efu/pre-election-economic-and-fiscal-update-2020>

Email to members of Opposition (Paul Goldsmith and David Seymour):

Tēnā koe,

Further to my call, I'm writing to inform you of the issue that we have identified with the printed version of the PREFU 2020 document that was handed out at the PREFU 2020 briefing yesterday. This email provides you with further information, and a link to the statement that I have issued, which you can find here: <https://www.treasury.govt.nz/news-and-events/news/statement-prefu-printed-booklet-misprint>

We're following up with those who attended the PREFU 2020 briefing to let them know that the printed booklets handed out at the briefing were misprinted. The printed document reflected the official forecasts in Treasury's finalised database, but was a penultimate version that did not incorporate final proofreading changes. The Treasury has received a formal acknowledgement and apology from the printer for not printing the final version approved by the Treasury.

The electronic copies that were distributed on USB, and the PREFU documents published on the Treasury website, are correct, accurate and the final version and can be relied on as source material: <https://www.treasury.govt.nz/publications/efu/pre-election-economic-and-fiscal-update-2020>

We will provide your office with a copy of the re-printed PREFU document.

I acknowledge responsibility and sincerely apologise for the error. I would be happy to discuss any further questions or concerns you may have on this matter, and can be reached on s9(2)(k)

Ngā mihi

Caralee

Attachment Six: Bluestar (PrintLink) media statement

Media Statement

17 September 2020

PREFU 2020 document – incorrect version produced.

Blue Star has apologised to The Treasury for a printing error which resulted in an incorrect version of the PREFU document being delivered earlier this week.

After being notified of errors in the document, Blue Star immediately reprinted the correct document and provided stock of the PREFU to The Treasury early on Thursday morning at no further cost.

Subsequently, Blue Star Group General Manager Darren Comrie formally apologised to The Treasury.

"We acknowledge that the correct pre-press file was supplied by Treasury, however a previous version of the file was processed through our preproduction and digital departments. This was an unacceptable failing in our normally robust standards. We are reviewing the incident to understand how it happened," he said.

No further comment is available from Blue Star.

Ends

Issued by:

Darren Comrie
Group General Manager
Blue Star

Attachment Seven: Bluestar (PrintLink) initial Investigation report

Incident Report



Title: PREFU 2020 document

Business: Blue Star Jackson Street

Manager: Mat Webster- Digital Manager

Classification: The Treasury PREFU document

Date: 18th September 2020

1. Summary

The PREFU is an A4 document, consisting of 183 pp plus cover.

229 copies were produced.

The initial file was supplied to Blue Star on Wednesday 9th September at 7:14pm. There was a hard copy mockup supplied to Treasury on Thursday 10th September.

Changes were made by Treasury and a new file – version 2 was supplied to Blue Star on Friday 11th September at 9:51am. A PDF proof of version 2 was provided to Treasury at 12:30pm and was approved by Treasury on Friday 11th September at 1:23pm.

The incorrect version (the initial file), previously hard copy proofed, was printed and delivered on Wednesday 16th September at 8am. At 3pm we were notified by Treasury that the wrong version had been printed. We then printed the correct approved version 2 file overnight and delivered back to Treasury on Thursday 17th September at 8:40am.

2. What Happened

We have carried out a full investigation into the sequence of events that led to the failure of producing and delivering the correct version (version 2). From our review of events the issue was caused by two human errors from separate departments in our processes as follows:

- Prepress -The prepress operator was familiar with the document and worked on both versions. In regard to the initial file there was a hard copy proof produced and supplied to The Treasury. We were then supplied a new file – Version 2 which the prepress operator worked on and supplied a PDF proof back to The Treasury which was then signed off as OK to print. The operator then completed the appropriate check sheets but failed to practically follow those instructions, in this case the requirement to remove the initial file from the print folder and load the approved version 2 file into the print folder for digital printing. This was the critical error which led to a series of ongoing failings in the production process.
- Digital printing – additional to the prepress error, the digital print operator selected the initial file (version one) which had not been removed from the print folder when the original hard copy proofing process was completed. He then proceeded to print this version without checking it was the approved version. In this case the appropriate check sheets that follow the job through the production process from prepress, highlighted that there was a new version, being version 2 approved for printing. The operator failed to complete the required checking process. If the process had been followed, the process would have identified that the incorrect version 1 file was in the print folder, this would have then been rectified.

Incident Report



3. Recommendation

This was ultimately a case of human error in our prepress and digital print departments who failed to observe our QC processes that are well documented.

We are currently in discussion with all of our operators in both the prepress and digital printing departments regarding the importance of following our strict checking protocols. Our robust systems and checking processes are put in place to prevent this from happening and it is a requirement of the roles that these protocols are followed. As we complete our investigation it is likely that disciplinary action may be taken for those operators directly involved with this incident.

Corrective action will include further training with all staff in relation to the importance of our QC processes. We are also reviewing the addition of a supervisory check post printing, and if it is feasible to introduce some additional automated processes to "move" files to an alternate location post print.

We have also put in place immediately for Treasury documents a final check prior to despatch by an authorised Account Manager, ensuring that documents printed align to final sign-off.

Darren Comrie Group General Manager – Wellington Region
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Petone, Wellington