

Interim Financial Statements of the Government of New Zealand

For the Eleven Months Ended
31 May 2022



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Commentary

COMMENTARY

These financial statements reflect the financial position (service potential and financial capacity) as at 31 May 2022, and the financial results of operations and cash flows for the period ended on that date.

The May results are reported against forecasts based on the *Budget Economic and Fiscal Update 2022* (BEFU 2022), published on 19 May 2022 and the results against the same period for the previous year.

Comparison against forecast

The May 2022 Interim Financial Statements of the Government show most operating indicators are tracking better than forecast as core Crown tax revenue outturns have exceeded expectations and there are some delays in core Crown expenses. Core Crown revenue was \$2.9 billion higher than forecasts driven by core Crown tax revenue, while core Crown expenses were \$1.4 billion lower than forecast.

The year-to-date results continue to show a stronger than expected operating balance before gains and losses (OBEGAL) deficit of \$7.5 billion, \$5.5 billion stronger than the deficit forecast. At this stage it is expected that some of the strength in OBEGAL will persist until year end.

The core Crown tax revenue has not yet fully translated to an improvement in tax receipts. This coupled with unfavourable valuation movements sees net debt being \$4.3 billion higher than forecast. Unlike the previous debt measure (net core Crown debt), the movement in the new measure is influenced by a wider range of factors than residual cash, more information is provided in a box on page 5.

Table 1 – Key indicators for the eleven months ended 31 May 2022 compared to BEFU 2022

	Year to date				Full Year
	May	May	Variance ²	Variance	June
	2022	2022			2022
	Actual ¹	BEFU 2022 Forecast ¹	BEFU 2022	BEFU 2022	BEFU 2022 Forecast ³
	\$m	\$m	\$m	%	\$m
Core Crown tax revenue	98,861	95,979	2,882	3.0	103,796
Core Crown revenue	107,124	104,150	2,974	2.9	112,910
Core Crown expenses	113,185	114,549	1,364	1.2	128,444
Core Crown residual cash	(24,902)	(25,122)	220	0.9	(31,780)
Net debt ⁴	59,073	54,781	(4,292)	(7.8)	61,163
as a percentage of GDP	16.6%	15.4%			16.9%
Gross debt	117,772	114,780	(2,992)	(2.6)	115,139
as a percentage of GDP	33.1%	32.2%			31.8%
Operating balance before gains and losses	(7,553)	(13,032)	5,479	42.0	(18,978)
Operating balance (excluding minority interests)	(11,244)	(21,354)	10,110	47.3	(27,880)
Total borrowings	202,617	193,979	(8,638)	(4.5)	200,518
Net worth attributable to the Crown	141,033	130,657	10,376	7.9	123,853
as a percentage of GDP	39.6%	36.7%			34.2%

1 Using the most recently published GDP (for the year ended 31 March 2022) of \$355,916 million (Source: Stats NZ).

2 Favourable variances against forecast have a positive sign and unfavourable variances against forecast have a negative sign.

3 Using BEFU 2022 forecast GDP for the year ending 30 June 2022 of \$362,367 million (Source: The Treasury).

4 The net debt indicator includes core Crown advances, Crown entity borrowings and the financial assets and borrowings of the New Zealand Super Fund (NZS Fund). Net core Crown debt (the previous headline net debt indicator) was \$126.7 billion (35.6% of GDP) at 31 May 2022 with a forecast of \$126.8 billion (35.6% of GDP). A reconciliation between net debt and net core Crown debt can be found on page 5 of the financial statements.

Core Crown tax revenue for the eleven months ended 31 May 2022 was \$2.9 billion (3.0%) above forecast. The largest contributors to the variance were:

- Corporate tax revenue was \$1.6 billion (9.4%) above forecast, and net other individuals' tax revenue was \$0.7 billion (8.7%) above forecast. For both tax types, terminal tax revenue for the 2021 tax year and provisional tax revenue for the 2022 tax year are both above forecast.
- Source deductions revenue was \$0.6 billion (1.5%) above forecast, as gross salary and wage earnings through the March quarter were higher than forecast.

Similar to the trend reported in previous months, the variance in **core Crown tax receipts** of \$0.6 billion (0.6%) is less than the variance in core Crown tax revenue and there remains a risk that some payments from the stronger core Crown tax revenue outturn may fall into the 2022/23 fiscal year, when terminal tax is due.

Core Crown expenses were \$113.2 billion, \$1.4 billion (1.2%) below forecast. When core Crown expenses are considered without the Treasury's central top-down adjustment, core Crown expenses were \$3.8 billion lower than expected mainly reflecting timing delays in spending from Government departments. The largest variances noted include:

- Health expenditure being less than forecast by \$1.1 billion with the COVID-19 response impacting spending.
- Economic and industrial services expenses were \$0.6 billion below forecast with grant expenditure and some COVID-19 response related costs being below forecast.
- Core government services being below forecast by \$0.4 billion which is spread across a range of programmes and agencies.
- Social security and welfare expenses being below forecast by \$0.4 billion because of lower than forecast benefit expenses and a reduction in work relating to COVID-19 related issues.
- Education expenditure being below forecast by \$0.3 billion due to delays across a range of projects and costs
- Transport and communications expenditure was below forecast by \$0.3 billion as a result of variances in timing of drawing down funding associated with the temporary reductions to public transport and road user charges and costs associated with public private partnerships not yet being recognised.

The **OBEGAL** deficit of \$7.6 billion was \$5.4 billion better than the forecast deficit of \$13.0 billion. This variance mainly reflects the core Crown results discussed above. In addition, the results of Crown entities (CEs) and State-owned Enterprises (SOEs), were both stronger than forecast.

The **operating balance** was a deficit of \$11.2 billion, \$10.1 billion lower than the deficit forecast due to the variance in the OBEGAL result and the better-than-expected variance in the valuations of financial and non-financial instruments, specifically:

- Net losses on non-financial instruments were \$8.9 billion lower than the losses forecast for the period. This is primarily due to the actuarial valuation of the ACC outstanding claims liability being \$9.0 billion less than expected driven by the increase in the discount rate assumption used to value the liability.
- Net losses on financial instruments were higher than forecast by \$4.0 billion. This result was largely due to changes in market conditions resulting in the returns on the New Zealand Superannuation Fund (NZSF) and ACC's investment portfolios being below forecast.

The **core Crown residual cash** deficit of \$24.9 billion, was \$0.2 billion lower than the deficit forecast. While tax receipts were \$0.6 billion above forecast and operating expense payments were close to forecast, net core Crown capital cash outflows were \$0.6 billion higher than forecast, which was the result of a range of factors.

As at 31 May 2022 **net debt** was \$59.1 billion (16.6% of GDP), \$4.3 billion higher than forecast, broadly in line with the variance at 30 April 2022. The key drivers in the variance are NZSF net financial assets being below forecast by \$2.7 billion primarily as a result of valuation changes and Crown Entity borrowings being \$1.7 billion higher than forecast as a result of losses on derivatives of \$1.3 billion and Kāinga Ora borrowings being \$1.0 billion greater than forecast, this is partially offset by NZTA borrowings being \$0.4 billion below forecast.

Gross debt at \$117.8 billion (33.1% of GDP), was \$3.0 billion higher than forecast mainly owing to the issuance of \$1.4 billion in euro-commercial paper, derivative liabilities being greater than forecast by \$0.9 billion and treasury bills being \$0.4 billion higher than forecast.

Total borrowings were \$202.6 billion, \$8.6 billion higher than forecast. The increase reflects the variance in gross debt above, an increase in the value of derivatives in loss held outside of the core Crown (\$2.5 billion), Kāinga Ora borrowing being \$1.0 billion greater than forecast and the higher level of settlement deposits held with the Reserve Bank (\$2.8 billion). These variances are partially offset by customer deposits within Kiwi Group Holdings being \$0.5 billion below forecast.

Total assets at \$469.4 billion were \$12.8 billion above forecast. This was primarily owing to holdings of marketable securities, long-term deposits and derivative assets and receivables and cash being above forecast by \$15.1 billion. Share investments and property, plant and equipment were all below forecast, \$3.0 billion collectively.

Total liabilities at \$321.6 billion were \$2.3 billion higher than forecast largely owing to higher total borrowings and payables being \$10.7 billion above forecast in total, partially offset by the reduction in insurance liabilities (mainly the ACC outstanding claims liability, as mentioned above).

Net worth attributable to the Crown was \$141.0 billion at 31 May 2022, \$10.4 billion higher than forecast. This is mainly driven by the favourable operating balance variance previously mentioned.

Changes to the Government's key fiscal indicators

The Government has recently announced a new headline debt measure which was first reported in the *2022 Budget Economic and Fiscal Update (BEFU 2022)*. The new measure is more comprehensive than the previously used headline debt measure (net core Crown debt). The headline debt indicator now includes core Crown advances, Crown Entity borrowings and the financial assets and borrowings of the NZSF. In *BEFU 2022*, the Government also announced their objective to keep new debt measure under a ceiling of 30% of GDP, subject to significant shocks.

The changes to the coverage of the headline debt measure bring New Zealand's net debt indicator closer to international norms, allowing for better comparison of fiscal sustainability against other countries. However, whilst these changes go some way towards addressing international measurement differences, a wide variety of different methodologies are used to measure net debt internationally, making full alignment challenging. New Zealand's new net debt measure will still not be fully comparable with international methodologies due to a variety of factors (for example, in the treatment of local government and central banks).

The move to broaden the headline debt measure is likely to add more volatility to the level of net debt over short time horizons. This is because the headline debt measure now includes more financial instruments that are sensitive to changes in market conditions. This has been illustrated in the results at 31 May 2022, as the net financial assets of the NZSF are lower than forecast by \$2.7 billion and Crown Entity borrowings are higher than forecast by \$1.7 billion at 31 May 2022 (Table 2). These variances are largely owing to changes in market conditions since the forecasts were prepared, which has resulted in \$2.4 billion of net losses on investments and derivatives of the NZSF and ACC's derivatives in loss being \$1.0 billion higher than forecast at the *BEFU 2022*.

Although the additional volatility may result in big shifts in the near-term net debt level, this does not necessary signal that there needs to be a change in fiscal policy settings in order to achieve the Government's fiscal objectives over a longer time horizon.

Going forward, net core Crown debt (the previous headline debt indicator) will be phased out from being reported within the interim Financial Statements of the Government. However, net core Crown debt will continue to be published in the historical fiscal time series within the *Economic and Fiscal Update* documents for a transitional period to aid transparency and comparability with the new headline net debt measure.

Table 2 – Reconciliation between net debt and net core Crown debt

	Year to date		Full Year	
	May 2022 Actual \$m	May 2022 BEFU 2022 Forecast \$m	Variance BEFU 2022 \$m	June 2022 BEFU 2022 Forecast \$m
Net core Crown debt	126,727	126,751	24	133,618
<i>Include</i>				
Core Crown advances	(26,132)	(26,104)	28	(26,312)
Net NZSF financial assets and borrowings	(57,060)	(59,727)	(2,667)	(60,300)
Crown entity borrowings	15,538	13,861	(1,677)	14,157
Net Debt	59,073	54,781	(4,292)	61,163
 %of GDP				
Net core Crown debt	35.6	35.6		36.9
Net debt	16.6	15.4		16.9

Comparison against the prior year actuals

Table 3 – Key indicators for the eleven months ended 31 May 2022 compared to prior year actuals

	Year to date				Full Year
	May 2022	May 2021	Variance ³	Variance	June 2021
	Actual ¹ \$m	Prior Year Actual ² \$m	to 2020 \$m	to 2020 %	Prior Year Actual ⁴ \$m
Core Crown tax revenue	98,861	89,011	9,850	11.1	97,983
Core Crown revenue	107,124	94,961	12,163	12.8	104,968
Core Crown expenses	113,185	97,438	(15,747)	(16.2)	107,901
Core Crown residual cash	(24,902)	(13,104)	(11,798)	(90.0)	(13,767)
Net debt ⁵	59,073	37,462	(21,611)	(57.7)	35,921
as a percentage of GDP	16.6%	11.4%			10.5%
Gross debt	117,772	99,026	(18,747)	(18.9)	100,835
as a percentage of GDP	33.1%	30.2%			29.5%
Operating balance before gains and losses	(7,553)	(3,644)	(3,909)	(107.3)	(4,697)
Operating balance (excluding minority interests)	(11,244)	14,656	(25,900)	(176.7)	16,022
Total Borrowings	202,617	160,798	(41,819)	(26.0)	162,560
Net worth attributable to the Crown	141,033	125,384	15,649	12.5	151,171
as a percentage of GDP	39.6%	38.3%			44.2%

1 Using the most recently published GDP (for the year ended 31 March 2022) of \$355,916 million (Source: Stats NZ).

2 Using prior year published GDP (for the year ended 31 March 2021) of \$327,590 million (Source: Stats NZ).

3 Favourable variances against forecast have a positive sign and unfavourable variances against forecast have a negative sign.

4 Using published GDP for the year ended 30 June 2021 of \$342,297 million (Source: Stats NZ).

5 The net debt indicator includes core Crown advances, Crown entity borrowings and the financial assets and borrowings of the New Zealand Super Fund (NZS Fund).

Core Crown tax revenue for the eleven months ended May 2022 was \$9.9 billion (11.1%) above the same period last year. The largest movements came from:

- Source deduction revenue was \$4.0 billion (11.6%) up on last year, mainly owing to wage inflation. The 2022 year-to-date also includes roughly \$0.3 billion in additional revenue owing to the introduction of the 39% personal income tax rate for income over \$180,000 per year.
- Corporate tax revenue was \$3.7 billion (25.8%) and other individuals' tax revenue was \$2.2 billion (32.8%) up on last year, mainly owing to an increase in taxable profits through the 2021 income tax year.
- GST revenue was up \$0.8 billion (3.4%) on the previous year. The varying levels of restrictions due to COVID-19 over the current and prior periods is causing variability in GST revenue when compared to the prior period.
- Offsetting these, other direct taxes were \$0.6 billion (27.7%) better forecast as revenue resident withholding tax on interest reduced.

The drivers of the stronger tax revenue mentioned above have also impacted **core Crown tax receipts** which were \$6.8 billion (7.7%) up on the corresponding period last year. The largest movements came from:

- source deduction receipts that were greater by \$4.4 billion (12.8%)
- other individuals' tax receipts that were \$1.3 billion higher (19.9%)
- corporate tax receipts that were \$1.3 billion higher (7.8%)
- GST receipts that were up \$0.6 billion (2.8%)
- offsetting these was other direct taxes where were down \$0.7 billion (27.7%).

Core Crown expenses were \$15.7 billion (16.2%) higher than the same time last year, at \$113.2 billion. The variance was largely driven by the impacts of COVID-19:

- Wage subsidy scheme payments (\$3.5 billion higher than last year).
- COVID-19 resurgence and support payments of \$4.0 billion (\$3.8 billion higher than last year).
- Increased expenses in health and education (respectively, \$4.3 billion, and \$2.3 billion higher than last year) largely as a result of COVID-19 funding.

Core Crown residual cash was a deficit of \$24.9 billion, \$11.8 billion greater than the deficit for May 2021. The main contributor to the variance is the introduction of the FLP which is a key driver in net advances outflow increasing by \$4.0 billion. Increased net operating cashflows account for \$7.0 billion of the larger deficit, primarily driven by the factors mentioned in core Crown tax revenue and core Crown expenses above.

Net debt was \$21.6 billion higher than the same time last year and as a share of the economy, net debt increased to 16.6% of GDP (compared to 11.4% of GDP a year earlier). This increase is largely driven by the greater spending, in part due to COVID-19 fiscal support measures introduced following the COVID-19 outbreaks and losses on financial instruments.

Net worth attributable to the Crown was \$141.0 billion (39.6% of GDP) at 31 May 2022, which is \$15.6 billion higher than 31 May 2021. This variance is mostly driven by an increase in the property revaluations of \$22.2 billion and decreases of change of \$2.8 billion from the defined benefit retirement plan and veteran's disability entitlements. The operating balance since May 2021 partially offsets this.



Unaudited Interim Financial Statements

STATEMENT OF FINANCIAL PERFORMANCE

For the eleven months ended 31 May 2022

Year to 30 June 2021	11 months to 31 May 2021			Current Year Actual vs Forecast				Annual BEFU
Actual \$m	Actual \$m		Note	Actual \$m	Forecast \$m	Variance \$m	%	Forecast \$m
		Revenue						
97,362	88,434	Taxation revenue	2	98,369	95,390	2,979	3.1	103,165
7,038	6,144	Other sovereign revenue	2	8,019	7,853	166	2.1	8,706
104,400	94,578	Total revenue levied through the Crown's Sovereign Power		106,388	103,243	3,145	3.0	111,871
18,500	17,198	Sales of goods and services		15,648	15,154	494	3.3	16,819
2,846	2,645	Interest revenue and dividends	3	3,113	2,978	135	4.5	3,235
3,589	3,206	Other revenue		3,545	3,599	(54)	(1.5)	3,871
24,935	23,049	Total revenue earned through the Crown's operations		22,306	21,731	575	2.6	23,925
129,335	117,627	Total revenue (excluding gains)		128,694	124,974	3,720	3.0	135,796
		Expenses						
35,427	32,347	Transfer payments and subsidies	4	40,870	41,128	258	0.6	44,750
29,817	26,563	Personnel expenses		29,050	28,711	(339)	(1.2)	31,325
6,901	6,147	Depreciation and amortisation		5,936	6,140	204	3.3	7,234
52,604	47,770	Other operating expenses		51,503	55,321	3,818	6.9	65,052
2,272	2,156	Finance costs	5	2,926	2,937	11	0.4	3,355
6,838	6,141	Insurance expenses	6	5,932	6,286	354	5.6	6,729
-	-	Forecast new operating spending	7	-	-	-	-	592
-	-	Top-down expense adjustment	7	-	(2,490)	(2,490)	(100.0)	(4,150)
133,859	121,124	Total expenses (excluding losses)		136,217	138,033	1,816	1.3	154,887
		Gains/(losses)						
(3,976)	(3,967)	Net gains/(losses) on large scale asset purchases		(1)	(1)	-	-	(1)
18,130	15,036	Net gains/(losses) on financial instruments		(5,229)	(1,271)	(3,958)	(311.4)	(1,383)
6,869	7,774	Net gains/(losses) on non-financial instruments	8	1,965	(6,931)	8,896	128.4	(7,357)
21,023	18,843	Total gains/(losses)		(3,265)	(8,203)	4,938	60.2	(8,741)
		Other interests						
(360)	(502)	Net surplus/(deficit) from associates and joint ventures		29	143	(114)	(79.7)	158
(117)	(188)	Less minority interests share of operating balance		(485)	(235)	(250)	(106.4)	(206)
16,022	14,656	Operating balance (excluding minority interests)		(11,244)	(21,354)	10,110	47.3	(27,880)
117	188	Minority interests share of operating balance		485	235	250	106.4	206
16,139	14,844	Operating balance (including minority interests)		(10,759)	(21,119)	10,360	49.1	(27,674)

The accompanying notes and accounting policies are an integral part of these statements.

STATEMENT OF COMPREHENSIVE REVENUE AND EXPENSE

For the eleven months ended 31 May 2022

Year to 30 June 2021 Actual \$m	11 months to 31 May 2021 Actual \$m		Current Year Actual vs Forecast				Annual BEFU Forecast \$m
			Actual \$m	Forecast \$m	Variance \$m	%	
16,139	14,844	Operating balance (including minority interest)	(10,759)	(21,119)	10,360	49.1	(27,674)
		Other comprehensive revenue and expense					
22,539	(253)	Revaluation of physical assets	123	167	(44)	(26.3)	216
		Revaluation of defined benefit retirement					
2,325	618	plan schemes	692	655	37	5.6	711
436	-	Revaluation of veterans' disability entitlements	-	-	-	-	-
(143)	(5)	Transfers to/(from) reserves	505	332	173	52.1	224
		(Gains)/losses transferred to the					
181	3	statement of financial performance	(77)	(66)	(11)	(16.7)	(74)
		Foreign currency translation differences on					
8	(54)	foreign operations	23	(6)	29	483.3	(5)
15	131	Other movements	(150)	(155)	5	3.2	(455)
25,361	440	Total other comprehensive revenue and expense	1,116	927	189	20.4	617
41,500	15,284	Total comprehensive revenue and expense	(9,643)	(20,192)	10,549	52.2	(27,057)
		Attributable to:					
488	59	- minority interest	495	322	173	53.7	261
41,012	15,225	- the Crown	(10,138)	(20,514)	10,376	50.6	(27,318)
41,500	15,284	Total comprehensive revenue and expense	(9,643)	(20,192)	10,549	52.2	(27,057)

STATEMENT OF CHANGES IN NET WORTH

For the eleven months ended 31 May 2022

Year to 30 June 2021 Actual \$m	11 months to 31 May 2021 Actual \$m		Current Year Actual vs Forecast				Annual BEFU Forecast \$m
			Actual \$m	Forecast \$m	Variance \$m	%	
115,782	115,782	Opening net worth	156,895	156,895	-	-	156,895
16,139	14,844	Operating balance (including minority interest)	(10,759)	(21,119)	10,360	49.1	(27,674)
22,539	(253)	Net revaluations	123	167	(44)	(26.3)	216
		Net revaluations of defined benefit retirement					
2,325	618	plan schemes	692	655	37	5.6	711
436	-	Net revaluations of veterans' disability entitlements	-	-	-	-	-
(143)	(5)	Transfers to/(from) reserves	505	332	173	52.1	224
		(Gains)/losses transferred to the					
181	3	statement of financial performance	(77)	(66)	(11)	(16.7)	(74)
		Foreign currency translation differences on					
8	(54)	foreign operations	23	(6)	29	483.3	(5)
15	131	Other movements	(150)	(155)	5	3.2	(455)
41,500	15,284	Total comprehensive revenue and expense	(9,643)	(20,192)	10,549	52.2	(27,057)
(387)	(376)	Transactions with minority interests	538	531	7	1.3	530
156,895	130,690	Closing net worth	147,790	137,234	10,556	7.7	130,368

The accompanying notes and accounting policies are an integral part of these statements.

STATEMENT OF CASH FLOWS

For the eleven months ended 31 May 2022

Year to 30 June 2021	11 months to 31 May 2021			Current Year Actual vs Forecast				Annual BEFU Forecast
Actual \$m	Actual \$m		Note	Actual \$m	Forecast \$m	Variance \$m	%	Forecast \$m
Cash flows from operations								
Cash was provided from								
95,382	87,936	Taxation receipts		94,679	94,129	550	0.6	101,430
6,424	5,951	Other sovereign receipts		6,858	6,943	(85)	(1.2)	7,704
17,732	16,472	Sales of goods and services		15,621	15,491	130	0.8	17,108
1,670	1,584	Interest receipts		1,748	1,625	123	7.6	1,768
4,814	4,107	Other operating receipts		4,469	4,384	85	1.9	4,649
126,022	116,050	Total cash provided from operations		123,375	122,572	803	0.7	132,659
Cash was disbursed to								
35,515	32,514	Transfer payments and subsidies		41,202	41,559	357	0.9	44,987
84,256	78,161	Personnel and operating payments		84,715	88,604	3,889	4.4	99,805
3,147	3,067	Interest payments		3,002	3,038	36	1.2	3,297
-	-	Forecast new operating spending	7	-	-	-	-	592
-	-	Top-down expense adjustment	7	-	(2,490)	(2,490)	(100.0)	(4,150)
122,918	113,742	Total cash disbursed to operations		128,919	130,711	1,792	1.4	144,531
3,104	2,308	Net cash flows from operations		(5,544)	(8,139)	2,595	31.9	(11,872)
Cash flows from investing activities								
Cash was provided from/(disbursed to)								
(9,393)	(8,645)	Net (purchase)/sale of physical assets		(9,757)	(11,034)	1,277	11.6	(13,170)
4,189	5,371	Net (purchase)/sale of shares and other securities		(4,776)	(1,133)	(3,643)	(321.5)	4,767
(898)	(704)	Net (purchase)/sale of intangible assets		(781)	(805)	24	3.0	(996)
(5,663)	(5,539)	Net (issue)/repayment of advances		(10,613)	(9,938)	(675)	(6.8)	(11,254)
(392)	(372)	Net acquisition of investments in associates		(561)	(498)	(63)	(12.7)	(611)
-	-	Forecast new capital spending	7	-	-	-	-	(963)
-	-	Top-down capital adjustment	7	-	1,050	(1,050)	(100.0)	1,750
(12,157)	(9,889)	Net cash flows from investing activities		(26,488)	(22,358)	(4,130)	(18.5)	(20,477)
(9,053)	(7,581)	Net cash flows from operating and investing activities		(32,032)	(30,497)	(1,535)	(5.0)	(32,349)
Cash Flows from financing activities								
Cash was provided from/(disbursed to)								
234	220	Issues of circulating currency		814	896	(82)	(9.2)	903
1,158	(1,350)	Net issue/(repayment) of Government bonds		17,765	18,485	(720)	(3.9)	18,993
348	702	Net issue/(repayment) of foreign currency borrowing		1,321	(2,230)	3,551	159.2	(2,550)
5,847	5,153	Net issue/(repayment) of other New Zealand dollar borrowing		13,098	11,404	1,694	14.9	12,803
-	-	Net issue/(purchase) of equity		814	815	(1)	(0.1)	806
(373)	(377)	Dividends paid to minority interests		(315)	(277)	(38)	(13.7)	(253)
7,214	4,348	Net cash flows from financing activities		33,497	29,093	4,404	15.1	30,702
(1,839)	(3,233)	Net movement in cash		1,465	(1,404)	2,869	204.3	(1,647)
21,927	21,927	Opening cash balance		18,755	18,755	-	-	18,755
(1,333)	(1,583)	Foreign-exchange gains/(losses) on opening cash		(74)	236	(310)	(131.4)	209
18,755	17,111	Closing cash balance		20,146	17,587	2,559	14.6	17,317

The accompanying notes and accounting policies are an integral part of these statements.

STATEMENT OF CASH FLOWS (CONTINUED)

For the eleven months ended 31 May 2022

Year to 30 June 2021	11 months to 31 May 2021		Current Year Actual vs Forecast				Annual BEFU Forecast \$m
			Actual \$m	Forecast \$m	Variance \$m	%	
		Reconciliation between the net cash flows from operations and the operating balance					
3,104	2,308	Net cash flows from operations	(5,544)	(8,139)	2,595	31.9	(11,872)
		Gains/(losses) and other interests					
18,130	15,036	Net gains/(losses) on financial instruments	(5,229)	(1,271)	(3,958)	(311.4)	(1,383)
6,869	7,774	Net gains/(losses) on non-financial instruments	1,965	(6,931)	8,896	128.4	(7,357)
(3,976)	(3,967)	Net gains/(losses) on large scale asset purchases	(1)	(1)	-	-	(1)
(360)	(502)	Net surplus from associates and joint ventures	29	143	(114)	(79.7)	158
(117)	(188)	Minority interests share of operating balance	(485)	(235)	(250)	(106.4)	(206)
20,546	18,153	Total gains/(losses) and other interests	(3,721)	(8,295)	4,574	55.1	(8,789)
		Other non-cash items in operating balance					
(6,901)	(6,147)	Depreciation and amortisation	(5,936)	(6,140)	204	3.3	(7,234)
(1,039)	(876)	Cost of concessionary lending	(750)	(1,091)	341	31.3	(1,327)
		Impairment of financial assets					
(1)	(27)	(excluding receivables)	(31)	(29)	(2)	(6.9)	(104)
(1,868)	(1,645)	Change in accumulating insurance expenses	(1,683)	(1,866)	183	9.8	(1,594)
733	626	Change in accumulating pension expenses	582	929	(347)	(37.4)	1,102
149	-	Other	-	-	-	-	-
(8,927)	(8,069)	Total other non-cash items	(7,818)	(8,197)	379	4.6	(9,157)
		Movements in working capital					
1,481	447	Increase/(decrease) in receivables	4,140	568	3,572	-	523
1,126	1,194	Increase/(decrease) in accrued interest	349	420	(71)	(16.9)	260
421	275	Increase/(decrease) in inventories	620	423	197	46.6	422
63	179	Increase/(decrease) in prepayments	349	481	(132)	(27.4)	357
40	2	Decrease/(increase) in deferred revenue	(656)	(215)	(441)	(205.1)	(136)
(1,832)	167	Decrease/(increase) in payables/provisions	1,037	1,600	(563)	(35.2)	512
1,299	2,264	Total movements in working capital	5,839	3,277	2,562	78.2	1,938
16,022	14,656	Operating balance (excluding minority interests)	(11,244)	(21,354)	10,110	47.3	(27,880)

The accompanying notes and accounting policies are an integral part of these statements.

STATEMENT OF FINANCIAL POSITION

As at 31 May 2022

As at 30 June 2021 Actual \$m	As at 31 May 2021 Actual \$m		Current Year Actual vs Forecast				Annual BEFU Forecast \$m
		Note	Actual \$m	Forecast \$m	Variance \$m	%	
Assets							
18,755	17,111	9	20,146	17,587	2,559	14.6	17,317
26,829	26,194	9	32,339	27,268	5,071	18.6	27,083
56,783	58,350	9	62,352	54,836	7,516	13.7	53,940
48,539	46,043	9	48,518	50,641	(2,123)	(4.2)	50,853
45,612	44,284	9	56,360	56,861	(501)	(0.9)	57,348
4,718	4,295	9	5,027	4,825	202	4.2	4,849
2,194	2,048		2,814	2,617	197	7.5	2,616
3,928	3,637		3,964	4,060	(96)	(2.4)	3,894
213,216	190,099	10	218,983	219,840	(857)	(0.4)	221,570
14,421	14,165		14,937	15,027	(90)	(0.6)	15,142
3,303	4,145		3,929	4,044	(115)	(2.8)	3,577
-	-	7	-	-	-	-	963
-	-	7	-	(1,050)	1,050	100.0	(1,750)
438,298	410,371		469,369	456,556	12,813	2.8	457,402
Liabilities							
8,256	8,243		9,070	9,151	81	0.9	9,159
17,577	16,521	11	16,520	14,425	(2,095)	(14.5)	15,625
2,549	2,589		3,204	2,763	(441)	(16.0)	2,685
162,560	160,798	12	202,617	193,979	(8,638)	(4.5)	200,518
60,336	59,937	13	56,136	65,318	9,182	14.1	65,384
11,038	12,785		9,749	9,770	21	0.2	9,663
19,087	18,808	14	24,283	23,916	(367)	(1.5)	24,000
281,403	279,681		321,579	319,322	(2,257)	(0.7)	327,034
156,895	130,690		147,790	137,234	10,556	7.7	130,368
Net worth							
19,559	18,287	15	8,395	(1,881)	10,276	-	(8,674)
134,003	111,726	15	133,948	134,102	(154)	(0.1)	134,125
(1,560)	(3,267)	15	(868)	(905)	37	4.1	(849)
(659)	(1,095)	15	(659)	(659)	-	-	(659)
(172)	(267)	15	217	-	217	-	(90)
151,171	125,384		141,033	130,657	10,376	7.9	123,853
5,724	5,306	15	6,757	6,577	180	2.7	6,515
156,895	130,690		147,790	137,234	10,556	7.7	130,368

1. Equity accounted investments include Universities and Wānanga and City Rail Link Limited.

The accompanying notes and accounting policies are an integral part of these statements.

STATEMENT OF SEGMENTS

For the eleven months ended 31 May 2022

	Current Year Actual vs Forecast									
	Core Crown		Crown entities		State-owned Enterprises		Inter-segment eliminations		Total Crown	
	Actual \$m	Forecast \$m	Actual \$m	Forecast \$m	Actual \$m	Forecast \$m	Actual \$m	Forecast \$m	Actual \$m	Forecast \$m
Revenue										
Taxation revenue	98,861	95,979	-	-	-	-	(492)	(589)	98,369	95,390
Other sovereign revenue	3,968	3,855	5,902	5,869	-	-	(1,851)	(1,871)	8,019	7,853
Revenue from core Crown funding	-	-	35,789	35,703	836	808	(36,625)	(36,511)	-	-
Sales of goods and services	1,240	1,421	2,457	2,460	12,501	11,890	(550)	(617)	15,648	15,154
Interest and dividend revenue	2,066	1,914	1,193	1,158	836	830	(982)	(924)	3,113	2,978
Other revenue	989	981	2,916	3,298	834	765	(1,194)	(1,445)	3,545	3,599
Total Revenue (excluding gains)	107,124	104,150	48,257	48,488	15,007	14,293	(41,694)	(41,957)	128,694	124,974
Expenses										
Transfer payments and subsidies	41,984	42,256	-	-	-	-	(1,114)	(1,128)	40,870	41,128
Personnel expenses	8,878	9,096	17,614	17,113	2,607	2,539	(49)	(37)	29,050	28,711
Other operating expenses	59,769	63,193	31,518	33,104	11,187	10,772	(39,103)	(39,322)	63,371	67,747
Interest expenses	2,554	2,494	202	215	555	576	(385)	(348)	2,926	2,937
Forecast new operating spending and top-down adjustment	-	(2,490)	-	-	-	-	-	-	-	(2,490)
Total Expenses (excluding losses)	113,185	114,549	49,334	50,432	14,349	13,887	(40,651)	(40,835)	136,217	138,033
Gains/(losses) and other items	(8,365)	(4,768)	2,126	(4,371)	465	362	2,053	482	(3,721)	(8,295)
Operating Balance (excluding minority interests)	(14,426)	(15,167)	1,049	(6,315)	1,123	768	1,010	(640)	(11,244)	(21,354)
Assets										
Financial assets	146,229	138,537	66,027	64,815	38,410	36,927	(25,924)	(28,261)	224,742	212,018
Property, plant and equipment	53,304	53,409	123,263	123,844	42,415	42,587	-	-	218,983	219,840
Investments in associates, CEs and SOEs	57,826	58,132	12,972	12,986	365	336	(56,226)	(56,427)	14,937	15,027
Other assets	5,803	5,563	2,589	2,783	2,905	2,948	(590)	(573)	10,707	10,721
Forecast new capital spending and top-down capital adjustments	-	(1,050)	-	-	-	-	-	-	-	(1,050)
Total Assets	263,162	254,591	204,851	204,428	84,095	82,798	(82,740)	(85,261)	469,369	456,556
Liabilities										
Borrowings	166,488	159,807	15,538	13,861	41,266	41,607	(20,675)	(21,296)	202,617	193,979
Other liabilities	50,293	49,271	70,035	78,388	9,976	8,988	(11,342)	(11,304)	118,962	125,343
Total Liabilities	216,781	209,078	85,573	92,249	51,242	50,595	(32,017)	(32,600)	321,579	319,322
Net Worth	46,381	45,513	119,278	112,179	32,853	32,203	(50,723)	(52,661)	147,790	137,234
Cost of Acquisition of Physical Assets (Cash)	3,143	3,201	5,371	6,207	1,957	2,223	-	-	10,472	11,631

The accompanying notes and accounting policies are an integral part of these statements.

STATEMENT OF COMMITMENTS

As at 31 May 2022

	As at 31 May 2022 \$m	As at 30 Jun 2021 \$m	As at 31 May 2021 \$m
Capital Commitments			
State highways ¹	2,751	2,745	3,161
Specialist military equipment	2,218	2,598	2,537
Land and buildings	6,435	6,044	5,682
Other property, plant and equipment	4,827	4,431	3,411
Other capital commitments	724	1,031	1,499
Universities and Wānanga	875	875	400
Total capital commitments	17,830	17,724	16,690
Operating Commitments			
Non-cancellable accommodation leases	5,146	5,342	5,018
Other non-cancellable leases	3,574	3,866	3,898
Universities and Wānanga	1,137	1,137	1,084
Total operating commitments	9,857	10,345	10,000
Total commitments	27,687	28,069	26,690
Total Commitments by Segment			
Core Crown ²	11,541	12,351	12,282
Crown entities ¹	9,421	9,063	8,503
State-owned Enterprises	6,963	6,896	6,195
Inter-segment eliminations ²	(238)	(241)	(290)
Total commitments	27,687	28,069	26,690

1. The May 2021 state highway network capital commitments have been restated to \$3,161 million to reflect the contracted work remaining.

2. Core Crown commitments and inter-segment eliminations for May and June 2021 have been restated to exclude loan commitments.

The total Crown commitments exclude external loan commitments.

STATEMENT OF CONTINGENT LIABILITIES AND ASSETS

As at 31 May 2022

	As at 31 May 2022 \$m	As at 30 Jun 2021 \$m	As at 31 May 2021 \$m
Quantifiable Contingent Liabilities			
Uncalled capital	8,855	8,568	8,483
Guarantees and indemnities	422	348	290
Legal proceedings and disputes	327	313	454
Other contingent liabilities	835	567	542
Total quantifiable contingent liabilities	10,439	9,796	9,769
Total Quantifiable Contingent Liabilities by Segment			
Core Crown	10,107	9,538	9,484
Crown entities	165	157	177
State-owned Enterprises	224	196	203
Inter-segment eliminations	(57)	(95)	(95)
Total quantifiable contingent liabilities	10,439	9,796	9,769
Quantifiable Contingent Assets			
Core Crown	26	37	22
Crown entities	21	21	26
State-owned Enterprises	-	-	-
Inter-segment eliminations	-	-	-
Total quantifiable contingent assets	47	58	48

A list of unquantifiable contingent liabilities as at 31 March 2022 and their descriptions is included on the Treasury's website as part of the BEFU 2022. This can be found on pages 103 to 108.

<https://www.treasury.govt.nz/publications/efu/budget-economic-and-fiscal-update-2022>

The accompanying notes and accounting policies are an integral part of these statements.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1: Accounting Policies

Reporting Entity

These financial statements are the consolidated financial statements for the Government reporting entity as specified in Part III of the Public Finance Act 1989. This comprises:

- Ministers of the Crown
- Government departments
- Offices of Parliament
- New Zealand Superannuation Fund
- Reserve Bank of New Zealand
- State-owned Enterprises (SOEs)
- Crown entities (excluding Universities and Wānanga)
- Air New Zealand Limited
- Kiwi Group Holdings Limited (including Kiwibank)
- Organisations listed in Schedule 4 and 4A of the Public Finance Act 1989
- Organisations listed in Schedule 5 of the Public Finance Act 1989
- Legal entities listed in Schedule 6 of the Public Finance Act 1989
- Other Government entities specified by legislation

Government departments are defined by the Public Finance Act 1989 and include departments (as defined in the Public Service Act 2020), departmental agencies, interdepartmental executive boards, interdepartmental ventures, the New Zealand Defence Force, the New Zealand Police, the Parliamentary Counsel Office, the Office of the Clerk of the House of Representatives and the Parliamentary Service.

The Crown has a full residual interest in all the above entities with the exception of Air New Zealand Limited, Tāmaki Redevelopment Company Limited and City Rail Link Limited (listed in Schedule 4A of the Public Finance Act 1989) and the entities listed in Schedule 5 of the Public Finance Act 1989 (Mixed ownership model companies).

Corresponding assets, liabilities, revenue and expenses, are added together line by line (with the exception of the New Zealand Superannuation Fund investments in controlled enterprises). Transactions and balances between these sub-entities are eliminated on consolidation. Where necessary, adjustments are made to the financial statements of controlled entities to bring the accounting policies into line with those used by the Government reporting entity.

As a consequence of the agreements with Auckland Council, City Rail Link Limited (CRL) is reported as a joint venture in these financial statements and is, therefore, equity accounted. This treatment recognises the government share of CRL's net assets, including asset revaluation movements, surpluses and deficits.

A schedule of the entities that are included in the Government reporting entity was set out on pages 111 to 114 of the *BEFU 2022* published on 19 May 2022.

The figures presented in these financial statements for 30 June 2021 are audited. All other figures are unaudited.

Basis of Preparation and General Accounting Policies

These unaudited interim financial statements of the Government reporting entity comply with generally accepted accounting practice as defined in the Financial Reporting Act 2013 and have been prepared in accordance with Public Sector PBE Accounting Standards (PBE Standards) – Tier 1, as set out in PBE IAS 34: *Interim Financial Reporting*. The Government reporting entity is a public benefit entity. Public benefit entities (PBEs) are reporting entities whose primary objective is to provide goods or services for community or social benefit and where any equity has been provided with a view to supporting that primary objective rather than for a financial return to equity holders.

The measurement base applied is historic cost modified by the revaluation of certain assets and liabilities, and prepared on an accrual basis, unless otherwise specified (for example, the Statement of Cash Flows).

These financial statements have been prepared on a going concern basis.

Specific Accounting Policies

The specific accounting policies of the Crown are detailed on the Treasury's internet site: <https://www.treasury.govt.nz/information-and-services/state-sector-leadership/guidance/reporting-financial/accounting-policies>

Forecasts

The annual forecasts in these financial statements are for the year to 30 June 2022, based on the *BEFU 2022* published on 19 May 2022.

The accounting policies underlying the preparation of forecasts are the same as the specific accounting policies set out above.

Comparative Figures

When presentation or classification of items in the financial statements are amended or accounting policies are changed voluntarily, comparative figures have been restated to ensure consistency with the current period unless it is impracticable to do so.

Variance Percentages

Percentage variances between the actual and comparative balances exceeding 500% are not shown.

Judgements and Estimates

The preparation of these financial statements requires judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, revenue, and expenses. For example, the present value of large cash flows that are predicted to occur a long time into the future, as with the settlement of ACC outstanding claim obligations and Government Superannuation retirement benefits, depends critically on judgements regarding future cash flows, including inflation assumptions and the risk-free discount rate used to calculate present values. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised, if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Further detail on the judgements and estimates used can be found on pages 57 to 61 of the *Financial Statements of the Government of New Zealand for the year ended 30 June 2021* published on 12 October 2021.

NOTES TO THE FINANCIAL STATEMENTS

Year to 30 June 2021 Actual \$m	11 months to 31 May 2021 Actual \$m		Current Year Actual vs Forecast				Annual BEFU Forecast \$m
			Actual \$m	Forecast \$m	Variance \$m	%	
NOTE 2: Sovereign Revenue							
Taxation revenue							
Individuals							
38,164	34,671	Source deductions	38,696	38,140	556	1.5	41,813
8,773	7,769	Other persons	9,898	9,221	677	7.3	10,045
(1,716)	(1,542)	Refunds	(1,527)	(1,557)	30	1.9	(1,766)
608	547	Fringe benefit tax	622	610	12	2.0	641
45,829	41,445	Total individuals	47,689	46,414	1,275	2.7	50,733
Corporate tax							
15,640	13,943	Gross companies tax	17,971	16,305	1,666	10.2	17,391
(344)	(276)	Refunds	(524)	(530)	6	1.1	(649)
472	403	Non-resident withholding tax	457	446	11	2.5	508
15,768	14,069	Total corporate tax	17,904	16,221	1,683	10.4	17,250
Other direct income tax							
1,000	934	Resident w/holding tax on interest income	727	659	68	10.3	717
1,519	1,400	Resident w/holding tax on dividend income	961	919	42	4.6	969
2,519	2,334	Total other direct income tax	1,688	1,578	110	7.0	1,686
64,116	57,848	Total direct income tax	67,281	64,213	3,068	4.8	69,669
Goods and services tax							
39,814	36,453	Gross goods and services tax	39,913	39,700	213	0.5	42,946
(14,252)	(12,917)	Refunds	(15,586)	(15,211)	(375)	(2.5)	(16,655)
25,562	23,536	Total goods and services tax	24,327	24,489	(162)	(0.7)	26,291
Other indirect taxation							
2,145	1,985	Petroleum fuels excise and duty ¹	1,616	1,620	(4)	(0.2)	1,742
1,637	1,496	Tobacco excise and duty ¹	1,650	1,552	98	6.3	1,619
1,930	1,773	Road and track user charges	1,730	1,708	22	1.3	1,853
1,249	1,157	Alcohol excise and duty ¹	1,150	1,186	(36)	(3.0)	1,288
169	156	Other customs duty	162	175	(13)	(7.4)	195
554	483	Miscellaneous indirect tax	453	447	6	1.3	508
7,684	7,050	Total other indirect taxation	6,761	6,688	73	1.1	7,205
33,246	30,586	Total indirect taxation	31,088	31,177	(89)	(0.3)	33,496
97,362	88,434	Total taxation revenue	98,369	95,390	2,979	3.1	103,165
Other sovereign revenue							
3,270	2,967	ACC levies	3,054	3,027	27	0.9	3,326
1,634	1,257	Emissions trading revenue	2,864	2,828	36	1.3	3,242
607	537	Fire Service levies	563	552	11	2.0	626
520	477	EQC levies	484	484	-	-	528
383	207	Child support and working for families penalties	265	243	22	9.1	239
138	107	Court fines	91	107	(16)	(15.0)	115
486	592	Other miscellaneous items	698	612	86	14.1	630
7,038	6,144	Total other sovereign revenue	8,019	7,853	166	2.1	8,706
104,400	94,578	Total sovereign revenue	106,388	103,243	3,145	3.0	111,871

Further information on the monthly tax outturns (revenue and receipts) can be found on the Treasury's website
<https://treasury.govt.nz/information-and-services/financial-management-and-advice/revenue-expenditure/tax-outturn-data>

1. Includes excise on domestic production and excise-equivalent duties on imports.

NOTES TO THE FINANCIAL STATEMENTS

Year to 30 June 2021 Actual \$m	11 months to 31 May 2021 Actual \$m		Current Year Actual vs Forecast				Annual BEFU Forecast \$m
			Actual \$m	Forecast \$m	Variance \$m	%	
NOTE 3: Interest Revenue and Dividends							
1,943	1,833	Interest revenue	2,017	2,047	(30)	(1.5)	2,215
903	812	Dividends	1,096	931	165	17.7	1,020
2,846	2,645	Total interest revenue and dividends	3,113	2,978	135	4.5	3,235
NOTE 4: Transfer Payments and Subsidies							
16,569	15,151	New Zealand superannuation	16,215	16,223	8	-	17,775
1,197	1,244	Wage Subsidy Scheme	4,706	4,708	2	-	4,870
200	200	COVID-19 resurgence and support payment	4,018	4,099	81	2.0	4,257
3,224	2,974	Jobseeker support and emergency benefit	3,051	3,058	7	0.2	3,346
2,302	2,111	Accommodation assistance	2,188	2,165	(23)	(1.1)	2,353
2,103	1,896	Family tax credit	1,815	1,869	54	2.9	2,108
1,826	1,671	Supported living payment	1,896	1,866	(30)	(1.6)	2,045
1,455	1,333	Sole parent support	1,551	1,549	(2)	(0.1)	1,700
916	847	KiwiSaver subsidies	891	892	1	0.1	978
812	712	Winter energy payment	413	413	-	-	514
804	566	Official development assistance	638	697	59	8.5	841
590	526	Student allowances	499	541	42	7.8	614
585	508	Other working for families tax credits	458	475	17	3.6	557
479	442	Hardship assistance	466	463	(3)	(0.6)	507
409	375	Disability allowances	378	377	(1)	(0.3)	411
293	269	Orphan's/unsupported child's benefit	285	287	2	0.7	315
271	239	Best start	275	293	18	6.1	339
106	88	Income related rent subsidy	131	121	(10)	(8.3)	132
1,286	1,195	Other social assistance benefits	996	1,032	36	3.5	1,088
35,427	32,347	Total transfer payments and subsidies	40,870	41,128	258	0.6	44,750
NOTE 5: Finance Costs							
2,188	2,070	Interest on financial liabilities	2,839	2,862	23	0.8	3,239
84	86	Interest unwind on provisions and other interest	87	75	(12)	(16.0)	116
2,272	2,156	Total finance costs	2,926	2,937	11	0.4	3,355
NOTE 6: Insurance Expenses							
6,539	5,872	ACC	5,525	5,866	341	5.8	6,277
167	187	EQC	349	363	14	3.9	388
108	62	Southern Response	32	32	-	-	35
24	20	Other insurance expenses	26	25	(1)	(4.0)	29
6,838	6,141	Total insurance expenses	5,932	6,286	354	5.6	6,729

NOTE 7: Forecast Adjustments

Top-down adjustment

An adjustment to capital and operating expenditure forecasts to reflect the extent to which departments use appropriations (upper spending limits) rather than their best estimates when preparing their forecasts. As appropriations apply to the core Crown only, no adjustment is required to SOE or Crown entity forecasts.

Forecast for new operating and new capital spending

Forecast new capital spending is an amount provided in the forecast to represent the balance sheet impact of capital initiatives expected to be introduced over the forecast period.

Forecast new operating spending and forecast new capital spending includes unallocated contingencies. Unallocated contingencies represent expenses or capital spending from Budget 2022 and previous Budgets that has yet to be allocated to appropriations for departments.

NOTES TO THE FINANCIAL STATEMENTS

As at 30 June 2021 \$m	As at 31 May 2021 \$m		Current Year Actual vs Forecast				Annual BEFU Forecast \$m
			Actual \$m	Forecast \$m	Variance \$m	%	
NOTE 8: Net Gains and Losses on Non-financial instruments							
8,222	8,398	Actuarial gains/(losses) on ACC liability	5,883	(3,117)	9,000	288.7	(3,454)
(1,489)	(594)	Gains/(losses) on the Emissions Trading Scheme	(4,762)	(4,696)	(66)	(1.4)	(4,785)
136	(30)	Other	844	882	(38)	(4.3)	882
6,869	7,774	Net gains/(losses) on non-financial instruments	1,965	(6,931)	8,896	128.4	(7,357)
NOTE 9: Financial Assets and Sovereign Receivables							
18,755	17,111	Cash and cash equivalents	20,146	17,587	2,559	14.6	17,317
15,642	14,756	Tax receivables	19,124	16,050	3,074	19.2	16,202
11,187	11,438	Other receivables	13,215	11,218	1,997	17.8	10,881
25,155	24,919	Kiwibank mortgages	27,523	27,672	(149)	(0.5)	27,897
10,841	10,188	Student loans	10,414	10,441	(27)	(0.3)	9,923
2,558	2,558	Funding for Lending advances	9,527	9,027	500	5.5	9,867
7,058	6,619	Other advances	8,896	9,721	(825)	(8.5)	9,661
48,539	46,043	Share investments	48,518	50,641	(2,123)	(4.2)	50,853
4,718	4,295	Investments in controlled enterprises	5,027	4,825	202	4.2	4,849
44,687	44,742	Other marketable securities	41,700	40,326	1,374	3.4	39,483
5,108	5,069	Long-term deposits	7,215	4,937	2,278	46.1	4,890
4,509	6,117	Derivatives in gain	8,293	4,336	3,957	91.3	4,330
2,479	2,422	IMF financial assets	5,144	5,237	(93)	(1.8)	5,237
201,236	196,277	Total financial assets and sovereign receivables	224,742	212,018	12,724	6.0	211,390
Financial assets by entity							
54,903	52,515	The Treasury	53,992	52,349	1,643	3.1	46,717
44,935	44,697	Reserve Bank of New Zealand	60,157	56,151	4,006	7.1	57,024
62,312	61,046	NZ Superannuation Fund	61,750	63,188	(1,438)	(2.3)	63,590
35,095	33,154	Other core Crown	43,807	36,286	7,521	20.7	35,018
(68,586)	(67,486)	Intra-segment eliminations	(73,477)	(69,437)	(4,040)	(5.8)	(63,846)
128,659	123,926	Total core Crown segment	146,229	138,537	7,692	5.6	138,503
54,271	53,773	ACC	53,301	53,738	(437)	(0.8)	53,516
602	612	EQC	591	468	123	26.3	479
16,788	15,486	Other Crown entities	16,390	14,593	1,797	12.3	14,468
(4,132)	(3,486)	Intra-segment eliminations	(4,255)	(3,984)	(271)	(6.8)	(4,377)
67,529	66,385	Total Crown entities segment	66,027	64,815	1,212	1.9	64,086
32,872	32,637	Total State-owned Enterprises segment	38,410	36,927	1,483	4.0	36,984
(27,824)	(26,671)	Inter-segment eliminations	(25,924)	(28,261)	2,337	8.3	(28,183)
201,236	196,277	Total financial assets and sovereign receivables	224,742	212,018	12,724	6.0	211,390

NOTES TO THE FINANCIAL STATEMENTS

As at 30 June 2021 \$m	As at 31 May 2021 \$m		Current Year Actual vs Forecast				Annual BEFU Forecast \$m
			Actual \$m	Forecast \$m	Variance \$m	%	
NOTE 10: Property, Plant and Equipment							
Net Carrying Value ²							
By class of asset:							
70,292	58,040	Land	70,721	70,754	(33)	-	70,973
53,507	46,961	Buildings	55,438	55,914	(476)	(0.9)	56,931
42,666	40,661	State highways	43,875	44,038	(163)	(0.4)	44,167
17,979	16,570	Electricity generation assets	18,112	18,132	(20)	(0.1)	18,258
4,318	4,312	Electricity distribution network (cost)	4,351	4,215	136	3.2	4,218
3,611	3,722	Aircraft (excl military)	3,592	3,578	14	0.4	3,553
3,649	3,581	Specialist military equipment	4,111	4,175	(64)	(1.5)	4,292
3,156	3,079	Specified cultural and heritage assets	3,164	3,164	-	-	3,170
7,407	6,936	Rail network	7,785	7,808	(23)	(0.3)	7,887
6,631	6,237	Other plant and equipment (cost)	7,834	8,062	(228)	(2.8)	8,121
213,216	190,099	Total net carrying value	218,983	219,840	(857)	(0.4)	221,570
Land breakdown by usage							
25,826	20,053	Housing stock	26,014	26,061	(47)	(0.2)	26,193
18,469	14,696	State highway corridor land	18,420	18,425	(5)	-	18,429
7,159	6,719	Conservation estate	7,160	7,153	7	0.1	7,143
7,106	6,011	Schools	7,212	7,182	30	0.4	7,235
3,802	3,791	Rail network corridor land	3,823	3,813	10	0.3	3,876
1,167	1,174	Commercial (SOE) excluding rail	1,254	1,259	(5)	(0.4)	1,259
6,763	5,596	Other	6,838	6,861	(23)	(0.3)	6,838
70,292	58,040	Total land	70,721	70,754	(33)	-	70,973
Schedule of Movements							
Cost or Valuation							
205,689	205,689	Opening balance	231,234	231,234	-	-	231,234
10,762	9,517	Additions	10,860	11,905	(1,045)	(8.8)	14,047
(1,101)	(730)	Disposals	(475)	(274)	(201)	(73.4)	(495)
16,131	(370)	Net revaluations	(115)	(47)	(68)	(144.7)	11
(247)	(43)	Other	445	478	(33)	(6.9)	369
231,234	214,063	Total cost or valuation	241,949	243,296	(1,347)	(0.6)	245,166
Accumulated Depreciation & Impairment							
19,187	19,187	Opening balance	18,018	18,018	-	-	18,018
(636)	(379)	Eliminated on disposal	(244)	(73)	(171)	(234.2)	(675)
(5,979)	(218)	Eliminated on revaluation	(83)	-	(83)	-	-
(58)	-	Impairment losses charged to operating balance	-	-	-	-	-
5,566	5,349	Depreciation expense and impairment losses	5,361	5,572	(211)	(3.8)	6,286
(62)	25	Other	(86)	(61)	(25)	(41.0)	(33)
18,018	23,964	Total accumulated depreciation & impairment	22,966	23,456	(490)	(2.1)	23,596
213,216	190,099	Total property, plant and equipment	218,983	219,840	(857)	(0.4)	221,570

2. Using a revaluation methodology unless otherwise stated.

NOTES TO THE FINANCIAL STATEMENTS

As at 30 June 2021 \$m	As at 31 May 2021 \$m		Current Year Actual vs Forecast				Annual BEFU Forecast \$m
			Actual \$m	Forecast \$m	Variance \$m	%	
NOTE 11: Payables							
12,179	11,057	Accounts payable	10,671	9,200	(1,471)	(16.0)	10,198
5,398	5,464	Taxes repayable	5,849	5,225	(624)	(11.9)	5,427
17,577	16,521	Total payables	16,520	14,425	(2,095)	(14.5)	15,625
NOTE 12: Borrowings							
70,653	68,480	Government bonds	88,316	87,884	(432)	(0.5)	88,386
29,466	29,276	Settlement deposits with Reserve Bank	44,115	41,285	(2,830)	(6.9)	47,197
7,593	7,594	Treasury bills	4,028	3,684	(344)	(9.3)	3,383
5,056	4,396	Derivatives in loss	9,279	5,872	(3,407)	(58.0)	5,964
1,307	1,291	Finance lease liabilities	1,178	1,227	49	4.0	1,266
182	183	Government retail stock	153	160	7	4.4	161
48,303	49,578	Other borrowings	55,548	53,867	(1,681)	(3.1)	54,161
162,560	160,798	Total borrowings	202,617	193,979	(8,638)	(4.5)	200,518
117,641	115,860	Sovereign-guaranteed debt	150,887	143,516	(7,371)	(5.1)	149,520
44,919	44,938	Non sovereign-guaranteed debt	51,730	50,463	(1,267)	(2.5)	50,998
162,560	160,798	Total borrowings	202,617	193,979	(8,638)	(4.5)	200,518

This note constitutes a Statement of Borrowings as required by the Public Finance Act 1989.

Total borrowings can be split into sovereign-guaranteed and non-sovereign-guaranteed debt. This split reflects the fact that borrowings by SOEs and Crown entities are not explicitly guaranteed by the Crown. No debt of SOEs and Crown entities is currently guaranteed by the Crown.

NOTE 13: Insurance Liabilities							
59,133	58,918	ACC liability	55,256	64,454	9,198	14.3	64,527
803	866	EQC property damage liability	749	719	(30)	(4.2)	704
353	106	Southern Response	89	89	-	-	89
47	47	Other insurance liabilities	42	56	14	25.0	64
60,336	59,937	Total insurance liabilities	56,136	65,318	9,182	14.1	65,384

The most recent valuation of the ACC liability was as at 31 December 2021, updated monthly for changes to discount rates.

NOTE 14: Provisions							
5,824	5,257	Provision for emissions trading scheme credits	10,970	10,953	(17)	(0.2)	11,036
6,363	6,186	Provision for employee entitlements	6,832	6,520	(312)	(4.8)	6,392
3,036	3,502	Veterans disability entitlements	2,946	2,952	6	0.2	2,944
762	796	Provision for National Provident Fund guarantee	695	695	-	-	690
3,102	3,067	Other provisions	2,840	2,796	(44)	(1.6)	2,938
19,087	18,808	Total provisions	24,283	23,916	(367)	(1.5)	24,000

Further information on the emissions trading scheme, can be found on the Ministry for the Environment's website: <https://environment.govt.nz>

NOTES TO THE FINANCIAL STATEMENTS

As at 30 June 2021 \$m	As at 31 May 2021 \$m		Current Year Actual vs Forecast				Annual BEFU Forecast \$m
			Actual \$m	Forecast \$m	Variance \$m	%	
NOTE 15: Changes in Net Worth							
19,559	18,287	Taxpayers' funds	8,395	(1,881)	10,276	-	(8,674)
134,003	111,726	Property, plant and equipment revaluation reserve	133,948	134,102	(154)	(0.1)	134,125
(1,560)	(3,267)	Defined benefit retirement plan revaluation reserve	(868)	(905)	37	4.1	(849)
(659)	(1,095)	Veterans' disability entitlements reserve	(659)	(659)	-	-	(659)
5,724	5,306	Net worth attributable to minority interests	6,757	6,577	180	2.7	6,515
(172)	(267)	Other reserves	217	-	217	-	(90)
156,895	130,690	Total net worth	147,790	137,234	10,556	7.7	130,368
2,993	2,993	Opening taxpayers funds	19,559	19,559	-	-	19,559
16,022	14,656	Operating balance excluding minority interests	(11,244)	(21,354)	10,110	47.3	(27,880)
544	638	Transfers from/(to) other reserves	80	(86)	166	193.0	(353)
19,559	18,287	Closing taxpayers funds	8,395	(1,881)	10,276	-	(8,674)
112,334	112,334	Opening property, plant and equipment revaluation reserve	134,003	134,003	-	-	134,003
22,539	(253)	Net revaluations	123	167	(44)	(26.3)	216
(870)	(355)	Transfers from/(to) other reserves	(178)	(68)	(110)	(161.8)	(94)
134,003	111,726	Closing property, plant and equipment revaluation reserve	133,948	134,102	(154)	(0.1)	134,125
5,623	5,623	Opening net worth attributable to minority interests	5,724	5,724	-	-	5,724
-	-	Increase/(decrease) in minority interest from changes in equity ³	914	915	(1)	(0.2)	901
101	(317)	Net movements	119	(62)	181	292.7	(110)
5,724	5,306	Closing net worth attributable to minority interests	6,757	6,577	180	2.7	6,515
(187)	(187)	Opening other reserves	(172)	(172)	-	-	(172)
15	(80)	Net movements	389	172	217	126.2	82
(172)	(267)	Closing other reserves	217	-	217	-	(90)

3. This line relates to equity in SOEs which has been issued to third parties. This line includes the perpetual preference shares of \$250 million issued by Kiwibank Limited, and \$568 million issued by Air New Zealand.

FISCAL INDICATOR ANALYSIS

For the eleven months ended 31 May 2022

Reconciliation between the Operating Balance and the Operating Balance before Gains and Losses (OBEGAL)

Year to 30 June 2021 Actual \$m	11 months to 31 May 2021 Actual \$m		Current Year Actual vs Forecast				Annual BEFU Forecast \$m
			Actual \$m	Forecast \$m	Variance \$m	%	
Operating Balance							
129,335	117,627	Total revenue	128,694	124,974	3,720	3.0	135,796
133,859	121,124	Less total expenses	136,217	138,033	1,816	1.3	154,887
21,023	18,843	Total gains/(losses)	(3,265)	(8,203)	4,938	60.2	(8,741)
(360)	(502)	Net surplus from associates and joint ventures	29	143	(114)	(79.7)	158
(117)	(188)	Minority interests share of operating balance	(485)	(235)	(250)	(106.4)	(206)
16,022	14,656	Operating balance	(11,244)	(21,354)	10,110	47.3	(27,880)
Reconciliation Between the Operating Balance and OBEGAL							
16,022	14,656	Operating balance	(11,244)	(21,354)	10,110	47.3	(27,880)
Less items excluded from OBEGAL:							
(3,976)	(3,967)	Net gains/(losses) on large scale asset purchases	(1)	(1)	-	-	(1)
18,130	15,036	Net gains/(losses) on financial instruments	(5,229)	(1,271)	(3,958)	(311.4)	(1,383)
6,869	7,774	Net gains/(losses) on non-financial instruments	1,965	(6,931)	8,896	128.4	(7,357)
(360)	(502)	Net surplus from associates and joint ventures	29	143	(114)	(79.7)	158
56	(41)	Minority interests share of total gains/(losses)	(455)	(262)	(193)	(73.7)	(319)
(4,697)	(3,644)	OBEGAL	(7,553)	(13,032)	5,479	42.0	(18,978)

FISCAL INDICATOR ANALYSIS

For the eleven months ended 31 May 2022

Expenses by Functional Classification

Year to 30 June 2021	11 months to 31 May 2021		Note	Current Year Actual vs Forecast				Annual BEFU Forecast
Actual \$m	Actual \$m			Actual \$m	Forecast \$m	Variance \$m	%	Forecast \$m
Total Crown expenses								
42,921	39,347	Social security and welfare		44,390	45,223	833	1.8	49,413
22,620	20,860	Health		24,647	25,912	1,265	4.9	29,491
17,384	15,513	Education		16,708	17,056	348	2.0	19,002
5,613	3,794	Core government services		4,467	4,846	379	7.8	5,803
5,558	4,914	Law and order		5,284	5,449	165	3.0	6,148
10,335	9,968	Transport and communications		9,069	9,405	336	3.6	11,241
13,473	11,831	Economic and industrial services		15,007	15,338	331	2.2	17,086
2,648	2,345	Defence		2,457	2,465	8	0.3	2,784
3,023	3,032	Heritage, culture and recreation		2,964	3,228	264	8.2	3,514
2,398	2,300	Primary services		2,181	2,271	90	4.0	2,631
3,351	2,942	Housing and community development		3,522	3,744	222	5.9	4,722
1,895	1,715	Environmental protection		2,312	2,340	28	1.2	2,783
114	82	GSF pension expenses		90	84	(6)	(7.1)	97
254	325	Other		193	225	32	14.2	375
2,272	2,156	Finance costs		2,926	2,937	11	0.4	3,355
-	-	Forecast new operating spending	7	-	-	-	-	592
-	-	Top-down expense adjustment	7	-	(2,490)	(2,490)	(100.0)	(4,150)
133,859	121,124	Total Crown expenses excluding losses		136,217	138,033	1,816	1.3	154,887

Below is an analysis of core Crown expenses by functional classification. Core Crown expenses include expenses incurred by the Crown, Departments and the Reserve Bank, but not Crown entities and SOEs.

Year to 30 June 2021	11 months to 31 May 2021		Note	Current Year Actual vs Forecast				Annual BEFU Forecast
Actual \$m	Actual \$m			Actual \$m	Forecast \$m	Variance \$m	%	Forecast \$m
Core Crown expenses								
36,788	33,791	Social security and welfare		39,233	39,629	396	1.0	43,419
22,806	20,953	Health		25,264	26,371	1,107	4.2	29,999
16,039	13,885	Education		16,145	16,494	349	2.1	18,304
5,765	4,931	Core government services		4,563	4,999	436	8.7	5,754
5,227	4,663	Law and order		4,888	5,041	153	3.0	5,691
5,656	4,874	Transport and communications		3,733	4,060	327	8.1	5,149
4,525	4,147	Economic and industrial services		7,724	8,348	624	7.5	9,252
2,664	2,360	Defence		2,475	2,482	7	0.3	2,802
1,420	1,340	Heritage, culture and recreation		1,366	1,611	245	15.2	1,729
1,015	888	Primary services		822	916	94	10.3	1,154
1,813	1,697	Housing and community development		1,835	1,957	122	6.2	2,684
1,912	1,717	Environmental protection		2,313	2,342	29	1.2	2,786
99	68	GSF pension expenses		77	70	(7)	(10.0)	82
254	325	Other		193	225	32	14.2	375
1,918	1,799	Finance costs		2,554	2,494	(60)	(2.4)	2,822
-	-	Forecast new operating spending	7	-	-	-	-	592
-	-	Top-down expense adjustment	7	-	(2,490)	(2,490)	(100.0)	(4,150)
107,901	97,438	Core Crown expenses excluding losses		113,185	114,549	1,364	1.2	128,444

FISCAL INDICATOR ANALYSIS

For the eleven months ended 31 May 2022

Core Crown Residual Cash

Year to 30 June 2021 \$m	11 months to 31 May 2021 \$m		Current Year Actual vs Forecast				Annual BEFU Forecast \$m
			Actual \$m	Forecast \$m	Variance \$m	%	
Core Crown Cash Flows from Operations							
96,551	88,965	Tax receipts	97,465	96,873	592	0.6	104,242
2,287	1,997	Other sovereign receipts	2,743	2,680	63	2.4	3,119
249	201	Interest receipts	359	321	38	11.8	356
2,980	2,703	Sale of goods & services and other receipts	2,626	2,604	22	0.8	3,122
(36,574)	(33,451)	Transfer payments and subsidies	(42,322)	(42,687)	365	0.9	(46,213)
(63,894)	(58,908)	Personnel and operating costs	(66,284)	(68,549)	2,265	3.3	(77,733)
(2,642)	(2,547)	Interest payments	(2,647)	(2,580)	(67)	(2.6)	(2,740)
-	-	Forecast for future new operating spending	-	-	-	-	(592)
-	-	Top-down expense adjustment	-	2,490	(2,490)	(100.0)	4,150
(1,043)	(1,040)	Net core Crown operating cash flows	(8,060)	(8,848)	788	8.9	(12,289)
(3,137)	(2,770)	Net purchase of physical and intangible assets	(3,101)	(3,214)	113	3.5	(4,149)
(3,868)	(3,882)	Net increase in advances	(7,910)	(7,892)	(18)	(0.2)	(8,947)
(3,599)	(3,469)	Net purchase of investments	(3,613)	(4,000)	387	9.7	(4,762)
(2,120)	(1,943)	Contributions to New Zealand Superannuation Fund	(2,218)	(2,218)	-	-	(2,420)
-	-	Forecast for future new capital spending	-	-	-	-	(963)
-	-	Top-down capital adjustment	-	1,050	(1,050)	(100.0)	1,750
(12,724)	(12,064)	Net core Crown capital cash flows	(16,842)	(16,274)	(568)	(3.5)	(19,491)
(13,767)	(13,104)	Core Crown residual cash surplus / (deficit)	(24,902)	(25,122)	220	0.9	(31,780)
The core Crown residual cash surplus / (deficit) is funded or invested as follows:							
Debt Programme Cash Flows							
Market:							
48,497	44,874	Issue of government bonds	18,519	18,898	(379)	(2.0)	19,817
(11,059)	(11,059)	Repayment of government bonds	-	(413)	413	100.0	(824)
(4,148)	(3,645)	Net issue/(repayment) of short-term borrowing ¹	(3,594)	(5,145)	1,551	30.1	(5,445)
33,290	30,170	Total market debt cash flows	14,925	13,340	1,585	11.9	13,548
Non market:							
-	-	Issue of government bonds	-	-	-	-	-
-	-	Repayment of government bonds	-	-	-	-	-
-	-	Net issue/(repayment) of short-term borrowing ¹	(412)	(413)	1	0.2	(412)
-	-	Total non-market debt cash flows	(412)	(413)	1	0.2	(412)
33,290	30,170	Total debt programme cash flows	14,513	12,927	1,586	12.3	13,136
Other Borrowing Cash Flows							
Net (repayment)/issue of other New Zealand							
(30,089)	(28,203)	dollar borrowing	13,127	11,438	1,689	14.8	12,593
608	29	Net (repayment)/issue of foreign currency borrowing	1,050	(1,057)	2,107	199.4	(1,381)
(29,481)	(28,174)	Total other borrowing cash flows	14,177	10,381	3,796	214.1	11,212
Investing Cash Flows							
Other net sale/(purchase) of marketable securities							
6,042	4,999	and deposits	45	2,863	(2,818)	(98.4)	8,452
234	220	Issues of circulating currency	814	896	(82)	(9.2)	903
3,682	5,889	Decrease/(increase) in cash	(4,647)	(1,945)	(2,702)	(138.9)	(1,923)
9,958	11,108	Total investing cash flows	(3,788)	1,814	(5,602)	(308.9)	7,432
Core Crown residual cash							
13,767	13,104	deficit / (surplus) funding	24,902	25,122	(220)	(0.9)	31,780

1. Short-term borrowing consists of Treasury Bills and Euro-Commercial Paper (ECP).

FISCAL INDICATOR ANALYSIS

As at 31 May 2022

Net Debt and Gross Debt

As at 30 June 2021 Actual \$m	As at 31 May 2021 Actual \$m		Current Year Actual vs Forecast				Annual BEFU Forecast \$m
			Actual \$m	Forecast \$m	Variance \$m	%	
Net Debt:							
132,543	131,131	Core Crown borrowings ¹	166,489	159,806	(6,683)	(4.2)	166,075
11,836	11,457	Crown entity borrowings ²	15,538	13,861	(1,677)	(12.1)	14,157
(35)	(512)	Net unsettled purchases/(sales) of securities ³	(2,434)	(1,485)	949	63.9	(1,517)
(108,423)	(104,614)	Less core Crown financial assets (per net debt definition) ⁴	(120,520)	(117,401)	3,119	2.7	(117,552)
35,921	37,462	Net debt (incl. NZS Fund)	59,073	54,781	(4,292)	(7.8)	61,163
Additional net debt analysis							
35,921	37,462	Net debt (incl. NZS Fund)	59,073	54,781	(4,292)	(7.8)	61,163
(2,218)	(2,633)	Less NZS Fund borrowings	(3,512)	(2,742)	770	28.1	(2,740)
		Less NZS Fund net unsettled purchases/(sales)					
929	871	of securities	2,101	1,486	(615)	(41.4)	1,518
60,556	59,252	Less NZS Fund financial assets	58,471	60,983	2,512	4.1	61,522
95,188	94,952	Net debt (excl. NZS Fund)	116,133	114,508	(1,625)	(1.4)	121,463
Gross Debt:							
132,543	131,131	Core Crown borrowings	166,489	159,806	(6,683)	(4.2)	166,075
1,600	1,551	Unsettled purchases of securities	1,036	566	(470)	(83.0)	394
		Add back NZS Fund holdings of sovereign-issued					
(2,887)	(3,404)	debt and NZS Fund borrowings	(4,535)	(3,307)	1,228	37.1	(3,133)
		Less Reserve Bank settlement cash and					
(30,421)	(30,252)	Reserve Bank bills	(45,218)	(42,285)	2,933	6.9	(48,197)
100,835	99,026	Gross Debt⁵	117,772	114,780	(2,992)	(2.6)	115,139

Notes on borrowings

- Core Crown borrowings represent the total debt obligations of the consolidated core Crown segment. This includes any government stock held by ACC and EQC the includes settlement deposits with the Reserve Bank.
- Crown entity borrowings represents the total debt obligations of the consolidated Crown entities. This includes debt issued by Crown entities, such as Kāinga Ora.
- Unsettled sales and purchases of securities are classified in the Statement of Financial Position as receivables and accounts payable, respectively.
- Core Crown financial assets per the net debt definition includes any asset that is cash, deposits, share investments, advances, other marketable securities or a right to exchange a financial asset or liability on favourable terms (derivatives in gain).
- The Gross Debt balances for 30 June 2021 and 31 May 2021 Actuals have been restated by \$1.6 billion. Previously, an adjustment to settlement cash of \$1.6 billion was made in the calculation of Gross Debt which related to the Reserve Bank using this amount of settlement cash purchase reserves that were to have been funded by the government borrowing. This adjustment is no longer considered relevant so has been removed and comparatives have been restated.

For the 11 months ended 31 May 2022

Movement in Net Debt

As at 30 June 2021 Actual \$m	As at 31 May 2021 Actual \$m		Current Year Actual vs Forecast				Annual BEFU Forecast \$m
			Actual \$m	Forecast \$m	Variance \$m	%	
35,710	35,710	Opening net debt	35,921	35,921	-	-	35,921
13,767	13,104	Core Crown residual cash (surplus)/deficit	24,902	25,122	220	0.9	31,780
(3,868)	(3,882)	Less net increase in advances	(7,910)	(7,892)	18	0.2	(8,947)
(2,120)	(1,943)	Less contributions to the NZS Fund	(2,218)	(2,218)	-	-	(2,420)
725	(379)	Net increase/(decrease) in Crown Entity borrowings	3,702	2,025	(1,677)	(82.8)	2,321
		Other fair value movements in financial assets					
(8,293)	(5,148)	and financial liabilities (including NZSF)	4,676	1,823	(2,853)	(156.5)	2,508
35,921	37,462	Closing net debt	59,073	54,781	(4,292)	(7.8)	61,163

FISCAL INDICATOR ANALYSIS

Reconciliation Between the Financial Statements, the Operating Balance before Gains and Losses and Core Crown Residual Cash

Financial Results	31 May 2022 Actual \$m	31 May 2022 Forecast \$m	Variance \$m	Variance %	Annual Forecast \$m
Core Crown taxation revenue...	98,861	95,979	2,882	3.0	103,796
...combined with other core Crown revenue...	8,263	8,171	92	1.1	9,114
...funds core Crown expenses...	(113,185)	(114,549)	1,364	1.2	(128,444)
...and including SOE and Crown entity revenues and expenses...	(1,492)	(2,633)	1,141	43.3	(3,444)
...results in an OBEGAL ...	(7,553)	(13,032)	5,479	42.0	(18,978)
...with gains/losses leading to an operating surplus/(deficit) ...	(11,244)	(21,354)	10,110	47.3	(27,880)
...removing net income in State-owned Enterprise's, Crown entities and the NZS Fund...	(1,157)	5,998	(7,155)	(119.3)	6,843
...and some items do not impact cash.	4,341	6,508	(2,167)	(33.3)	8,748
This leads to a core Crown operating residual cash surplus/(deficit)...	(8,060)	(8,848)	788	8.9	(12,289)
...used to make contributions to the NZS Fund...	(2,218)	(2,218)	-	-	(2,420)
...and to use for capital expenditure	(3,101)	(3,214)	113	3.5	(4,149)
...and to make advances (eg, to students)	(7,910)	(7,892)	(18)	(0.2)	(8,947)
...and to purchase investments	(3,613)	(2,218)	(1,395)	(62.9)	(4,762)
Adjusting for forecast adjustments (top-down/new spending)...	-	1,050	(1,050)	(100.0)	787
...results in a borrowing requirement (cash deficit)/surplus	(24,902)	(25,122)	220	0.9	(31,780)