

Interim Financial Statements of the Government of New Zealand

For the eleven months ended
31 May 2023



Prepared by the Treasury
5 July 2023

This document is available on the New Zealand Treasury's website at:
<https://treasury.govt.nz/publications/financial-statements-government>

CONTENTS

Commentary

Comparison against forecast	2
Comparison against the prior year actuals	4

Unaudited Interim Financial Statements

Statement of Financial Performance	8
<i>The statement outlines the operating results of the total Government (ie, the revenue and expenses of all departments + Reserve Bank + NZSF (core Crown), State-owned Enterprises (SOEs) (including Air New Zealand) and Crown entities).</i>	
Statement of Comprehensive Revenue and Expense	9
<i>The statement reports changes in net worth due to the operating balance, items of revenue or expense that are recognised directly in net worth, the effect of certain accounting changes, and corrections of errors.</i>	
Statement of Changes in Net Worth	9
<i>The statement provides a reconciliation of opening and closing net worth for the period.</i>	
Statement of Cash Flows	10
<i>The statement sets out the cash flows that result from the operating, investing, and financing activities of the Government. The net cash flows from operations are reconciled to the operating balance reported in the statement of financial performance.</i>	
Statement of Financial Position	12
<i>The statement outlines the balance sheet of the total Government (ie, the assets and liabilities of the core Crown, SOEs, and Crown entities).</i>	
Statement of Segments	13
<i>The statement provides summary financial results by segment (Core Crown, SOEs and Crown entities).</i>	
Statement of Commitments	14
<i>The statement outlines the commitments of the total Government by type and segment.</i>	
Statement of Contingent Liabilities and Assets	14
<i>The statement outlines the contingent liabilities and assets of the total Government by type and segment.</i>	
Notes to the Financial Statements	15
<i>The notes are an integral part of the financial statements, providing further explanatory material to that provided in the main statements.</i>	
Fiscal Indicator Analysis	26
<i>The fiscal indicator analysis provides a link between the Financial Statements (based on Generally Accepted Accounting Practice) and the key fiscal indicators used to measure performance against fiscal objectives set out in the Government's Fiscal Strategy.</i>	

Officer for Enquiries

Treasury Communications Team (Phone: +64-4-917-6268) (Email: media@treasury.govt.nz)
The Treasury (1 The Terrace), PO Box 3724, Wellington
NEW ZEALAND



Commentary

COMMENTARY

These financial statements reflect the financial position (service potential and financial capacity) as at 31 May 2023, 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 2023* (BEFU 2023), published on 18 May 2023 and the results against the same period for the previous year.

The next Financial Statements of the Government will be the audited results for the year ended 30 June 2023. In general, the year-end results are published in early October.

Comparison against forecast

Table 1 – Key indicators for the eleven months ended 31 May 2023 compared to BEFU 2023

	Year to date				Full Year
	May	May	Variance ²	Variance	June
	2023	2023	BEFU 2023	BEFU 2023	2023
	Actual ¹	BEFU 2023 Forecast ¹	BEFU 2023	BEFU 2023	BEFU 2023 Forecast ³
	\$m	\$m	\$m	%	\$m
Core Crown tax revenue	103,344	105,556	(2,212)	(2.1)	115,349
Core Crown revenue	113,405	115,734	(2,329)	(2.0)	126,677
Core Crown expenses	115,076	114,827	(249)	(0.2)	128,195
Core Crown residual cash	(23,777)	(19,428)	(4,349)	(22.4)	(22,426)
Net debt ⁴	73,338	68,254	(5,084)	(7.4)	70,957
<i>as a percentage of GDP</i>	18.9%	17.6%			18.0%
Gross debt	133,873	132,592	(1,281)	(1.0)	134,950
<i>as a percentage of GDP</i>	34.6%	34.2%			34.3%
Operating balance before gains and losses	(6,510)	(4,372)	(2,138)	(48.9)	(6,959)
Operating balance (excluding minority interests)	2,568	5,828	(3,260)	(55.9)	4,219
Net worth attributable to the Crown	170,394	173,434	(3,040)	(1.8)	171,048
<i>as a percentage of GDP</i>	44.0%	44.8%			43.4%

1 Using the most recently published GDP (for the year ended 31 March 2023) of \$387,355 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 2023 forecast GDP for the year ending 30 June 2023 of \$394,004 million (Source: The Treasury).

4 The net debt indicator includes core Crown advances, Crown entity borrowings (excluding Kiwi Group Capital) and the financial assets and borrowings of the New Zealand Super Fund (NZS Fund). A reconciliation between net debt and net core Crown debt can be found later in the document.

Overall, the May 2023 financial results show that most key fiscal indicators were weaker than expected, primarily reflective of the tax outturn for the month.

Core Crown tax revenue at \$103.3 billion was \$2.2 billion (2.1%) below forecast which we expect will persist to year-end:

- Corporate tax revenue was \$2.0 billion (10.7%) below forecast. All the main components of corporate tax revenue were below forecast: terminal tax was lower by \$1.0 billion, PIE tax was lower by \$0.6 billion and provisional tax was lower by \$0.5 billion.
- Other individuals tax revenue was \$0.6 billion (6.4%) below forecast mainly as a result of lower than forecast provisional tax revenue for the year 2023. This came from a combination of downward revisions to taxpayers' own estimates of 2023 provisional tax through April and May and a lower than forecast provisional tax estimation factor being used by Inland Revenue. This has been partly offset by 2022 terminal tax revenue being higher than forecast.
- Source deduction revenue was \$0.3 billion (0.7%) above forecast reflecting a stronger labour market compared to forecast.

Core Crown expenses at \$115.1 billion, were \$0.2 billion lower than forecast. When core Crown expenses are considered without the top-down adjustment, core Crown expenses were \$1.8 billion lower than expected. The largest variances include:

- Social security and welfare (\$0.3 billion lower): this is primarily being driven by delays in the Ministry of Social Development spending on contracted services. Contracted services spending delays are due to a combination of less demand for some of the demand-driven programmes and challenges in acquiring providers for contracted services. This variance is likely to persist to year end.
- Transport and Communication (\$0.3 billion lower): this is primarily driven by a delay in shovel ready grant payments. It is unlikely that the spending will be incurred this financial year and will most likely shift into the next financial year.
- Housing and community development (\$0.2 billion lower): this variance is mainly due to lower than forecast spending on temporary accommodation housing initiatives – mainly due to the demand for households requiring commercial accommodation being lower than originally expected.
- Primary Services (\$0.2 billion lower): this consists of small variances across a range of spending including response to mycoplasma bovis and forestry grants and partnership program.
- Education (\$0.2 billion lower): lower than forecast demand is the key driver in the spending variance.

While spending in most categories were lower than forecast, core Crown finance costs were \$0.2 billion higher than forecast mainly as a result of higher than forecast interest rates following increases in the OCR since the forecast were prepared and higher than forecast financial liabilities.

The operating balance before gains and losses (**OBEGAL**) deficit of \$6.5 billion was higher than the forecast by \$2.1 billion. In addition to the core Crown variances, a number of Crown entity results were better than forecast.

The operating balance was a surplus of \$2.6 billion, compared to a forecast surplus of \$5.8 billion. In addition to the variance in OBEGAL, valuation changes have also contributed to the variance, with:

- Net gains on non-financial instruments were \$1.6 billion less than forecast. This variance is largely driven by actuarial gains on the ACC outstanding claims liability which were lower than forecast by \$1.7 billion which largely resulted from the decrease in discount rate assumption used to value the liability.
- Net gains on financial instruments being \$0.4 billion higher than forecast. This was largely from the NZS Fund and reflected better than forecast market conditions and investment performance.

The **core Crown residual cash** deficit of \$23.8 billion was \$4.3 billion higher than forecast. This was primarily driven by higher than forecast net operating cash outflows largely due to tax receipts being lower than forecast by \$2.4 billion and personnel and operating costs payments being \$0.4 billion higher than forecast. Net capital cash outflows, which were \$1.4 billion higher than forecast, also contributes to this variance.

Net debt at \$73.3 billion (18.9% of GDP), was higher than forecast by \$5.1 billion. \$6.0 billion of this is due to a higher than forecast residual cash deficit and Crown entity borrowings partly offset by favourable movements in the fair value of financial assets and liabilities (which includes the NZS Fund).

Table 2 below, shows a reconciliation between **net debt** and net core Crown debt. Net core Crown debt was \$4.4 billion higher than forecast at \$153.0 billion (39.5% of GDP), with the variance in net core Crown debt largely a result of the core Crown residual cash variance discussed above.

Table 2 – 31 May 2023 reconciliation of net debt and net core Crown debt

	Year to date				Full Year
	May 2023	May 2023	Variance	Variance	June 2023
	Actual	BEFU 2023 Forecast	BEFU 2023	BEFU 2023	BEFU 2023 Forecast
	\$m	\$m	\$m	%	\$m
Net core Crown debt	153,032	148,612	(4,420)	(3.0)	151,744
<i>Include</i>					
Core Crown advances	(35,260)	(33,921)	1,339	3.9	(35,357)
Net NZSF financial assets and borrowings	(62,480)	(62,057)	423	0.7	(62,651)
Crown entity borrowings	18,046	15,620	(2,426)	(15.5)	17,221
Net Debt	73,338	68,254	(5,084)	(7.4)	70,957
% of GDP					
Net core Crown debt	39.5%	38.4%			38.5%
Net debt	18.9%	17.6%			18.0%

Gross debt at \$133.9 billion (34.6% of GDP), was \$1.3 billion higher than forecast largely due to higher than forecast derivative liabilities.

Net worth attributable to the Crown was \$170.4 billion which was \$3.0 billion lower than forecast largely as a result of an unfavourable movement in the operating balance.

Comparison against the prior year actuals

Table 3 – Key indicators for the eleven months ended 31 May 2023 compared to prior year actuals

	Year to date				Full Year
	May 2023	May 2022	Variance ³	Variance	June 2022
	Actual ¹	Prior Year Actual ²	to 2022	to 2022	Prior Year Actual ⁴
	\$m	\$m	\$m	%	\$m
Core Crown tax revenue	103,344	98,861	4,483	4.5	108,458
Core Crown revenue	113,405	107,124	6,281	5.9	117,516
Core Crown expenses	115,076	113,185	(1,891)	(1.7)	125,641
Core Crown residual cash	(23,777)	(24,902)	1,125	4.5	(27,043)
Net debt ⁵	73,338	59,073	(14,265)	(24.1)	61,850
<i>as a percentage of GDP</i>	18.9%	16.5%			17.0%
Gross debt	133,873	117,772	(16,101)	(13.7)	118,950
<i>as a percentage of GDP</i>	34.6%	32.9%			32.7%
Operating balance before gains and losses	(6,510)	(7,553)	1,043	13.8	(9,691)
Operating balance (excluding minority interests)	2,568	(11,244)	13,812	122.8	(16,932)
Net worth attributable to the Crown	170,394	141,033	29,361	20.8	167,036
<i>as a percentage of GDP</i>	44.0%	39.4%			46.0%

1 Using the most recently published GDP (for the year ended 31 March 2023) of \$387,355 million (Source: Stats NZ).

2 Using published GDP (revised) (for the year ended 31 March 2022) of \$358,158 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 (revised) (for the year ended 30 June 2022) of \$363,330 million (Source: Stats NZ).

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

Core Crown tax revenue was \$4.5 billion (4.5%) higher than the same period last year. The largest movements came from:

- Source deduction revenue was higher by \$4.7 billion (12.2%) owing to a strong labour market, characterised by strong wage growth.
- GST revenue was higher by \$1.7 billion (7.2%), owing to year-on-year growth in nominal consumption that was in part driven by the high rate of consumer price inflation.
- Other direct tax revenue was higher by \$1.1 billion (65.5%) mainly owing to increases in deposit interest rates.
- Corporate tax revenue was lower by \$1.3 billion (7.3%) due to the timing of the recognition of tax revenue from company profits.
- Net other individuals tax revenue was lower by \$0.9 billion (9.7%) mainly owing to a decline in provisional tax revenue, caused by a lower provisional tax estimation factor being used in the 2022/23 fiscal year than was used in 2021/22.
- Other indirect taxes were \$0.9 billion lower, mainly owing to lower tax from fuel excise and road user charges compared to the prior year reflecting the reduction in rates.

The drivers of the stronger tax revenue mentioned above also impact on **core Crown tax receipts** which were \$7.5 billion (7.9%) higher than the same time last year.

In addition, interest revenue and dividends from investments were more than the same time last year, largely as a result of higher interest rates and higher ACC levies owing to a strong labour market. Partly offsetting these was New Zealand Emissions Trading Scheme (NZ ETS) revenue which was lower by \$0.9 billion.

The increase in tax revenue and other revenue has contributed to **core Crown revenue** being \$6.3 billion (5.9%) above the same period last year.

Core Crown expenses at \$115.1 billion were \$0.7 billion (0.7%) higher than the same period last year.

The composition of expenses has changed significantly since last year, with the most notable changes including:

- Finance costs are up by \$3.4 billion on last year, reflecting increases to interest rates and borrowings.
- Health expenditure was \$1.5 billion higher than last year, reflecting additional funding provided at Budget 2022 and additional costs for the public health response to COVID-19.
- New Zealand Superannuation payments are up by \$1.6 billion, reflecting an increase in the number of recipients and payment rates (which are indexed to wage growth).
- Transport costs are up by \$1.0 billion as a result of higher costs relating to repairs and maintenance of State Highways and more spending on local roads than the previous year.
- The payment of the one-off cost of living payment of \$0.6 billion which impacted 2022/23 only.
- Offsetting these was spending on COVID-19 business support measures like the wage subsidy scheme and resurgence support payments have not been required in the eleven months of the 2022/23 fiscal year leading to expenses being around \$8.8 billion lower than the same period last year.

The **OBEGAL** deficit has improved by \$1.0 billion from the same time last year primarily owing to the core Crown changes noted above.

The **operating balance** has improved by \$13.8 billion. In addition to the improvements in OBEGAL, the other drivers include:

- Net gains/(losses) on financial instruments are \$10.5 billion more favourable than the same time last year largely owing to improved market conditions. In May 2023, a net gain of \$5.2 billion has been reported while a net loss of \$5.2 billion was recorded in May 2022.
- Net gains on non-financial instruments were \$1.8 billion higher this year compared to the same period last year, an increase of \$1.8 billion. This is largely due to the NZ ETS recording a gain of \$3.5 billion in May 2023 compared to a loss of \$4.8 billion in May 2022 and the gain on discontinued operations of State-owned Enterprises recognised in the same period last year. These were partly offset by actuarial gains on ACC liability being lower by \$5.7 billion in May 2023 compared to May 2022.

The **Core Crown residual cash** deficit of \$23.8 billion, was \$1.1 billion lower than the cash deficit for the same period last year. Net operating cash outflows were \$4.7 billion lower than the same period last year while net capital payments were \$3.7 billion higher than the previous year.

Net debt at \$73.3 billion was \$14.3 billion higher than for the same time last year and as a share of the economy, net debt increased to 18.9% of GDP from 16.5% of GDP a year earlier.

The increase in net debt was driven by Crown entity borrowings (excl. Kiwi Group) as a result of higher Kāinga Ora borrowings. In addition, increased funding has been needed to cover the residual cash deficit since May 2022.

Net worth attributable to the Crown was \$170.4 billion (44.0% of GDP) at 31 May 2023, \$29.4 billion higher than the same time last year. This is primarily owing to the operating balance since May 2022 and revaluation increases in property, plant and equipment of \$31.1 billion.



Unaudited Interim Financial Statements

STATEMENT OF FINANCIAL PERFORMANCE

For the eleven months ended 31 May 2023

Year to 30 June 2022	11 months to 31 May 2022		Note	Current Year Actual vs Forecast				Annual BEFU Forecast \$m
				Actual \$m	Forecast \$m	Variance \$m	%	
		Revenue						
107,873	98,369	Taxation revenue	2	102,796	104,855	(2,059)	(2.0)	114,626
8,894	8,019	Other sovereign revenue	2	8,177	8,055	122	1.5	9,086
116,767	106,388	Total sovereign revenue		110,973	112,910	(1,937)	(1.7)	123,712
17,442	15,648	Sales of goods and services		19,875	20,351	(476)	(2.3)	22,596
3,540	3,113	Interest revenue and dividends	3	5,032	4,769	263	5.5	5,249
3,878	3,545	Other revenue		3,824	3,925	(101)	(2.6)	3,999
24,860	22,306	Total revenue earned through operations		28,731	29,045	(314)	(1.1)	31,844
141,627	128,694	Total revenue (excluding gains)		139,704	141,955	(2,251)	(1.6)	155,556
		Expenses						
44,087	40,870	Transfer payments and subsidies	4	35,137	35,335	198	0.6	38,926
32,648	29,050	Personnel expenses		32,193	32,218	25	0.1	35,308
6,152	5,361	Depreciation		5,972	5,942	(30)	(0.5)	6,571
58,273	52,078	Other operating expenses		57,453	59,340	1,887	3.2	68,665
3,349	2,926	Interest expenses	5	6,595	6,461	(134)	(2.1)	7,236
6,447	5,932	Insurance expenses	6	8,270	8,296	26	0.3	8,918
-	-	Top-down expense adjustment	7	-	(1,850)	(1,850)	(100.0)	(3,700)
150,956	136,217	Total expenses (excluding losses)		145,620	145,742	122	0.1	161,924
		Gains/(losses)						
(9,687)	(5,230)	Net gains/(losses) on financial instruments		5,225	4,853	372	7.7	5,888
2,965	1,965	Net gains/(losses) on non-financial instruments	8	3,747	5,372	(1,625)	(30.2)	5,301
(6,722)	(3,265)	Total gains/(losses)		8,972	10,225	(1,253)	(12.3)	11,189
		Other interests						
(126)	29	Net surplus/(deficit) from associates and joint ventures		56	50	6	12.0	42
(755)	(485)	Less minority interests' share of operating balance		(544)	(660)	116	17.6	(644)
(16,932)	(11,244)	Operating balance (excluding minority interests)		2,568	5,828	(3,260)	(55.9)	4,219
755	485	Minority interests' share of operating balance		544	660	(116)	(17.6)	644
(16,177)	(10,759)	Operating balance (including minority interests)		3,112	6,488	(3,376)	(52.0)	4,863

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 2023

Year to 30 June 2022 Actual \$m	11 months to 31 May 2022 Actual \$m		Current Year Actual vs Forecast				Annual BEFU Forecast \$m
			Actual \$m	Forecast \$m	Variance \$m	%	
(16,177)	(10,759)	Operating balance (including minority interest)	3,112	6,488	(3,376)	(52.0)	4,863
		Other comprehensive revenue and expense					
30,920	123	Revaluation of physical assets	1,139	1,175	(36)	(3.1)	243
1,615	692	Revaluation of defined benefit retirement plan schemes	134	133	1	0.8	141
93	-	Revaluation of veterans' disability entitlements	-	-	-	-	-
697	544	Transfers into/(out of) cash flow hedge reserve	91	(198)	289	146.0	(135)
(23)	(39)	Transfers into/(out of) reserves	26	81	(55)	(67.9)	17
		(Gains)/losses transferred to the statement of financial performance	(60)	(96)	36	37.5	(64)
(12)	(77)	Foreign currency translation differences on foreign operations	(1)	(1)	-	-	(1)
39	23	Other movements	(91)	(153)	62	40.5	(15)
(385)	(247)						
32,944	1,019	Total other comprehensive revenue and expense	1,238	941	297	31.6	186
16,767	(9,740)	Total comprehensive revenue and expense	4,350	7,429	(3,079)	(41.4)	5,049
		Attributable to:					
999	495	- minority interests	992	1,031	(39)	(3.8)	1,037
15,768	(10,235)	- the Crown	3,358	6,398	(3,040)	(47.5)	4,012
16,767	(9,740)	Total comprehensive revenue and expense	4,350	7,429	(3,079)	(41.4)	5,049

STATEMENT OF CHANGES IN NET WORTH

For the eleven months ended 31 May 2023

Year to 30 June 2022 Actual \$m	11 months to 31 May 2022 Actual \$m		Current Year Actual vs Forecast				Annual BEFU Forecast \$m
			Actual \$m	Forecast \$m	Variance \$m	%	
156,992	156,992	Opening net worth	174,319	174,319	-	-	174,319
(16,177)	(10,759)	Operating balance (including minority interest)	3,112	6,488	(3,376)	(52.0)	4,863
30,920	123	Revaluations of physical assets	1,139	1,175	(36)	(3.1)	243
		Revaluations of defined benefit retirement plan schemes	134	133	1	0.8	141
1,615	692						
93	-	Revaluations of veterans' disability entitlements	-	-	-	-	-
697	544	Transfers into/(out of) cash flow hedge reserve	91	(198)	289	146.0	(135)
(23)	(39)	Transfers into/(out of) other reserves	26	81	(55)	(67.9)	17
		(Gains)/losses transferred to the statement of financial performance	(60)	(96)	36	37.5	(64)
(12)	(77)	Foreign currency translation differences on foreign operations	(1)	(1)	-	-	(1)
39	23	Other movements	(91)	(153)	62	40.5	(15)
(385)	(247)						
16,767	(9,740)	Total comprehensive revenue and expense	4,350	7,429	(3,079)	(41.4)	5,049
949	914	Increase in minority interest from equity issues	52	72	(20)	(27.8)	72
(389)	(376)	Transactions with minority interests	(427)	(484)	57	11.8	(484)
174,319	147,790	Closing net worth	178,294	181,336	(3,042)	(1.7)	178,956

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

STATEMENT OF CASH FLOWS

For the eleven months ended 31 May 2023

Year to 30 June 2022	11 months to 31 May 2022		Current Year Actual vs Forecast				Annual BEFU Forecast \$m	
			Actual \$m	Forecast \$m	Variance \$m	%		
			Note					
		Cash flows from operations						
		Cash was provided from						
102,712	94,679	Taxation receipts		102,177	104,594	(2,417)	(2.3)	113,414
7,803	6,858	Other sovereign receipts		7,050	6,946	104	1.5	7,945
17,834	15,621	Sales of goods and services		19,869	20,087	(218)	(1.1)	22,403
1,961	1,748	Interest receipts		2,954	2,851	103	3.6	3,207
4,802	4,469	Other operating receipts		5,055	5,095	(40)	(0.8)	5,362
135,112	123,375	Total cash provided from operations		137,105	139,573	(2,468)	(1.8)	152,331
		Cash was disbursed to						
44,273	41,202	Transfer payments and subsidies		35,754	35,780	26	0.1	39,212
92,965	84,715	Personnel and operating payments		91,646	93,963	2,317	2.5	105,585
3,251	3,002	Interest payments		5,517	5,583	66	1.2	6,087
-	-	Top-down expense adjustment	7	-	(1,850)	(1,850)	(100.0)	(3,700)
140,489	128,919	Total cash disbursed to operations		132,917	133,476	559	0.4	147,184
(5,377)	(5,544)	Net cash flows from operations		4,188	6,097	(1,909)	(31.3)	5,147
		Cash flows from investing activities						
		Cash was provided from/(disbursed to)						
(10,572)	(9,757)	Net (purchase)/sale of physical assets		(13,547)	(13,357)	(190)	(1.4)	(17,199)
(4,986)	(4,776)	Net (purchase)/sale of shares and other securities		(3,369)	(3,550)	181	5.1	(1,434)
(709)	(781)	Net (purchase)/sale of intangible assets		(937)	(1,014)	77	7.6	(1,126)
(12,958)	(10,613)	Net (issue)/repayment of advances		(8,589)	(8,384)	(205)	(2.4)	(8,674)
(449)	(561)	Net acquisition of investments in associates		(287)	(212)	(75)	(35.4)	(275)
-	-	Top-down capital adjustment	7	-	925	(925)	(100.0)	1,850
(29,674)	(26,488)	Net cash flows from investing activities		(26,729)	(25,592)	(1,137)	(4.4)	(26,858)
(35,051)	(32,032)	Net cash flows from operating and investing activities		(22,541)	(19,495)	(3,046)	(15.6)	(21,711)
		Cash Flows from financing activities						
		Cash was provided from/(disbursed to)						
805	814	Issues of circulating currency		13	192	(179)	(93.2)	196
18,373	17,765	Net issue/(repayment) of Government bonds		14,292	14,477	(185)	(1.3)	16,590
2,259	1,321	Net issue/(repayment) of foreign currency borrowing		(908)	(3,759)	2,851	75.8	(4,107)
11,879	13,098	Net issue/(repayment) of other New Zealand dollar borrowing		13,550	10,213	3,337	32.7	10,764
898	814	Net issue/(purchase) of equity		-	-	-	-	-
(304)	(315)	Dividends paid to minority interests		(392)	(389)	(3)	(0.8)	(387)
33,910	33,497	Net cash flows from financing activities		26,555	20,734	5,821	28.1	23,056
(1,141)	1,465	Net movement in cash		4,014	1,239	2,775	224.0	1,345
18,755	18,755	Opening cash balance		17,835	17,835	-	-	17,835
221	(74)	Foreign-exchange gains/(losses) on opening cash		(123)	6	(129)	-	(96)
17,835	20,146	Closing cash balance		21,726	19,080	2,646	13.9	19,084

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 2023

Year to 30 June 2022 Actual \$m	11 months to 31 May 2022 Actual \$m		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					
(5,377)	(5,544)	Net cash flows from operations	4,188	6,097	(1,909)	(31.3)	5,147
		Gains/(losses) and other interests					
(9,687)	(5,230)	Net gains/(losses) on financial instruments	5,225	4,853	372	7.7	5,888
2,965	1,965	Net gains/(losses) on non-financial instruments	3,747	5,372	(1,625)	(30.2)	5,301
(126)	29	Net surplus from associates and joint ventures	56	50	6	12.0	42
(6,848)	(3,236)	Total gains/(losses) and other interests	9,028	10,275	(1,247)	(12.1)	11,231
		Other non-cash items in operating balance					
(6,152)	(5,362)	Depreciation	(5,972)	(5,942)	(30)	(0.5)	(6,571)
		Amortisation and net impairment of non-financial assets	(1,225)	(1,202)	(23)	(1.9)	(1,345)
224	(575)	Cost of concessionary lending	(695)	(725)	30	4.1	(851)
(858)	(750)	Impairment of financial assets (excl receivables)	(85)	(79)	(6)	(7.6)	(52)
(38)	(31)	Decrease/(increase) in insurance liabilities	(3,700)	(3,528)	(172)	(4.9)	(3,298)
(1,696)	(1,683)	Change in accumulating pension expenses	(177)	(178)	1	0.6	878
790	582	Emissions trading scheme revenue and expense	417	607	(190)	(31.3)	960
1,529	1,252	Other	-	-	-	-	-
45	-						
(6,156)	(6,567)	Total other non-cash items	(11,437)	(11,047)	(390)	(3.5)	(10,279)
		Movements in working capital					
5,027	4,140	Increase/(decrease) in receivables	2,175	1,454	721	49.6	1,430
197	349	Increase/(decrease) in accrued interest	(92)	(118)	26	22.0	(361)
874	620	Increase/(decrease) in inventories	272	229	43	18.8	200
303	349	Increase/(decrease) in prepayments	103	303	(200)	(66.0)	144
(819)	(656)	Decrease/(increase) in deferred revenue	(288)	(71)	(217)	(305.6)	(52)
(3,378)	(214)	Decrease/(increase) in payables/provisions	(837)	(634)	(203)	(32.0)	(2,597)
2,204	4,588	Total movements in working capital	1,333	1,163	170	14.6	(1,236)
(16,177)	(10,759)	Operating balance (including minority interests)	3,112	6,488	(3,376)	(52.0)	4,863

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

STATEMENT OF FINANCIAL POSITION

As at 31 May 2023

As at 30 June 2022 Actual \$m	As at 31 May 2022 Actual \$m		Note	Current Year Actual vs Forecast				Annual BEFU Forecast \$m
				Actual \$m	Forecast \$m	Variance \$m	%	
Assets								
17,835	20,146	Cash and cash equivalents	9	21,726	19,080	2,646	13.9	19,084
35,135	32,339	Receivables	9	35,149	33,516	1,633	4.9	33,383
65,456	62,352	Marketable securities, deposits and derivatives in gain	9	68,147	65,952	2,195	3.3	63,866
46,261	48,518	Share investments	9	46,699	44,439	2,260	5.1	44,710
54,659	56,360	Advances	9	64,975	64,049	926	1.4	65,247
6,096	5,027	Investments in controlled enterprises	9	7,249	6,936	313	4.5	7,024
3,068	2,814	Inventory		3,340	3,297	43	1.3	3,268
4,208	3,964	Other assets		4,411	4,373	38	0.9	4,324
249,182	218,983	Property, plant and equipment	10	257,115	257,254	(139)	(0.1)	259,280
16,247	14,937	Equity accounted investments ¹		16,749	16,625	124	0.7	16,678
3,697	3,929	Intangible assets and goodwill		3,931	4,012	(81)	(2.0)	4,178
-	-	Top-down capital adjustment	7	-	(925)	925	100.0	(1,850)
501,844	469,369	Total assets		529,491	518,608	10,883	2.1	519,192
Liabilities								
9,061	9,070	Issued currency		9,074	9,252	178	1.9	9,256
21,420	16,520	Payables	11	17,878	16,703	(1,175)	(7.0)	17,147
3,368	3,204	Deferred revenue		3,656	3,440	(216)	(6.3)	3,420
203,965	202,617	Borrowings	12	230,603	220,013	(10,590)	(4.8)	222,465
11,308	10,970	New Zealand Emissions Trading Scheme	13	8,241	8,254	13	0.2	8,360
55,301	56,136	Insurance liabilities	14	58,865	57,031	(1,834)	(3.2)	56,850
8,769	9,749	Retirement plan liabilities		8,291	8,289	(2)	-	8,254
14,333	13,313	Provisions	15	14,589	14,290	(299)	(2.1)	14,484
327,525	321,579	Total liabilities		351,197	337,272	(13,925)	(4.1)	340,236
174,319	147,790	Total assets less total liabilities		178,294	181,336	(3,042)	(1.7)	178,956
Net worth								
2,681	8,395	Taxpayers' funds	16	5,326	8,475	(3,149)	(37.2)	6,932
164,385	133,948	Property, plant and equipment revaluation reserve	16	164,964	165,113	(149)	(0.1)	164,188
55	(868)	Defined benefit retirement plan revaluation reserve	16	188	188	-	-	196
(566)	(659)	Veterans' disability entitlements reserve	16	(566)	(566)	-	-	(566)
481	217	Other reserves	16	482	224	258	115.2	298
167,036	141,033	Total net worth attributable to the Crown		170,394	173,434	(3,040)	(1.8)	171,048
7,283	6,757	Net worth attributable to minority interest	16	7,900	7,902	(2)	-	7,908
174,319	147,790	Total net worth		178,294	181,336	(3,042)	(1.7)	178,956

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 2023

	Current Year Actual vs Forecast									
	Core Crown		Crown entities ¹		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	103,344	105,557	-	-	-	-	(548)	(702)	102,796	104,855
Other sovereign revenue	3,560	3,524	6,604	6,567	-	-	(1,987)	(2,036)	8,177	8,055
Revenue from core Crown funding	-	-	41,977	42,311	691	657	(42,668)	(42,968)	-	-
Sales of goods and services	1,517	1,533	3,076	3,081	15,910	16,325	(628)	(588)	19,875	20,351
Interest and dividend revenue	4,010	3,929	2,143	2,113	662	630	(1,783)	(1,903)	5,032	4,769
Other revenue	973	1,192	3,969	3,957	721	661	(1,839)	(1,885)	3,824	3,925
Total Revenue (excluding gains)	113,404	115,735	57,769	58,029	17,984	18,273	(49,453)	(50,082)	139,704	141,955
Expenses										
Transfer payments and subsidies	36,215	36,458	-	-	-	-	(1,078)	(1,123)	35,137	35,335
Personnel expenses	9,397	9,468	19,824	19,423	3,026	2,972	(54)	355	32,193	32,218
Other operating expenses	63,558	65,076	32,506	33,212	13,014	13,542	(45,653)	(46,548)	63,425	65,282
Interest expenses	5,906	5,671	770	787	620	623	(701)	(620)	6,595	6,461
Insurance expenses	-	4	8,261	8,285	9	8	-	-	8,270	8,296
Top-down adjustment	-	(1,850)	-	-	-	-	-	-	-	(1,850)
Total Expenses (excluding losses)	115,076	114,827	61,361	61,707	16,669	17,145	(47,486)	(47,936)	145,620	145,742
Gains/(losses) and other items	8,193	7,388	1,955	2,660	(373)	(257)	(1,291)	(175)	8,484	9,615
Operating Balance (excluding minority interests)	6,521	8,296	(1,637)	(1,018)	942	871	(3,258)	(2,321)	2,568	5,828
Assets										
Financial assets	165,021	157,919	98,898	96,697	7,953	7,401	(27,927)	(28,045)	243,945	233,972
Property, plant and equipment	57,691	57,849	150,382	149,549	49,044	49,856	-	-	257,115	257,254
Investments in associates, CEs and SOEs	64,388	64,284	14,286	14,299	395	370	(62,320)	(62,328)	16,749	16,625
Other assets	5,598	5,576	3,606	3,663	3,157	3,061	(679)	(618)	11,682	11,682
Top-down capital adjustments	-	(925)	-	-	-	-	-	-	-	(925)
Total Assets	292,698	284,703	267,172	264,208	60,549	60,688	(90,926)	(90,991)	529,491	518,608
Liabilities										
Borrowings	193,638	186,172	48,596	46,479	11,639	11,619	(23,270)	(24,257)	230,603	220,013
Other liabilities	47,077	44,812	73,170	71,894	11,064	11,183	(10,717)	(10,630)	120,594	117,259
Total Liabilities	240,715	230,984	121,766	118,373	22,703	22,802	(33,987)	(34,887)	351,197	337,272
Net Worth	51,983	53,719	145,406	145,835	37,846	37,886	(56,939)	(56,104)	178,294	181,336
Cost of Acquisition of Physical Assets (Cash)	3,509	3,477	7,536	6,753	2,692	3,224	-	-	13,737	13,454

1. Kiwi Group Capital is reported in the Crown entities segment due to the acquisition on 30 November 2022 of Kiwi Group Holdings Limited by Kiwi Group Capital Limited.

However, the operating activity up to 30 November 2022 is reported in the State-owned Enterprises segment. For preparing the forecast it was assumed that operating activities of Kiwi Group Capital for the full year would be reported in the Crown entities segment.

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

STATEMENT OF COMMITMENTS

As at 31 May 2023

	As at 31 May 2023 \$m	As at 30 Jun 2022 \$m	As at 31 May 2022 \$m
Capital Commitments			
State highways	1,929	2,380	2,751
Specialist military equipment	1,522	2,169	2,218
Land and buildings	8,739	7,249	6,435
Other property, plant and equipment	5,323	5,192	4,827
Other capital commitments	907	1,045	724
Universities and Wānanga	763	763	875
Total capital commitments	19,183	18,798	17,830
Operating Commitments			
Non-cancellable accommodation leases	5,635	5,645	5,146
Other non-cancellable leases	3,215	3,184	3,574
Universities and Wānanga	1,279	1,279	1,137
Total operating commitments	10,129	10,108	9,857
Total commitments	29,312	28,906	27,687
Total Commitments by Segment			
Core Crown	10,999	11,979	11,541
Crown entities	11,338	10,107	9,421
State-owned Enterprises	7,290	7,131	6,963
Inter-segment eliminations	(315)	(311)	(238)
Total commitments	29,312	28,906	27,687

STATEMENT OF CONTINGENT LIABILITIES AND ASSETS

As at 31 May 2023

	As at 31 May 2023 \$m	As at 30 Jun 2022 \$m	As at 31 May 2022 \$m
Quantifiable Contingent Liabilities			
Uncalled capital	9,533	9,198	8,855
Guarantees and indemnities	313	387	422
Legal proceedings and disputes	732	553	327
Other contingent liabilities	944	778	835
Total quantifiable contingent liabilities	11,522	10,916	10,439
Total Quantifiable Contingent Liabilities by Segment			
Core Crown	10,700	10,366	10,107
Crown entities	677	392	165
State-owned Enterprises	180	206	224
Inter-segment eliminations	(35)	(48)	(57)
Total quantifiable contingent liabilities	11,522	10,916	10,439
Quantifiable Contingent Assets			
Core Crown	48	26	26
Crown entities	28	37	21
State-owned Enterprises	41	-	-
Inter-segment eliminations	-	-	-
Total quantifiable contingent assets	117	63	47

For further detail a list of unquantifiable contingent liabilities and their descriptions is included on the Treasury's website as part of the BEFU 2023 pages 97 to 107.

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 have been prepared in accordance with the Public Finance Act 1989 and with New Zealand Generally Accepted Accounting Practice (NZ GAAP) as defined in the Financial Reporting Act 2013.

Entities included in the consolidated financial statements of the Government Reporting Entity Judgement is required to determine what entities are controlled and therefore consolidated in financial statements. The Government Reporting Entity is defined as the Sovereign in right of New Zealand and the legislative, executive, and judicial branches of the Government of New Zealand. The Government Reporting Entity is assessed as controlling another entity when it is exposed to, or has rights to, variable benefits from its involvement with that entity and can affect the nature or amount of those benefits through the exercise of its power over that entity.

Basis of combination

These financial statements consolidate the following entities into the Government Reporting Entity:

Core Crown entities

- Ministers of the Crown
- Government departments
- Offices of Parliament
- New Zealand Superannuation Fund
- Reserve Bank of New Zealand
- State-owned Enterprises (SOEs)
- Crown Entities (including Kiwi Group Capital Limited (which in turn includes Kiwibank), excluding Universities and Wānanga)

Other entities

- State-owned Enterprises
- Crown entities (excluding Universities and Wānanga)
- Air New Zealand Limited
- Christ Church Cathedral Reinstatement Trust
- Venture Capital Fund
- Organisations listed in Schedule 4 and 4A (non-listed companies in which the Crown is majority or sole shareholder) of the Public Finance Act 1989
- Organisations listed in Schedule 5 (Mixed ownership model companies) of the Public Finance Act 1989
- Legal entities listed in Schedule 6 (Legal entities created by Treaty of Waitangi Settlement Acts) of the Public Finance Act 1989

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.

These financial statements include the acquisition on 30 November 2022 of Kiwi Group Holdings Limited by Kiwi Group Capital Limited, a new Crown Entity. Kiwi Group Capital Limited purchased those shares from New Zealand Post Limited, the NZ Super Fund and ACC. The Crown provided funding of \$2.1 billion to Kiwi Group Capital Limited to purchase shares. As all the parties to this transaction are within the Government Reporting entity there are no changes to the consolidated Statement of Financial Performance and the consolidated Statement of Financial Position. However, the financial performance of Kiwi Group Holdings Limited from 1 July 2022 until 30 November 2022 is included in the State-owned Enterprise reporting segment, while the financial performance subsequent to 30 November 2022 and the assets and liabilities of that company at 31 May 2023 are included in the Crown Entities reporting segment (prior to that date these assets and liabilities were recorded in the State-owned Enterprise reporting segment). This has also led to a change in functional classification of expenses from transportation and communications to economic and industrial services, from acquisition date.

For further detail a schedule of the entities that are included in the Government reporting entity was set out on pages 59 to 61 of the *Financial Statements of the Government of New Zealand for the year ended 30 June 2022* published on 5 October 2022.

The 30 June 2022 results 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 2023, based on the *BEFU 2023* published on 18 May 2023.

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.

At 30 June 2022 an adjustment was made to reflect the IFRS Interpretation Committee agenda decision “Configuration or Customisation Costs in a Cloud Computing Arrangement (IAS 38 Intangible Assets)”. In 2022 this change resulted in previously capitalised intangible assets being recognised as an expense. This change is reflected in all periods except for the eleven months ended 31 May 2023. This change was not considered to be material for the comparative period.

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 62 to 66 of the *Financial Statements of the Government of New Zealand for the year ended 30 June 2022* published on 5 October 2022.

NOTES TO THE FINANCIAL STATEMENTS

Year to 30 June 2022 Actual \$m	11 months to 31 May 2022 Actual \$m		Current Year Actual vs Forecast				Annual BEFU Forecast \$m
			Actual \$m	Forecast \$m	Variance \$m	%	
NOTE 2: Sovereign Revenue							
Taxation revenue							
Individuals							
42,448	38,696	Source deductions	43,398	43,089	309	0.7	47,055
11,120	9,898	Other persons	9,190	9,641	(451)	(4.7)	10,980
(1,739)	(1,527)	Refunds	(1,761)	(1,643)	(118)	(7.2)	(1,853)
684	622	Fringe benefit tax	694	680	14	2.1	732
52,513	47,689	Total individuals	51,521	51,767	(246)	(0.5)	56,914
Corporate tax							
20,010	17,971	Gross companies tax	16,839	18,518	(1,679)	(9.1)	20,536
(630)	(524)	Refunds	(845)	(626)	(219)	(35.0)	(731)
516	457	Non-resident withholding tax	526	504	22	4.4	576
19,896	17,904	Total corporate tax	16,520	18,396	(1,876)	(10.2)	20,381
Other direct income tax							
842	727	Resident withholding tax on interest income	1,801	1,559	242	15.5	1,659
1,108	961	Resident withholding tax on dividend income	994	982	12	1.2	1,110
1,950	1,688	Total other direct income tax	2,795	2,541	254	10.0	2,769
74,359	67,281	Total direct income tax	70,836	72,704	(1,868)	(2.6)	80,064
Goods and services tax							
43,044	39,913	Gross goods and services tax	43,395	43,803	(408)	(0.9)	47,473
(16,920)	(15,586)	Refunds	(17,324)	(17,628)	304	1.7	(19,343)
26,124	24,327	Total goods and services tax	26,071	26,175	(104)	(0.4)	28,130
Other indirect taxation							
1,749	1,616	Petroleum fuels excise and duty ¹	1,209	1,193	16	1.3	1,274
1,866	1,650	Tobacco excise and duty ¹	1,539	1,579	(40)	(2.5)	1,722
1,840	1,730	Road and track user charges	1,253	1,324	(71)	(5.4)	1,359
1,241	1,150	Alcohol excise and duty ¹	1,181	1,184	(3)	(0.3)	1,294
178	162	Other customs duty	173	168	5	3.0	181
516	453	Miscellaneous indirect tax	534	528	6	1.1	602
7,390	6,761	Total other indirect taxation	5,889	5,976	(87)	(1.5)	6,432
33,514	31,088	Total indirect taxation	31,960	32,151	(191)	(0.6)	34,562
107,873	98,369	Total taxation revenue	102,796	104,855	(2,059)	(2.0)	114,626
Other sovereign revenue							
3,461	3,054	ACC levies	3,511	3,492	19	0.5	3,819
3,006	2,864	Emissions trading revenue	1,986	2,154	(168)	(7.8)	2,538
638	563	Fire Service levies	596	585	11	1.9	660
528	484	EQC levies	549	543	6	1.1	603
25	14	Clean vehicle discount	144	119	25	21.0	186
287	265	Child support and working for families penalties	360	226	134	59.3	244
100	91	Court fines	96	95	1	1.1	115
849	684	Other miscellaneous items	935	841	94	11.2	921
8,894	8,019	Total other sovereign revenue	8,177	8,055	122	1.5	9,086
116,767	106,388	Total sovereign revenue	110,973	112,910	(1,937)	(1.7)	123,712

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

NOTES TO THE FINANCIAL STATEMENTS

Year to 30 Jun 2022 Actual \$m	11 months to 31 May 2022 Actual \$m		Current Year Actual vs Forecast				Annual Forecast \$m
			Actual \$m	Forecast \$m	Variance \$m	%	
NOTE 2: Sovereign Receipts (continued)							
Taxation Receipts (cash)							
Individuals							
42,436	38,563	Source deductions	42,466	42,433	33	0.1	46,794
9,723	9,169	Other persons	10,086	10,733	(647)	(6.0)	11,404
(2,423)	(1,950)	Refunds	(2,102)	(1,831)	(271)	(14.8)	(2,345)
674	664	Fringe benefit tax	732	715	17	2.4	732
50,410	46,446	Total individuals	51,182	52,050	(868)	(1.7)	56,585
Corporate Tax							
18,343	17,409	Gross companies tax	18,551	19,851	(1,300)	(6.5)	21,006
(1,317)	(1,199)	Refunds	(1,518)	(1,445)	(73)	(5.1)	(1,603)
529	503	Non-resident withholding tax	564	546	18	3.3	576
17,555	16,713	Total corporate tax	17,597	18,952	(1,355)	(7.1)	19,979
Other Direct Income Tax							
813	740	Resident withholding tax on interest income	1,698	1,545	153	9.9	1,659
1,098	1,034	Resident withholding tax on dividend income	1,105	1,041	64	6.1	1,100
1,911	1,774	Total other direct income tax	2,803	2,586	217	8.4	2,759
69,876	64,933	Total income tax	71,582	73,588	(2,006)	(2.7)	79,323
Goods and Services Tax							
41,973	37,822	Gross goods and services tax	41,199	42,132	(933)	(2.2)	46,622
(16,473)	(14,948)	Refunds	(16,725)	(17,286)	561	3.2	(19,083)
25,500	22,874	Total goods and services tax	24,474	24,846	(372)	(1.5)	27,539
Other Indirect Taxation							
1,853	1,720	Road and track user charges	1,214	1,324	(110)	(8.3)	1,359
1,630	1,575	Excise duties	688	703	(15)	(2.1)	789
3,360	3,125	Customs duty	3,623	3,577	46	1.3	3,802
493	452	Miscellaneous indirect taxation	596	556	40	7.2	602
7,336	6,872	Total other indirect taxation	6,121	6,160	(39)	(0.6)	6,552
32,836	29,746	Total indirect taxation	30,595	31,006	(411)	(1.3)	34,091
102,712	94,679	Total tax receipts collected	102,177	104,594	(2,417)	(2.3)	113,414
Other Sovereign Receipts (cash)							
3,363	3,127	ACC levies	3,492	3,448	44	1.3	3,696
2,096	1,638	Emissions trading receipts	819	988	(169)	(17.1)	1,439
634	574	Fire Service levies	608	596	12	2.0	656
530	486	EQC levies	629	619	10	1.6	684
25	14	Clean vehicle discount	144	119	25	21.0	186
212	186	Child support and working for families penalties	360	238	122	51.3	258
110	99	Court fines	104	104	-	-	115
833	735	Other miscellaneous items	893	834	59	7.1	911
7,803	6,859	Total other sovereign receipts	7,049	6,946	103	1.5	7,945
110,515	101,538	Total sovereign receipts	109,226	111,540	(2,314)	(2.1)	121,359

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>

NOTES TO THE FINANCIAL STATEMENTS

Year to 30 June 2022 Actual \$m	11 months to 31 May 2022 Actual \$m		Current Year Actual vs Forecast				Annual BEFU Forecast \$m
			Actual \$m	Forecast \$m	Variance \$m	%	
NOTE 3: Interest Revenue and Dividends							
2,292	2,017	Interest revenue	3,941	3,718	223	6.0	4,110
1,248	1,096	Dividends	1,091	1,051	40	3.8	1,139
3,540	3,113	Total interest revenue and dividends	5,032	4,769	263	5.5	5,249
NOTE 4: Transfer Payments and Subsidies							
17,764	16,215	New Zealand superannuation	17,796	17,803	7	-	19,523
3,330	3,051	Jobseeker support and emergency benefit	3,166	3,174	8	0.3	3,480
2,386	2,188	Accommodation assistance	2,153	2,157	4	0.2	2,350
2,047	1,896	Supported living payment	2,108	2,107	(1)	-	2,310
2,017	1,815	Family tax credit	1,932	1,938	6	0.3	2,165
1,704	1,551	Sole parent support	1,748	1,749	1	0.1	1,912
-	-	Cost of living payment	596	656	60	9.1	656
513	413	Winter energy payment	417	416	(1)	(0.2)	519
964	891	KiwiSaver subsidies	949	949	-	-	1,039
556	499	Student allowances	470	467	(3)	(0.6)	521
497	466	Hardship assistance	621	622	1	0.2	679
827	638	Official development assistance	684	715	31	4.3	905
519	458	Other working for families tax credits	416	411	(5)	(1.2)	469
412	378	Disability allowances	393	392	(1)	(0.3)	429
313	285	Orphan's/unsupported child's benefit	320	318	(2)	(0.6)	347
308	275	Best start	287	288	1	0.3	324
145	131	Income related rent subsidy	97	118	21	17.8	134
4,019	4,018	COVID-19 resurgence and support payment	-	-	-	-	-
4,689	4,706	Wage Subsidy Scheme	-	-	-	-	-
1,077	996	Other social assistance benefits	984	1,055	71	6.7	1,164
44,087	40,870	Total transfer payments and subsidies	35,137	35,335	198	36.3	38,926
NOTE 5: Finance Costs							
3,251	2,839	Interest on financial liabilities	6,206	6,072	(134)	(2.2)	6,819
98	87	Interest unwind on provisions and other interest	389	389	-	-	417
3,349	2,926	Total finance costs	6,595	6,461	(134)	(2.1)	7,236
NOTE 6: Insurance Expenses							
5,833	5,525	ACC	7,176	7,178	2	-	7,750
496	349	EQC	1,025	1,047	22	2.1	1,090
92	32	Southern Response	6	6	-	-	6
26	26	Other insurance expenses	63	65	2	3.1	72
6,447	5,932	Total insurance expenses	8,270	8,296	26	0.3	8,918

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.

NOTES TO THE FINANCIAL STATEMENTS

As at 30 June 2022 \$m	As at 31 May 2022 \$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							
6,730	5,883	Actuarial gains/(losses) on ACC liability	136	1,798	(1,662)	(92.4)	1,749
(4,917)	(4,762)	Gains/(losses) on the Emissions Trading Scheme	3,469	3,435	34	1.0	3,427
1,152	844	Other ¹	142	139	3	2.2	125
2,965	1,965	Net gains/(losses) on non-financial instruments	3,747	5,372	(1,625)	(30.2)	5,301
1. Includes gains realised by Kiwi Group Holdings Limited from the sale to a third party of 100% of the shares in Kiwi Wealth Management Limited.							
NOTE 9: Financial Assets and Sovereign Receivables							
17,835	20,146	Cash and cash equivalents	21,726	19,080	2,646	13.9	19,084
20,076	19,124	Tax receivables	20,722	20,011	711	3.6	20,681
15,059	13,215	Other receivables	14,427	13,505	922	6.8	12,702
27,786	27,523	Kiwi Group loans and advances	29,623	29,820	(197)	(0.7)	30,002
9,209	10,414	Student loans	8,930	8,882	48	0.5	9,267
11,277	9,527	Funding for Lending advances	18,226	17,636	590	3.3	17,636
6,387	8,896	Other advances	8,196	7,711	485	6.3	8,342
46,261	48,518	Share investments	46,699	44,439	2,260	5.1	44,710
6,096	5,027	Investments in controlled enterprises	7,249	6,936	313	4.5	7,024
45,045	41,700	Other marketable securities	45,381	46,172	(791)	(1.7)	44,394
8,444	7,215	Long-term deposits	8,854	7,120	1,734	24.4	6,882
6,643	8,293	Derivatives in gain	8,277	7,374	903	12.2	7,304
5,324	5,144	IMF financial assets	5,635	5,286	349	6.6	5,286
225,442	224,742	Total financial assets and sovereign receivables	243,945	233,972	9,973	4.3	233,314
Financial assets by entity							
54,178	53,992	The Treasury	41,488	43,490	(2,002)	(4.6)	42,460
60,590	60,157	Reserve Bank of New Zealand	71,605	65,796	5,809	8.8	65,075
65,411	61,750	NZ Superannuation Fund	67,927	65,460	2,467	3.8	65,818
42,846	43,807	Other core Crown	42,814	41,741	1,073	2.6	42,753
(73,598)	(73,477)	Intra-segment eliminations	(58,812)	(58,567)	(245)	(0.4)	(57,538)
149,427	146,229	Total core Crown segment	165,022	157,920	7,102	4.5	158,568
50,041	53,301	ACC	52,802	51,205	1,597	3.1	51,001
541	591	EQC	757	509	248	48.7	514
-	-	Kiwi Group loans and advances ¹	29,623	29,820	(197)	(1)	30,002
17,547	16,390	Other Crown entities	19,756	18,906	850	4.5	19,126
(4,318)	(4,255)	Intra-segment eliminations	(4,039)	(3,743)	(296)	(7.9)	(3,752)
63,811	66,027	Total Crown entities segment	98,899	96,697	2,202	2.3	96,891
38,443	38,410	Total State-owned Enterprises segment¹	7,948	7,396	552	7.5	6,910
(26,239)	(25,924)	Inter-segment eliminations	(27,924)	(28,041)	117	0.4	(29,055)
225,442	224,742	Total financial assets and sovereign receivables	243,945	233,972	9,973	4.3	233,314

1. The 30 June 2022 and 31 May 2022 actuals represent Kiwi Group Holdings (KGH) loans and advances, which were reported within the State-owned Enterprise segment. In November 2022, the assets of KGH were transferred to a newly incorporated Schedule 4A company, called Kiwi Group Capital (Kiwi Group), which is reported in the Crown entity segment.

NOTES TO THE FINANCIAL STATEMENTS

As at 30 June 2022 \$m	As at 31 May 2022 \$m		Current Year Actual vs Forecast				Annual BEFU Forecast \$m
			Actual \$m	Forecast \$m	Variance \$m	%	
NOTE 10: Property, Plant and Equipment							
Net Carrying Value¹							
By class of asset:							
84,744	70,721	Land	85,122	85,715	(593)	(0.7)	86,136
59,781	55,438	Buildings	64,043	63,036	1,007	1.6	64,379
51,915	43,875	State highways	52,903	52,806	97	0.2	53,391
19,027	18,112	Electricity generation assets	19,851	20,058	(207)	(1.0)	20,064
4,353	4,351	Electricity distribution network (cost)	4,436	4,437	(1)	-	4,206
4,220	3,592	Aircraft (excl military)	4,338	4,395	(57)	(1.3)	4,412
4,293	4,111	Specialist military equipment	4,681	4,736	(55)	(1.2)	5,007
3,254	3,164	Specified cultural and heritage assets	3,277	3,212	65	2.0	3,199
10,583	7,785	Rail network	11,017	11,109	(92)	(0.8)	10,427
7,012	7,834	Other plant and equipment (cost)	7,447	7,750	(303)	(3.9)	8,059
249,182	218,983	Total net carrying value	257,115	257,254	(139)	(0.1)	259,280
Land breakdown by usage							
32,802	26,014	Housing stock	32,988	33,476	(488)	(1.5)	33,481
23,486	18,420	State highway corridor land	23,475	23,442	33	0.1	23,467
7,826	7,160	Conservation estate	7,827	7,816	11	0.1	7,815
7,478	7,212	Schools	7,575	7,584	(9)	(0.1)	7,598
4,309	3,823	Rail network corridor land	4,328	4,366	(38)	(0.9)	4,408
1,582	1,254	Commercial (SOE) excluding rail	1,586	1,587	(1)	(0.1)	1,632
7,261	6,838	Other	7,343	7,444	(101)	(1.4)	7,735
84,744	70,721	Total land	85,122	85,715	(593)	(0.7)	86,136
Schedule of Movements							
Cost or Valuation							
231,234	231,234	Opening balance	268,071	268,071	-	-	268,071
12,880	10,860	Additions	13,234	12,860	374	2.9	16,373
(2,011)	(475)	Disposals	(616)	(257)	(359)	(139.7)	(382)
26,271	(115)	Net revaluations	836	841	(5)	(0.6)	(157)
(303)	445	Other	(1)	33	(34)	(103.0)	(93)
268,071	241,949	Total cost or valuation	281,524	281,548	(24)	-	283,812
Accumulated Depreciation & Impairment							
18,018	18,018	Opening balance	18,889	18,889	-	-	18,889
(1,039)	(244)	Eliminated on disposal	(381)	(89)	(292)	(328.1)	(730)
(3,377)	(83)	Eliminated on revaluation	(403)	(781)	378	48	(449)
(851)	-	Impairment losses charged to operating balance	312	312	-	-	312
6,152	5,361	Depreciation expense and impairment losses	5,972	5,942	30	0.5	6,571
(14)	(86)	Other	20	21	(1)	(4.8)	(61)
18,889	22,966	Total accumulated depreciation & impairment	24,409	24,294	115	0.5	24,532
249,182	218,983	Total property, plant and equipment	257,115	257,254	(139)	(0.1)	259,280

1. Using a revaluation methodology unless otherwise stated.

NOTES TO THE FINANCIAL STATEMENTS

As at 30 June 2022 \$m	As at 31 May 2022 \$m		Current Year Actual vs Forecast				Annual BEFU Forecast \$m
			Actual \$m	Forecast \$m	Variance \$m	%	
NOTE 11: Payables							
15,933	10,671	Accounts payable	11,907	11,000	(907)	(8.2)	11,341
5,487	5,849	Taxes repayable	5,971	5,703	(268)	(4.7)	5,806
21,420	16,520	Total payables	17,878	16,703	(1,175)	(7.0)	17,147
NOTE 12: Borrowings							
89,489	88,316	Government bonds	103,242	102,101	(1,141)	(1.1)	104,150
23,709	26,896	Kiwi Group	28,653	29,010	357	1.2	29,174
43,521	44,115	Settlement deposits	49,254	46,813	(2,441)	(5.2)	46,100
3,487	4,028	Treasury bills	2,772	2,774	2	0.1	2,913
10,275	9,279	Derivatives in loss	9,376	6,943	(2,433)	(35.0)	6,833
1,177	1,178	Finance lease liabilities	1,267	1,216	(51)	(4.2)	1,196
152	153	Government retail stock	157	142	(15)	(10.6)	143
32,155	28,652	Other borrowings	35,882	31,014	(4,868)	(15.7)	31,956
203,965	202,617	Total borrowings	230,603	220,013	(10,590)	(4.8)	222,465
153,263	150,887	Sovereign-guaranteed debt	178,190	168,227	(9,963)	(5.9)	171,015
50,702	51,730	Non sovereign-guaranteed debt	52,413	51,786	(627)	(1.2)	51,450
203,965	202,617	Total borrowings	230,603	220,013	(10,590)	(4.8)	222,465

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: New Zealand Emissions Trading Scheme							
5,824	5,824	Opening liability	11,308	11,308	-	-	11,308
2,096	1,638	Units sold	819	988	169	17.1	1,439
1,489	1,416	Allocated units	1,542	1,577	35	2.2	1,656
(3,006)	(2,808)	Units surrendered	(1,986)	(2,154)	(168)	(7.8)	(2,538)
4,917	4,760	(Gains)/ losses due to revaluation in NZ Units	(3,469)	(3,435)	34	1.0	(3,427)
(12)	140	Other movements	27	(30)	(57)	(190.0)	(78)
11,308	10,970	Closing liability	8,241	8,254	13	0.2	8,360

The New Zealand Emissions Trading Scheme (NZ ETS) encourages emissions abatement by putting a price on emissions and rewarding carbon removal activities such as forestry. Tradeable units (NZUs) are allocated into the market through government auctions. NZUs are also allocated free-of-charge to foresters for forestry removals and to certain industrial activities that are both emission-intensive and trade-exposed (industrial allocation). NZ ETS participants must meet their emissions obligations by surrendering NZUs to the government. The NZ ETS liability represents the NZUs outstanding at the reporting date that can be used to settle these emission obligations in the future.

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

NOTE 14: Insurance Liabilities							
54,115	55,256	ACC liability	57,116	55,399	(1,717)	(3.1)	55,251
863	749	EQC property damage liability	1,560	1,470	(90)	(6.1)	1,436
284	89	Southern Response	106	106	-	-	106
39	42	Other insurance liabilities	83	56	(27)	(48.2)	57
55,301	56,136	Total insurance liabilities	58,865	57,031	(1,834)	(3.2)	56,850

The most recent valuation of the ACC liability was as at 31 December 2022 and is updated monthly for changes to discount rates.

NOTE 15: Provisions							
7,543	6,832	Provision for employee entitlements	8,252	8,034	(218)	(2.7)	8,063
2,843	2,946	Veterans disability entitlements	2,817	2,816	(1)	-	2,798
660	695	Provision for National Provident Fund guarantee	628	628	-	-	624
3,287	2,840	Other provisions	2,892	2,812	(80)	(2.8)	2,999
14,333	13,313	Total provisions	14,589	14,290	(299)	(2.1)	14,484

NOTES TO THE FINANCIAL STATEMENTS

As at 30 June 2022 \$m	As at 31 May 2022 \$m		Current Year Actual vs Forecast				Annual BEFU Forecast \$m
			Actual \$m	Forecast \$m	Variance \$m	%	
NOTE 16: Changes in Net Worth							
2,681	8,395	Taxpayers' funds	5,326	8,475	(3,149)	(37.2)	6,932
164,385	133,948	Property, plant and equipment revaluation reserve	164,964	165,113	(149)	(0.1)	164,188
55	(868)	Defined benefit retirement plan revaluation reserve	188	188	-	-	196
(566)	(659)	Veterans' disability entitlements reserve	(566)	(566)	-	-	(566)
7,283	6,757	Net worth attributable to minority interests	7,900	7,902	(2)	-	7,908
481	217	Other reserves	482	224	258	115.2	298
174,319	147,790	Total net worth	178,294	181,336	(3,042)	(1.7)	178,956
19,656	19,656	Opening taxpayers funds	2,681	2,681	-	-	2,681
(16,932)	(11,244)	Operating balance excluding minority interests	2,568	5,828	(3,260)	(55.9)	4,219
(43)	(17)	Transfers from/(to) other reserves	77	(34)	111	326.5	32
2,681	8,395	Closing taxpayers funds	5,326	8,475	(3,149)	(37.2)	6,932
134,003	134,003	Opening property, plant and equipment revaluation reserve	164,385	164,385	-	-	164,385
30,920	123	Net revaluations	1,139	1,175	(36)	(3.1)	243
(153)	53	Revaluation reserve attributable to minority interest	(394)	(394)	-	-	(394)
(385)	(231)	Transfers from/(to) other reserves	(166)	(53)	(113)	(213.2)	(46)
164,385	133,948	Closing property, plant and equipment revaluation reserve	164,964	165,113	(149)	(0.1)	164,188
5,724	5,724	Opening net worth attributable to minority interests	7,283	7,283	-	-	7,283
949	914	Increase/(decrease) in minority interest from changes in equity	52	72	(20)	(27.8)	72
755	485	Operating balance attributable to minority interests	544	660	(116)	(17.6)	644
(145)	(366)	Net movements	21	(113)	134	118.6	(91)
7,283	6,757	Closing net worth attributable to minority interests	7,900	7,902	(2)	-	7,908
(172)	(172)	Opening other reserves	481	481	-	-	481
653	389	Net movements	1	(257)	258	100.4	(183)
481	217	Closing other reserves	482	224	258	115.2	298

NOTE 17: Upper North Island flooding and Cyclone Gabrielle

In late January 2023, the upper North Island experienced a severe weather event causing widespread flooding due to heavy rainfall and in February 2023, Cyclone Gabrielle hit the country and caused widespread damage across a number of regions in the North Island. These events (collectively referred to as North Island weather events) have impacts across the financial statements of Government.

The Government will need to meet its existing commitments from the flooding and cyclone (eg, covering the response costs to the states of emergency, contributing to the replacement of damaged local government infrastructure, and paying out insurance claims lodged through Toke Tū Ake EQC). Furthermore, there are assets owned by the Government that were likely damaged by these weather events which may need to be repaired or replaced.

In addition to the costs from existing commitments, the Government has provided support and may provide further financial support to the affected regions and there is also likely to be an impact on economic activity that may have an impact on tax revenue. These interim consolidated financial statements include Toke Tū Ake EQC's provision for insurance expenses of \$0.7 billion and certain other initial expenses associated with the Government's response to the North Island weather events. These other expenses include emergency business and primary sector support, funding to help assess and fix roads, silt and solid waste removal, as well as other support measures.

On 1 June 2023 the Government announced that flood and cyclone-affected properties will be categorised, with some properties considered not safe to live in due to the risk of future flooding and loss of life.

On 29 June 2023, the Government announced further support to businesses, including growers and farmers by underwriting bank lending and offering cheaper finance options to ensure the long term survival of critical regional industries.

The estimated financial impact of these commitments are not yet known but is expected to have an adverse impact on the operating balance and net worth.

Apart from these, the remaining financial effect to the Government of these events are not recorded as they cannot be reliably measured at this stage. However, it is expected to have an adverse impact on the operating balance and net worth. Work is on-going to measure these costs.

FISCAL INDICATOR ANALYSIS

For the eleven months ended 31 May 2023

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

Year to 30 June 2022 Actual \$m	11 months to 31 May 2022 Actual \$m		Current Year Actual vs Forecast				Annual BEFU Forecast \$m
			Actual \$m	Forecast \$m	Variance \$m	%	
		Operating Balance					
141,627	128,694	Total revenue	139,704	141,955	(2,251)	(1.6)	155,556
150,956	136,217	Less total expenses	145,620	145,742	122	0.1	161,924
(6,722)	(3,265)	Total gains/(losses)	8,972	10,225	(1,253)	(12.3)	11,189
(126)	29	Net surplus from associates and joint ventures	56	50	6	12.0	42
(755)	(485)	Minority interests share of operating balance	(544)	(660)	116	17.6	(644)
(16,932)	(11,244)	Operating balance	2,568	5,828	(3,260)	(55.9)	4,219
		Reconciliation Between the Operating Balance and OBEGAL					
(16,932)	(11,244)	Operating balance	2,568	5,828	(3,260)	(55.9)	4,219
		Less items excluded from OBEGAL:					
(9,687)	(5,230)	Net gains/(losses) on financial instruments	5,225	4,853	372	7.7	5,888
2,965	1,965	Net gains/(losses) on non-financial instruments	3,747	5,372	(1,625)	(30.2)	5,301
(126)	29	Net surplus from associates and joint ventures	56	50	6	12.0	42
(393)	(455)	Minority interests share of total gains/(losses)	50	(75)	125	166.7	(53)
(9,691)	(7,553)	OBEGAL	(6,510)	(4,372)	(2,138)	(48.9)	(6,959)

FISCAL INDICATOR ANALYSIS

For the eleven months ended 31 May 2023

Expenses by Functional Classification

Year to 30 June 2022 Actual \$m	11 months to 31 May 2022 Actual \$m		Note	Current Year Actual vs Forecast				Annual BEFU Forecast \$m
				Actual \$m	Forecast \$m	Variance \$m	%	
Total Crown expenses								
48,303	44,390	Social security and welfare		44,588	44,921	333	0.7	49,264
27,658	24,647	Health		27,046	27,124	78	0.3	29,389
18,911	16,708	Education		17,671	17,853	182	1.0	20,013
5,426	4,467	Core government services		4,946	5,040	94	1.9	6,537
5,921	5,284	Law and order		5,890	6,078	188	3.1	6,780
9,528	9,069	Transport and communications		13,034	13,198	164	1.2	15,271
16,673	15,007	Economic and industrial services		11,312	11,687	375	3.2	13,230
2,803	2,457	Defence		2,486	2,479	(7)	(0.3)	2,956
3,260	2,964	Heritage, culture and recreation		3,061	3,185	124	3.9	3,474
2,302	2,181	Primary services		2,344	2,583	239	9.3	3,084
3,935	3,522	Housing and community development		3,828	4,081	253	6.2	5,014
2,535	2,312	Environmental protection		2,649	2,729	80	2.9	3,182
110	90	GSF pension expenses		71	71	-	-	77
242	193	Other		99	102	3	2.9	117
3,349	2,926	Finance costs		6,595	6,461	(134)	(2.1)	7,236
-	-	Top-down expense adjustment	7	-	(1,850)	(1,850)	(100.0)	(3,700)
150,956	136,217	Total Crown expenses excluding losses		145,620	145,742	122	0.1	161,924

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 2022 Actual \$m	11 months to 31 May 2022 Actual \$m		Note	Current Year Actual vs Forecast				Annual BEFU Forecast \$m
				Actual \$m	Forecast \$m	Variance \$m	%	
Core Crown expenses								
42,860	39,233	Social security and welfare		37,692	38,029	337	0.9	41,808
27,781	25,264	Health		26,769	26,901	132	0.5	29,527
18,023	16,145	Education		16,406	16,594	188	1.1	18,850
5,720	4,563	Core government services		4,944	5,077	133	2.6	6,626
5,444	4,888	Law and order		5,488	5,606	118	2.1	6,252
4,657	3,733	Transport and communications		4,685	4,948	263	5.3	6,196
8,078	7,724	Economic and industrial services		3,457	3,532	75	2.1	3,962
2,832	2,475	Defence		2,521	2,502	(19)	(0.8)	2,984
1,468	1,366	Heritage, culture and recreation		1,417	1,545	128	8.3	1,678
949	822	Primary services		986	1,180	194	16.4	1,463
2,033	1,835	Housing and community development		1,997	2,204	207	9.4	2,913
2,549	2,313	Environmental protection		2,655	2,732	77	2.8	3,182
94	77	GSF pension expenses		54	54	-	-	59
269	193	Other		99	102	3	2.9	117
2,884	2,554	Finance costs		5,906	5,671	(235)	(4.1)	6,278
-	-	Top-down expense adjustment	7	-	(1,850)	(1,850)	(100.0)	(3,700)
125,641	113,185	Core Crown expenses excluding losses		115,076	114,827	(249)	(0.2)	128,195

FISCAL INDICATOR ANALYSIS

For the eleven months ended 31 May 2023

Core Crown Residual Cash

Year to 30 June 2022 \$m	11 months to 31 May 2022 \$m	Current Year Actual vs Forecast				Annual BEFU Forecast \$m
		Actual \$m	Forecast \$m	Variance \$m	%	
Core Crown Cash Flows from Operations						
105,487	97,465	102,543	104,952	(2,409)	(2.3)	113,733
3,364	2,743	2,365	2,286	79	3.5	2,958
393	359	712	755	(43)	(5.7)	886
2,883	2,626	3,508	3,613	(105)	(2.9)	4,065
(45,440)	(42,322)	(36,892)	(36,978)	86	0.2	(40,397)
(71,980)	(66,284)	(70,677)	(72,058)	1,381	1.9	(81,255)
(2,841)	(2,647)	(4,786)	(4,685)	(101)	(2.2)	(5,083)
-	-	-	1,850	(1,850)	(100.0)	3,700
(8,134)	(8,060)	(3,227)	(265)	(2,962)	-	(1,393)
(3,474)	(3,101)	(3,768)	(3,926)	158	4.0	(4,832)
(9,192)	(7,910)	(8,614)	(7,904)	(710)	(9.0)	(8,601)
(3,823)	(3,613)	(5,822)	(5,912)	90	1.5	(6,892)
(2,420)	(2,218)	(2,346)	(2,346)	-	-	(2,558)
-	-	-	925	(925)	(100.0)	1,850
(18,909)	(16,842)	(20,550)	(19,163)	(1,387)	(7.2)	(21,033)
(27,043)	(24,902)	(23,777)	(19,428)	(4,349)	(22.4)	(22,426)
<i>The core Crown residual cash surplus / (deficit) is funded or invested as follows:</i>						
Debt Programme Cash Flows						
Market:						
19,275	18,519	24,623	24,853	(230)	(0.9)	26,967
-	-	(21,527)	(21,528)	1	-	(21,891)
(4,158)	(3,594)	(68)	(468)	400	85.5	(327)
15,117	14,925	3,028	2,857	171	6.0	4,749
Non market:						
-	-	-	-	-	-	-
-	-	-	-	-	-	-
(412)	(412)	(300)	(400)	100	25.0	(400)
(412)	(412)	(300)	(400)	100	25.0	(400)
14,705	14,513	2,728	2,457	271	11.0	4,349
Other Borrowing Cash Flows						
12,400	13,477	23,770	21,092	2,678	12.7	20,925
1,589	1,050	(1,481)	(3,926)	2,445	62.3	(4,225)
13,989	14,527	22,289	17,166	5,123	75.0	16,700
Investing Cash Flows						
(28)	45	3,244	2,585	659	25.5	4,269
805	814	13	192	(179)	(93.2)	196
(2,428)	(4,997)	(4,497)	(2,972)	(1,525)	(51.3)	(3,088)
(1,651)	(4,138)	(1,240)	(195)	(1,045)	-	1,377
27,043	24,902	23,777	19,428	4,349	22.4	22,426

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

FISCAL INDICATOR ANALYSIS

As at 31 May 2023

Net Debt and Gross Debt

As at 30 June 2022 Actual \$m	As at 31 May 2022 Actual \$m		Current Year Actual vs Forecast				Annual BEFU Forecast \$m
			Actual \$m	Forecast \$m	Variance \$m	%	
		Net Debt:					
168,986	166,489	Core Crown borrowings ¹	193,638	186,172	(7,466)	(4.0)	187,819
14,345	15,538	Crown entity borrowings ²	48,596	46,479	(2,117)	(4.6)	48,268
-	-	Less Kiwi Group borrowings ³	(28,895)	(29,138)	(243)	(0.8)	(29,296)
-	-	Add back inter-entity eliminations ³	(1,655)	(1,721)	(66)	(3.8)	(1,751)
(343)	(2,434)	Net unsettled purchases/(sales) of securities ⁴	(321)	(1,202)	(881)	(73.3)	(1,128)
(121,138)	(120,520)	Less core Crown financial assets (per net debt definition) ⁵	(138,025)	(132,336)	5,689	4.3	(132,955)
61,850	59,073	Net debt (incl. NZS Fund)	73,338	68,254	(5,084)	(7.4)	70,957
		Additional net debt analysis					
61,850	59,073	Net debt (incl. NZS Fund)	73,338	68,254	(5,084)	(7.4)	70,957
(5,040)	(3,512)	Less NZS Fund borrowings	(3,004)	(2,416)	588	24.3	(2,418)
		Less NZS Fund net unsettled purchases/(sales) of securities	910	1,543	633	41.0	1,469
235	2,101	Less NZS Fund financial assets	64,574	62,930	(1,644)	(2.6)	63,600
60,070	58,471						
117,115	116,133	Net debt (excl. NZS Fund)	135,818	130,311	(5,507)	(4.2)	133,608
		Gross Debt:					
168,986	166,489	Core Crown borrowings	193,638	186,172	(7,466)	(4.0)	187,819
5,042	1,036	Unsettled purchases of securities	2,810	1,122	(1,688)	(150.4)	884
		Add back NZS Fund holdings of sovereign-issued debt and NZS Fund borrowings	(5,213)	(3,189)	2,024	63.5	(2,953)
(9,990)	(4,535)	Less Reserve Bank settlement cash and Reserve Bank bills ⁶	(57,362)	(51,513)	5,849	11.4	(50,800)
(45,088)	(45,218)						
118,950	117,772	Gross Debt	133,873	132,592	(1,281)	(1.0)	134,950

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 and 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.
- The 30 June 2022 and 31 May 2022 actuals represent Kiwi Group Holdings (KGH) borrowings, which was reported within the State-owned enterprise segment. For the 31 May 2023 actuals and forecast, the assets and liabilities of KGH are transferred to a newly incorporated schedule 4A company, called Kiwi Group Capital (Kiwi Group), which is reported in the Crown entity segment. This amount includes derivative balances.
- 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).
- Includes Reserve Bank's New Zealand dollar transactional banking services for other Central Banks and the International Monetary Fund.

For the eleven months ended 31 May 2023

Movement in Net Debt

As at 30 June 2022 Actual \$m	As at 31 May 2022 Actual \$m		Current Year Actual vs Forecast				Annual BEFU Forecast \$m
			Actual \$m	Forecast \$m	Variance \$m	%	
35,921	35,921	Opening net debt	61,850	61,850	-	-	61,850
27,043	24,902	Core Crown residual cash (surplus)/deficit	23,777	19,428	(4,349)	(22.4)	22,426
(9,192)	(7,910)	Less net increase in advances	(8,614)	(7,904)	710	9.0	(8,601)
(2,420)	(2,218)	Less contributions to the NZS Fund	(2,346)	(2,346)	-	-	(2,558)
2,509	3,702	Net increase/(decrease) in Crown entity borrowings	3,701	1,275	(2,426)	(190.3)	2,876
(805)	(814)	Issues of circulating currency	(13)	(192)	(179)	(93.2)	(196)
		Other fair value movements in financial assets and financial liabilities (gains)/losses (including NZSF)	(5,017)	(3,857)	1,160	30.1	(4,840)
61,850	59,073	Closing net debt	73,338	68,254	(5,084)	(7.4)	70,957

FISCAL INDICATOR ANALYSIS

New Zealand Superannuation Fund

30 June 2022 \$m	31 May 2022 \$m		Actual \$m	Forecast \$m	Variance \$m	%	BEFU Forecast \$m
NZ Superannuation Fund							
1,077	967	Revenue	1,190	1,112	78	7.0	1,225
35	240	Less current tax expense	251	(70)	(321)	(458.6)	(101)
(517)	(136)	Less other expenses ¹	(963)	(945)	18	1.9	(1,028)
(5,133)	(3,096)	Add gains/(losses)	3,588	3,235	353	10.9	3,524
(3,574)	(2,025)	Operating balance	4,066	3,332	734	22.0	3,620
57,365	57,365	Opening net worth	56,210	56,210	-	-	56,210
2,420	2,218	Contributions from the Crown	2,345	2,345	-	-	2,558
(3,574)	(2,025)	Operating balance	4,066	3,332	734	22.0	3,620
(1)	-	Other movements in reserves	-	-	-	-	-
56,210	57,558	Closing net worth	62,621	61,887	734	1.2	62,388
Comprising:							
65,411	61,750	Financial assets	67,927	65,460	2,467	3.8	65,818
(9,102)	(4,194)	Financial liabilities	(5,207)	(3,462)	(1,745)	(50.4)	(3,316)
(99)	2	Net other assets	(99)	(111)	12	10.8	(114)
56,210	57,558	Closing net worth	62,621	61,887	734	1.2	62,388

1. This includes deferred tax expenses which can vary from month to month.

FISCAL INDICATOR ANALYSIS

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

Financial Results	31 May 2023 Actual \$m	31 May 2023 Forecast \$m	Variance \$m	Variance %	Annual Forecast \$m
Core Crown taxation revenue...	103,344	105,556	(2,212)	(2.1)	115,349
...combined with other core Crown revenue...	10,061	10,178	(117)	(1.1)	11,329
...funds core Crown expenses...	(115,076)	(114,827)	(249)	(0.2)	(128,195)
...and including SOE and Crown entity revenues and expenses...	(4,839)	(5,279)	440	8.3	(5,442)
...results in an OBEGAL ...	(6,510)	(4,372)	(2,138)	(48.9)	(6,959)
...with gains/losses leading to an operating surplus/(deficit) ...	2,568	5,828	(3,260)	(55.9)	4,219
...removing net income in State-owned Enterprise's, Crown entities and the NZS Fund...	(4,066)	(3,332)	(734)	(22.0)	(967)
...and some items do not impact cash.	(1,729)	(2,761)	1,032	37.4	(4,645)
This leads to a core Crown operating residual cash surplus/(deficit)...	(3,227)	(265)	(2,962)	-	(1,393)
...used to make contributions to the NZS Fund...	(2,346)	(2,346)	-	-	(2,558)
...and to use for capital expenditure	(3,768)	(3,926)	158	4.0	(4,832)
...and to make advances	(8,614)	(7,904)	(710)	(9.0)	(8,601)
...and to purchase investments	(5,822)	(5,912)	90	1.5	(6,892)
Adjusting for forecast adjustments (top-down/new spending)...	-	925	(925)	(100.0)	1,850
...results in a borrowing requirement (cash deficit)/surplus	(23,777)	(19,428)	(4,349)	(22.4)	(22,426)