

TE TAI ŌHANGA

# The Treasury Annual Report 2020/21

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





The cover of this report features the poutokomanawa (central support post) of our wharenui, Ngā Mokopuna a Tāne (the grandchildren of Tāne). Tāne is a figure of great importance in te ao Māori. He is considered a god, being a child of the earth mother, Papatuanuku, and the sky father, Ranginui. This name signifies the inspiration we receive from one of Tāne's greatest feats, his journey to Toi-ō-ngā-rangi to retrieve the three baskets of knowledge for all people. The semi-circular panels at the top of the poutokomanawa depict those baskets and represent the multiple areas of knowledge and diverse viewpoints of Treasury's people.



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

Report on Non-Departmental Appropriations by the Minister of  
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# Contents

Chief Executive's Introduction .....	2
Statement of Responsibility .....	4
<hr/>	
<b>1 Section One: Who We Are and What We Do.....</b>	<b>5</b>
2020/21 Annual Report at a Glance .....	6
COVID-19 Response and Recovery – He waka eke noa – We are all in this together .....	9
Our Strategic Intent at a Glance .....	12
The Way We Go About Our Business .....	17
<hr/>	
<b>2 Section Two: Our Key Achievements.....</b>	<b>23</b>
Policy Advice and Financial Services (Multi-year) .....	24
Policy Advice .....	24
Fiscal Management and Reporting .....	28
Investment Management and Asset Performance .....	28
Crown Lending and Bank Accounts .....	29
Export Credit .....	29
Administration of Guarantees and Indemnities Given by the Crown PLA .....	30
Administration of Crown Borrowing, Securities, Derivative Transactions and Investment PLA ....	31
Southern Response Earthquake Services Independent Oversight Committee .....	33
Crown Company Monitoring Advice .....	34
Shared Support Services .....	36
<hr/>	
<b>3 Section Three: Reporting on Financial Information.....</b>	<b>37</b>
Appropriation Statements .....	38
Financial and Performance Reporting Against Appropriations .....	43
Other Financial Information for Non-Departmental Appropriations.....	51
Financial Statements .....	55
Independent Auditor's Report .....	78
<hr/>	
<b>4 Appendix: What has Been Achieved with Non-Departmental Appropriations .....</b>	<b>81</b>



# Chief Executive's Introduction

## Te Tai Ōhanga's work this year continued to be shaped by the COVID-19 pandemic.

As the Government's lead economic and financial advisor, we sought out and learned about the real-life, real-time experiences of businesses, regional communities and Māori and Pacific peoples to inform our advice on the Government's response to the pandemic. Our work to develop and refine economic support helped to keep people in jobs and businesses operating, we delivered record credit assistance to exporters and a historic \$45 billion Government bond programme.

Collaboration was a key theme and enabler of our work. Our partnership with the Ministry of Social Development, Inland Revenue and the Ministry of Business, Innovation and Employment to support New Zealand businesses during the COVID-19 lockdown was recognised through our winning a Better Outcomes Award at the Spirit of Service Awards. An ongoing series of He Kōrero Rangatira hui, in collaboration with Māori leaders and the Reserve Bank of New Zealand (Reserve Bank), enabled us to gain vital insights into the impacts of COVID-19 on the Māori economy.

Beyond COVID-19, this year the Treasury delivered advice on a range of significant reform programmes, including: the Government's housing package announced in March 2021; reforms to legislation on overseas investment, resource management, public finance and Reserve Bank institutional settings and prudential frameworks; health reforms; and the delivery of infrastructure programmes.

During the year we continued to produce our core economic and fiscal updates and financial reports, and supported the Government in delivering the 2021 Budget. We further embedded the Treasury's Living Standards Framework and Māori wellbeing framework He Ara Waiora into our work to broaden and deepen our analysis of wellbeing. Work continued to further develop these frameworks, alongside other stewardship documents such as our Long Term Fiscal Statement/Insight Briefing, which outlines choices that Governments will face in grappling with population changes, climate change and other fiscal and economic trends in the next 40 years.

We continued to develop operational excellence through our Strengthening the Treasury programme. We refreshed our strategic intentions to prioritise the Treasury's work programme, including a clear focus on three critical issues for Aotearoa's long-term wellbeing: housing, health and climate change. The Treasury's own carbon footprint was also a focus during the year. In March 2021 we received Toitū Carbon Reduce certification, while work continued to support our Sustainability Group of volunteers to action our Zero Carbon Treasury strategy.

Our strong commitment to an inclusive and diverse workplace saw us make progress in narrowing our gender pay gap – from 19% two years ago to 10% now. We aim to make further progress as we implement our Gender Pay Gap Action Plan, which was launched in October 2020. We have developed the Treasury's Whāinga Amorangi plan, which aims to strengthen Māori/Crown partnership, and further invested in building our te ao Māori capability with guidance from our Poutiaki – Director Te Ao Māori Strategy and Performance.

After two years as Secretary to the Treasury, I remain immensely proud and privileged to lead a talented and dedicated team. They have worked with professionalism and at pace while navigating the uncertainty of COVID-19. Our vision of lifting living standards for all New Zealanders really is what brings us to work each day. I want to acknowledge the contribution of every one of our Treasury whānau and thank all our stakeholders for your support in helping us work towards this vision.



**Dr Caralee McLiesh**  
Secretary to the Treasury  
28 September 2021

# Ko Te Kupu Whakataki a te Tumu Whakarae

## I tēnei tau ka tāraia tonutia ngā mahi a Te Tai Ōhanga, e te urutā KOWHEORI-19.

Nā tō mātou haepapa kia tū hei kaitūtohu matua mō te ahumoni me te ōhanga mā te Kāwanatanga, i ako ai mātou mō ngā wheako ao-tūturu, wā-tonu hoki o ngā hapori pakihi, ngā hapori ā-rohe, ngā iwi o Te Moana-nui-a-Kiwa me ngāi Māori hoki hei toko ake i ā mātou tohutohu mō te urupare a te Kāwanatanga mō te urutā. Nā tā mātou mahi ki te whakawhanake, ki te whakahou hoki i ngā toko ōhanga, i āwhina ai kia mau tonu i ngā tāngata ō rātou tūranga mahi, kia haere tonu hoki ngā pakihi, kia tuku hoki mātou i te moni taurewa hei āwhina i te hunga hokohoko ki tāwāhi me te kaupapa pūtea oati hira a te Kāwanatanga \$45 piriona te rahi.

Ko te mahitahi, tētahi kaupapa matua hei toko i ā mātou mahi. I whakanuia tō mātou pātuitanga ki Te Manatū Whakahiato Ora, ki Te Tari Taake me Hikina Whakatutuki, mō tā mātou āwhina i ngā pakihi o Aotearoa i te wā o te noho mohao KOWHEORI-19 i te whakawhiwhia o te tohu Better Outcomes Award o ngā Spirit of Services Awards. Nā ngā hui o He Kōrero Rangatira, e haere tonu ana ki te taha o ngā kaihautū o te ao Māori me Te Pūtea Matua (arā, ko te Reserve Bank of New Zealand), i whiwhi ai mātou i ngā kitenga nūnui mō ngā pānga o te KOWHEORI-19 ki te ōhanga Māori.

Kei tua i te KOWHEORI-19, i tēnei tau kua tuku tohutohu a Te Tai Ōhanga mō te whānuitanga o ngā kaupapa whakahou tae noa ki: te kete take whare a te Kāwanatanga i whakapuakina i te marama o Māehe 2021; ngā whakahoutanga o ngā ture mō te haumitanga mai i tāwāhi, te whakahaere rawa, te ahumoni tūmatanui, me ngā horopaki pūnaha me ngā anga matawhāiti o Te Pūtea Matua; ngā whakahoutanga o te rāngai hauora; te tuku hoki i ngā kaupapa hangaroto.

I te tau nei, i haere tonu tā mātou whakaputa i ngā whakahounga matua mō te ōhanga me ngā moni tūmatanui, i ngā pūrongo ahumoni hoki, ā, i tautoko mātou i te tuku a te Kāwanatanga i te Tahua ā-Tau, arā, ko Budget 2021. Kua kaha ake tā mātou whakatō i te Living Standards Framework a Te Tai Ōhanga me te anga mō te toiora Māori, He Ara Waiora, ki roto i ā mātou mahi kia whānui ake ai, kia hōhonu ake ai hoki te tātaritanga ōhanga me te māramatanga mō te toiora. I haere tonu te mahi ki te whakawhanake i ērā anga, tāpiri atu ki ngā puka kaitiakitanga pērā ki tā mātou Long Term Fiscal Statement/

Insight Briefing, arā, ko He Tirohanga Mokopuna, e whakatakoto ana i ngā kōwhiringa mā ngā kāwanatanga e nanao ai mō ngā panonitanga taupori, te hurihanga āhuarangi me ngā ia ahumoni tūmatanui, ōhanga hoki hei ngā tau 40 e kainamu nei.

Kua whakawhanake tonu mātou i te kōunga o te whakahaere mahi mā tā mātou kaupapa whakakaha i Te Tai Ōhanga, arā, ko Strengthening The Treasury. I whakahou mātou i ā mātou rautaki whakamaunga atu ki te whakaarotau i te maramataka mahi a Te Tai Ōhanga, kia mārāma ai te arotahi ki ngā take nūnui e pā ana ki te toiora wā roa o Aotearoa, arā, ko: ngā take whare, te hauora, me te hurihanga āhuarangi. Kua arotahi hoki Te Tai Ōhanga ki tō mātou ake nei tapuwae waro i te tau nei. I te marama o Māehe 2021 i whiwhi pōkaitahi Toitū mātou mō te whakaheke waro i te haere tonu o ngā mahi ki te tautoko i te hunga tūao o Sustainability Group, hei whakatinana i tā Te Tai Ōhanga rautaki mō te waro kore, arā, ko Zero Carbon.

Nā tō mātou kaha ki te whakaū i te whai wāhi me te kanorau i tō mātou wāhi mahi, i ahu whakamua ai mātou ki te whakawhāiti i te āputa whiwhi moni i waenga i te ira wahine me te ira tāne – kia heke iho mai i te 19% e rua tau i mua, ki te 10% ināianei. Ko tō mātou aronga kia koke whakamua tonu mātou ki te whakatinana i te mahere mahi Gender Pay Gap, i whakarewahia i te marama o Oketopa 2020. Kua whakawhanake mātou i te mahere a Te Tai Ōhanga, ko Whāinga Amorangi, ka aro ki te whakakaha i te pātuitanga tūturu o te Karauna me ngāi Māori, ā, kia haumi tonu i te whakawhanake i te āheitanga kei te ao Māori mā te ārahi mai a tō mātou Poutiaki - Director Te Ao Māori Strategy and Performance.

Nō ngā tau e rua e mahi ana ahau hei Hekeretari mā Te Tai Ōhanga, he hōnore nui, he whakahī hoki nōku ki te whakahaere i tētahi tīma whai pūkenga, pūmau hoki ki te kaupapa. Kua mahi ngaio rātou, kua mahi hohoro hoki, i a rātou e whakaterere ana i te rangirua o KOWHEORI-19. Ko tō mātou wawata ki te hiki i ngā paerewa oranga mō ngā iwi katoa o Aotearoa, te tino kaupapa e hokihoki mai ai mātou ki te mahi ia rā, ia rā. E hiahia ana au ki te whakanui i te tāpaetanga o tēnā, o tēnā o tō mātou whānau o Te Tai Ōhanga, ki te mihi hoki ki te katoa o te hunga whaipānga e tautoko ana i ā mātou mahi ki te whakatinana i tēnei wawata.

# Statement of Responsibility

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

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

In my opinion:

- the annual report fairly reflects the operations, progress and organisational health and capability of the Treasury
- the Financial Statements fairly reflect the financial position of the Treasury as at 30 June 2021 and its operations for the year ended on that date
- the Forecast Financial Statements fairly reflect the forecast financial position of the Treasury as at 30 June 2022 and its operations for the year ending on that date.



**Dr Caralee McLiesh**  
Secretary to the Treasury  
28 September 2021

## SECTION ONE

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Wāhanga Tuatahi:  
Ko mātou nei,  
ko ā mātou mahi hoki

**Who We Are  
and What We Do**

# 2020/21 Annual Report

## Our Key Achievements

Our 2020/21 business objectives represent the three areas where our work has the most impact on the wellbeing of New Zealand and its people: **the economy, the state sector and the Crown's finances**. This report presents our achievements in these areas in 2020/21, and how we have used our Living Standards Framework (LSF) and Māori wellbeing framework He Ara Waiora to inform our efforts.

In 2020/21 we continued to respond to the challenges presented by the ongoing COVID-19 pandemic. We also refocused and reprioritised our efforts to ensure that we continued to lift living standards for all New Zealanders through our economic and fiscal advice and management of Crown finances.

## THE ECONOMY

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

We support the Government and Ministers to make informed decisions on macroeconomic and microeconomic policies that lift living standards for all New Zealanders. This includes advice on fiscal policy, the monetary policy framework, economic development and innovation, capital markets, tax, resource management, productivity, labour markets and skills, investment and trade, and regulation.

In 2020/21 this saw us:

- **lead work across Government on New Zealand's economic response to COVID-19** through policy advice and working with partner agencies on the key planks of the Government's economic response, including the Wage Subsidy Scheme, Resurgence Support Payment, Small Business Cashflow Scheme and Business Finance Guarantee Scheme
- **collaborate across the sector to support work on legislative reviews and reforms**, including the reform of the Resource Management Act 1991 and the Overseas Investment Act 2005
- **support the Minister of Finance** in issuing the **first Government section 68B policy direction** to the Reserve Bank of New Zealand (the Reserve Bank), and support changes to the Reserve Bank's institutional settings, including modernising the Reserve Bank's prudential regulatory and crisis management frameworks
- **advise the Minister Responsible for the Earthquake Commission (EQC)** on potential amendments to the Earthquake Commission Act 1993 to improve New Zealand's resilience to natural disasters and provide greater clarity on the role of EQC and the cover it provides
- **enable New Zealand exporters** to access additional finance and trade with confidence. Through New Zealand Export Credit's services, a total of \$174 million of risk exposure was underwritten and a historical high of 155 policies were issued, supporting 68 exporters to deliver \$478 million of goods and services into 60 countries
- **complete a review of the Investor Confidence Rating (ICR)** system, which recommended a series of significant changes to the ICR system including that the ICR be reset into two components
- **establish an Economic Strategy Directorate** to develop insights about the New Zealand economy and how it can be stewarded to raise living standards for all New Zealanders.



## THE STATE SECTOR

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

Our greatest contribution to the efficient and effective delivery of government initiatives and objectives is through our advice on state sector management and institutional settings, and through programmes designed to build the capability of key finance officials to strengthen the financial management of their agencies.

In 2020/21 this saw us:

- **amend the Public Finance Act 1989** to support the introduction of new, cross-government organisational forms under the Public Service Act 2020
- **initiate a pilot involving two clusters of agencies – Justice and Natural Resources** – to test a new approach to making budget decisions, underpinned by spending reviews. The objectives are to improve value for money and encourage cooperation on planning, delivery and reporting to achieve government objectives
- **provide the Minister of Finance with advice on a range of infrastructure projects and programmes**, including the Auckland Light Rail programme, the City Rail Link programme, the New Zealand Upgrade Programme and the shovel-ready programme of investment. We collaborated with the Ministry of Housing and Urban Development, and Inland Revenue to develop a package of housing affordability reforms that address several key barriers to realising a more affordable housing supply and supports first-home buyers
- **provide investment management and asset performance advice** to the Government, specifically on how investment management and asset performance in the state sector can be delivered in ways that support a wellbeing focus, with a total of 34 reviews undertaken. We provided assurance on individual investments, including administering the Gateway assurance programme
- **provide Crown Company monitoring advice** to 35 State Owned Enterprises through the provision of ownership and investment advice, and through the development and implementation of a bespoke Performance Assessment Framework for assessing and advising Ministers on entity performance
- **continue to drive regulatory stewardship** through supporting the Secretary to the Treasury in her role in regulatory system stewardship and assurance state sector leadership, and leading the regulatory impact analysis system
- **improve State sector financial capability** by delivering the Finance Development Programme while navigating the impacts of COVID-19 on public gatherings to deliver 20 events. By brokering new partnerships to design and deliver hybrid events on appropriation management, the annual Minister of Finance Budget debrief, and managing wellbeing within finance teams across the State sector, the membership base has continued to grow year on year to more than 1,400 people
- **collaborate across the sector and contribute to wider Government priorities** through providing support and advice on the New Zealand Health and Disability System Review, the Welfare Reform, the Three Waters Reform Programme and the Budget 2021 Climate Change Package.

## CROWN FINANCES

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

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

In 2020/21 this saw us:

- **support the Minister of Finance to set out his Budget priorities** and wellbeing objectives in the Budget Policy Statement, which guided the Government's Budget 2021 decisions
- **produce the Government's 2021 Budget**, including strengthening our approach to assessing Budget initiatives through further embedding a 'value for money' focus and ensuring initiatives align with our LSF and He Ara Waiora, and other production process improvements
- **contribute to the fiscal strategy** by providing fiscal strategy advice for the 2021 Budget Policy Statement and 2021 Fiscal Strategy Report, incorporating the impacts of COVID-19 on the economy and the evolving economic and fiscal outlooks. We also progressed significantly the development of the four-yearly Long-Term Fiscal Statement and delivered three economic and fiscal updates
- **produce the audited annual Financial Statements of the Government** in accordance with New Zealand generally accepted accounting practice. The Treasury prepared the annual Financial Statements of the Government for 2020 and the monthly financial statements all within legislative deadlines and to the standards of our auditors
- **facilitate the completion of an independent review of the Government Superannuation Fund Authority** providing Ministers with an assessment of the overall performance of the Authority and the Government Superannuation Fund, focusing on performance and responsible investment. The review resulted in a recommendation of three strategic priority areas to enhance the Authority's overall performance, amongst several other key considerations
- **provide commercial advice, undertake negotiations and support transactions on behalf of Ministers**, which included: leading negotiations with regard to the future of New Zealand Aluminium Smelter's operations at Tiwai Point; negotiating amendments to the Air New Zealand debt facility; finalising the funding agreement between the Crown and Christchurch City Council for the delivery of the Canterbury Multi-Use Arena; supporting negotiations between EQC and private insurers on outstanding Canterbury liabilities; and advising on KiwiRail's major transaction to purchase the Interislander ferries
- **complete a record New Zealand Government Bond programme of \$45 billion** (which was significantly larger than the 2011 programme of \$20 billion), execute five bond syndications, reduce the short-term market Treasury Bill outstanding from \$12 billion to \$7.6 billion, and maintain low-interest expenditure at 2.28% despite an overall increase in debt.

## STRENGTHENING THE TREASURY

During the year we continued to invest in opportunities to become a stronger organisation and build operational excellence. Through the Strengthening the Treasury programme and other bespoke change initiatives we made improvements to our systems, processes and ways of working so that we have the structures and governance to manage risks effectively and build our internal capability. Importantly we invested in improving staff wellbeing, increasing diversity and inclusion practices and growing our people leaders so that we maintain the best environment for our people to flourish and adapt to our changing world.

# He waka eke noa – We are all in this together

As the Government's lead economic and financial advisor, we have a significant role in supporting the Government to navigate its economic and fiscal strategy through the COVID-19 pandemic and in supporting New Zealand's economic response and recovery.

In 2020/21 we continued to meet the challenges presented by the COVID-19 pandemic and transitioned our work on response and recovery into our core work programmes.

## POLICY ADVICE ON THE ECONOMIC RESPONSE

In 2020/21 the Government's response to COVID-19 continued to take place in an environment of high uncertainty. Our advice, developed collaboratively with other government agencies, supported the Government to prepare for and respond swiftly to the COVID-19 resurgence.

- We worked together with the Ministry of Social Development and Inland Revenue on the initial set-up of the Wage Subsidy Scheme in 2020, and its roll-out in subsequent alert-level increases. The Scheme has been widely praised by businesses for its simplicity, effectiveness and accessibility, and was extended and reactivated as needed during 2020/21, including in March 2021. The Scheme is generally seen as the most important of the Government's response measures and as at 30 June 2021 provided \$13.7 billion of support.
- The Small Business Cashflow Scheme opened in May 2020. During the financial year we worked with Inland Revenue to implement refinements to the Scheme. These changes took effect in February 2021 and included: extending the application period of the Scheme for three years; extending the interest-free period from one year to two years; broadening the scope of what the loans can be spent on; and making changes to eligibility that enabled more businesses to access the Scheme. Firms can reapply once for a second loan under the Scheme if they have fully repaid their first loan.
- The Resurgence Support Payment was introduced in February 2021 and activated again in March 2021. The Treasury worked with Inland Revenue and the Ministry of Business, Innovation and Employment on its policy development and activations. The Payment helps support viable and ongoing businesses or organisations affected by a COVID-19 alert level increase to level 2 or higher. Eligible businesses and organisations can apply for up to \$1,500 plus \$400 per full-time-equivalent employee, up to a maximum of 50 full-time-equivalent employees. Following feedback from businesses, amendments to the scheme were agreed in May to ensure commonly owned groups were captured by the scheme. As at 30 June 2021, a total of 71,000 Resurgence Support Payments worth a total of \$200 million had been made.
- We worked with other agencies to provide certainty for businesses on the Government's economic response. As a result of our work, the Minister of Finance announced in December 2021 that the Wage Subsidy Scheme (WSS) would be activated when any part of the country was at alert level 3 or 4. Similarly, Resurgence Support Payments are activated to support businesses at alert levels 2 or higher.
- We worked with the Ministry of Business, Innovation and Employment and the Ministry of Social Development to develop the COVID-19 Short-Term Absence Payment and the COVID-19 Leave Support Scheme. The Short-Term Absence Payment is available for businesses, including self-employed people, to help pay workers who cannot work from home while they wait for COVID-19 test results. The Leave Support Scheme is available for employers, including self-employed people, to help pay employees who need to self-isolate and cannot work from home.
- Alongside the Ministry of Social Development, the Ministry of Business, Innovation and Employment and the Ministry of Education, we provided rapid advice on a wide range of employment, education and training initiatives to support the COVID-19 response, including advice on apprenticeships, Flexi-wage, employment-related initiatives and the implementation of employment, education and training initiatives overall. Alongside macroeconomic support, the quick roll-out of these initiatives played a part in supporting the unemployment rate to return back to pre-pandemic levels, at 4%, in the June 2021 quarter.
- During the year we enabled 68 exporters to access additional finance and trade with confidence into 60 countries. Through New Zealand Export Credit's services, a total of \$174 million of risk exposure was underwritten in support of export contracts worth a total of \$478 million.
- We worked closely with the Reserve Bank during the year. Part of the success of the economic response was due to the effective way that monetary and fiscal policies worked together to support the economy. We also collaborated with the Reserve Bank on banking sector initiatives such as the Business Finance Guarantee Scheme and the mortgage deferral scheme.



The \$50 billion COVID-19 Response and Recovery Fund (CRRF) was established in Budget 2020 to support the Government's response. We report regularly on the amount of unallocated funding remaining.

- The Government established an interim Implementation Unit, based in the office of the Minister of Finance, to provide assurance that the money was being spent as the Government had directed it. This unit was supported by the Treasury, which collected data and prepared reports to help Ministers understand the progress of initiatives funded through the CRRF. The Minister of Finance received these reports every two weeks, covering 114 initiatives from July to October 2020.
- In December 2020 a new Implementation Unit was established within the Department of the Prime Minister and Cabinet to monitor and support the implementation of a small number of critical Budget initiatives, particularly where multiple agencies were involved in the work. These initiatives covered areas such as mental health, infrastructure, housing and climate change mitigation. The Unit reports to the Deputy Prime Minister.
- As part of the Budget 2021 process, initiatives funded through the CRRF were reviewed and some funding was reprioritised. Additionally, each quarter we report on expenditure incurred in relation to new appropriations established as part of the Government CRRF. These reports are published on our external website.

We worked in collaboration with other government agencies and with the New Zealand Bankers' Association to develop a resource to support businesses in navigating the range of support measures available. Aimed at businesses and their bankers, it included information on key COVID-19 support packages and how to access them. We continue to engage with these agencies and a range of business stakeholders to improve and further develop these support measures.

The ongoing economic uncertainty through the pandemic meant that continued regular economic commentary was important to support economic confidence. In collaboration with Stats NZ and the Reserve Bank, we developed and published regular,

high-frequency national and regional activity indicators to better reflect and understand the impacts of COVID-19 on the economy in near real time and to inform our policy advice as a result.

- The New Zealand Activity Index, introduced on 30 June 2020 and published monthly, summarises several indicators of economic activity and is intended to be interpreted as a broad measure of economic activity that can provide an indication of likely changes in GDP (gross domestic product).
- The Regional Activity Indices, introduced on 26 February 2021, are a set of experimental indicators that seek to track how 14 regional economies are performing in near real time. These indices summarise movements of several high-frequency indicators of activity – spanning card spending, online job vacancies, jobseeker numbers, electricity usage and traffic volumes – into a single, composite index that is updated monthly.

We also take a longer-term view, providing ongoing advice to the Government on how the evolving global situation might affect New Zealand's economic resilience and the intergenerational wellbeing of New Zealanders, and the options for recovery. We supported the Government to accelerate the recovery from COVID-19 and delivered on our role in stewarding long-term economic performance through:

- supporting the Minister of Finance to commission inquiries from the Productivity Commission. In 2020/21 the Commission completed an inquiry into Frontier Firms and started one into immigration settings to ensure New Zealand's long-term prosperity and wellbeing
- engaging with international organisations and other overseas government agencies as appropriate to ensure that the government's economic and regulatory strategies are well informed by international experience. This included engaging with the OECD (Organisation for Economic Co-operation and Development) virtual mission to inform the development of its forthcoming country survey of New Zealand, and with the International Monetary Fund in consultations for its Article IV assessment of New Zealand in May 2021.

## CASE STUDY

### Moving our COVID-19 response into our core work programmes

As our response to the pandemic continued through 2020, we took steps to embed our COVID-19 response work into our 'business as usual' structures.

In November 2020 we realigned our structures, establishing a new Economic Strategy Directorate to work across the Treasury and provide advice on solutions to complex, cross-cutting issues.

The three teams within the Directorate help steer our thinking on economic and regulatory strategy, both to accelerate New Zealand's recovery from COVID-19 and to address the long-standing economic challenges New Zealand faces.

- The Economic Policy team is responsible for coordinating economic policy work programmes as well as some critical aspects of the COVID-19 response and recovery:
  - Economic supports: coordinating economic advice relating to COVID-19, including if there is a COVID-19 community outbreak; ensuring economic support measures that buttress an effective public health response; and considering options to evaluate the economic response.
  - Medium-term economic recovery: supporting the Government to develop and implement its economic strategy, particularly opportunities to accelerate the economic recovery and rebuild from COVID-19. This also includes advising on Budget priorities and writing the Budget Policy Statement.
- Reconnecting New Zealand: supporting the all-of-government work on the timely re-opening of New Zealand's borders, including impact analyses of and preparedness for different scenarios; exploring options to model the economic and public health impacts of different COVID-19 management strategies; and managed isolation and quarantine (MIQ) work.
- The Economic Strategy team was established to develop insights into how the New Zealand economy behaves and why, and how it can be stewarded to raise enduring living standards for all New Zealanders. It works closely with other Treasury teams, providing content and context, to develop joined-up advice on how the government can use its economic and regulatory levers to improve economic performance.
- The role of the Regulatory Strategy team is to identify ways for regulation to support the economic recovery from COVID-19 and to lift living standards. The team supports state sector agencies in the ongoing care of their regulatory systems, and in improving the quality of regulation in New Zealand to achieve its desired outcomes.

# Our Strategic Intent

This Annual Report has been prepared in the context of the strategy and objectives set out in our 2017-2021 Statement of Intent. Our next Annual Report will reflect our achievements against the strategic priorities and outcomes outlined in our 2021-2025 Strategic Intentions statement.





## Our Strategic Priorities in 2020/21

The strategic priorities in our 2017-2021 Statement of Intent guided the alignment and prioritisation of our key pieces of work in 2020/21. They also reflected our commitment to directing government investment towards what matters, and to monitoring the creation of value to improve the wellbeing of all New Zealanders, now and in the future.

### ● INTERGENERATIONAL WELLBEING

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

It's also about ensuring that New Zealand's human, social, natural and financial/physical capital is taken due account of in a 'comprehensive' balance sheet view of capabilities to support living standards.

On this base, we provide advice to Government:

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

### ● PERFORMANCE REPORTING

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

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

### ● SYSTEM STEWARDSHIP

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

### ● A HIGH-PERFORMING TREASURY

Achieving our vision of lifting living standards for all New Zealanders means building deep expertise and strong technical skills, but also embracing diverse thinking, adopting inclusive ways of working and engaging with a broad range of communities.

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

## Our Strategic Measures

Our strategic measures for this Annual Report are outlined in our 2017-2021 Statement of Intent. They reflect the fact that, at the highest level, we want to raise living standards for all New Zealanders, and use the OECD (Organisation for Economic Co-operation and Development) Better Life Index as the basis for tracking progress against this outcome.

In addition, our 2017-2021 Statement of Intent sets three intermediate outcome areas where we will add value and against which we have aligned our performance measures Crown Fiscal Performance, State Sector Performance and Economic Performance.

Noting that our strategic measures were agreed prior to the COVID-19 pandemic, our progress against our key measures for 2020/21 considers the impacts of the pandemic.

### Unemployment is low or stable

June 2019 quarter	June 2021 quarter
3.9%	<b>4.0%</b>

Following the onset of COVID-19, the unemployment rate increased rapidly to 5.3% in the September 2020 quarter. However, as a reflection of the effective COVID-19 response, the unemployment rate recovered to be at 4.0% in the June 2021 quarter.

### Inflation averages between 1% and 3%

5-yearly average	
June 2019	June 2021
1.1%	<b>1.6%</b>

Average inflation was consistently below the middle of the Reserve Bank target range of 2.0% through 2020/21. However, more recent outturns have shown a pick-up in inflationary pressures, reflecting supply, labour and capacity constraints that have emerged since the COVID-19 pandemic began.

### Rate of perception of satisfaction with and trust in public services (Kiwis Count)<sup>1</sup>

New Zealanders' trust of public services based on personal experience		
June 2018 quarter	June 2019 quarter	June 2021 quarter
79%	79%	<b>81%</b>

Every quarter Te Kawa Mataaho Public Service Commission undertakes the Kiwis Count survey. This survey asks 1,000 people about their trust and confidence in government and public services as well as a range of demographic information that helps Te Kawa Mataaho understand who we are listening to.

### New Zealand's ranking in the Global Competitiveness Index

2020	2021
22nd	<b>20th</b>

The World Economic Forum's Global Competitive Index ranks 64 countries. New Zealand's ranking has improved from the 22nd position in 2020 to the 20th position in 2021.

### New Zealand's score on Transparency International's Corruption Perceptions Index<sup>2</sup>

2019	2020
Score – 87/100 Rank – 1st	<b>Score – 88/100 Rank – 1st</b>

Transparency International's Corruption Perceptions Index ranks 180 countries and territories by their perceived levels of state sector corruption, using a scale of 0-100 (where 100 equates to no corruption, and 0 equates to a high level of corruption), according to experts. New Zealand remained steady as the least corrupt country, with a score of 88/100.

<sup>1</sup> Due to the 2020 COVID-19 lockdown, there is a gap in the survey results for June 2020. Further detail can be found at <https://www.publicservice.govt.nz/our-work/kiwis-count-survey/>

<sup>2</sup> Further detail can be found at <https://www.transparency.org/en/cpi/2020>

Operating balance before gains and losses is maintained at over 1% of GDP (gross domestic product) on average over the medium term<sup>3</sup>

2019	2020
1.2% GDP	-7.3% GDP

As a result of spending to support New Zealanders through the COVID-19 pandemic, our average operating balance before gains and losses was a large deficit in 2020/21. This average is expected to improve, with deficits forecast to reduce in the forecast period and a return to surplus projected to occur in 2026/27.

Total Crown net worth is between 40% and 44% of GDP, while maintaining the current credit rating<sup>3</sup>

2019	2020
45.4% of GDP	36.6% of GDP

The Government used its net worth in 2020/21 to cushion the impacts of COVID-19 by increasing its borrowings to support elevated levels of Government spending. In 2019/20, net worth declined as a percentage of nominal GDP to 36.6%. Net worth is expected to improve once net debt stabilises and begins to reduce as a percentage of GDP. Following assessments made in 2020/21, Standard & Poor's (S&P) increased New Zealand's local sovereign credit rating to AAA, while Moody's and Fitch Ratings maintained their ratings at AAA and AA+ respectively.

## New Zealand's economic performance compared to other countries

The New Zealand economy has shown a remarkable resilience against the challenges posed by the pandemic, and our economic indicators generally compare favourably to other advanced economies. Although there was a historically large fall in real GDP in the June 2020 quarter, the bounce-back from this has been fairly rapid. By the June 2021 quarter, New Zealand's real GDP was 5.3% above pre-pandemic levels, while the OECD average measure was still 0.5% below the level seen in the December 2019 quarter.<sup>4</sup> Similarly, our labour market performance has also exceeded initial expectations, with the Wage Subsidy Scheme helping to maintain labour market attachment and the strong economic recovery ensuring that employment levels and labour force participation have returned to pre-pandemic levels. New Zealand's unemployment rate peaked at 5.3% in the September 2020 quarter and has since declined to 4.0%. In comparison, the unemployment rate in the United States, Canada, and the euro area all remain above 5%.

New Zealand's government debt position also compares favourably to other countries. According to the International Monetary Fund's general government net debt measure, New Zealand's net debt is forecast to increase from 14.7% of GDP in 2020 to 26.5% of GDP in 2025, with most other comparable countries having much higher debt to GDP ratios.

### Net debt for selected countries (% of GDP)

	2020	2021	2022	2023	2024	2025
Australia	38.4	48.8	54.0	55.8	55.2	54.2
Canada	33.0	37.0	36.6	34.8	32.3	29.7
Euro area	80.8	82.8	81.8	81.3	80.5	79.5
<b>New Zealand</b>	<b>14.7</b>	<b>21.7</b>	<b>25.7</b>	<b>27.9</b>	<b>28.0</b>	<b>26.5</b>
United Kingdom	93.8	97.2	99.2	100.8	101.5	102.3
United States	103.2	109.0	109.5	110.1	111.0	113.2
Advanced economies	90.8	94.2	94.4	94.7	94.8	95.4

<sup>3</sup> The 2019/20 results have been reported on, as the 2020/21 results were not publicly available at the time of publication.

<sup>4</sup> All statistics use the expenditure measure of GDP, in order to aid comparison with other OECD countries. The OECD total excludes Costa Rica and Luxembourg, as their data for the June 2021 quarter was not yet available at the time of publishing.



## Our 2021-2025 Strategic Intentions

In February 2021 we published our Strategic Intentions (Statement of Intent), which outlines our strategic priorities and outcomes for the next four years (July 2021-June 2025), along with our refreshed Vision – ***Lifting living standards for all New Zealanders***.

Our purpose outlines our reason for being, our focus on the future, and the value we contribute. It also affirms our intent to integrate intergenerational wellbeing in our roles as a finance agency, an economic agency and a strategic central agency.

In these roles, we aim to deliver the following strategic outcomes:

- A strong and resilient economy for all.
- Sustainable public finances that support intergenerational wellbeing.
- System leadership that supports a high-performing public service.
- Compelling advice on New Zealand's biggest issues.

We are committed to developing and embedding the Living Standards Framework (LSF) and Māori wellbeing framework He Ara Waiora in our policy advice while delivering an agile, responsive and resilient public finance system.

Importantly, we will continue to drive New Zealand's economic recovery while navigating the big issues and government priorities. Internally, our aim is to keep evolving so we maintain excellence in our operations and the delivery of our core strategic priorities and products.



TO VIEW OUR 2021-2025 STRATEGIC INTENTIONS  
GO TO: [HTTPS://BIT.LY/30GBZDW](https://bit.ly/30GBZDW)

**Figure 1: Our refreshed four-year strategy (July 2021–June 2025)**

### ▲ OUR PURPOSE

As Te Tai Ōhanga, we are committed to tiakitanga to make New Zealand a better place for people today and in the future. We safeguard New Zealand's finances and are the Government's trusted economic advisor. We lead, partner and collaborate, and we help steward the public sector, in order to navigate the big challenges and opportunities for New Zealand.

### ▲ OUR STRATEGIC PRIORITIES

- Developing and embedding the LSF and He Ara Waiora in policy advice (eg, child wellbeing)
- Delivering the reforms for a sustainable public finance system
- Accelerating economic recovery from COVID-19
- Navigating big issues/Government priorities:
  - Climate change
  - Health
  - Housing
- Strengthening the Treasury through clear direction, supporting people and operational excellence

### ▲ OUR STRATEGIC OUTCOMES

- A strong, growing and resilient economy for all
- Sustainable public finances that deliver intergenerational wellbeing
- System leadership that supports a high-performing public service
- Compelling advice on New Zealand's biggest issues

### ▲ WHO WE ARE – TE TAI ŌHANGA

We are at the heart of New Zealand's economic and financial tides. Our name, Te Tai Ōhanga, flows from the four tides, reflecting that we both lead and serve from the centre to lift living standards for all New Zealanders. We are a talented, inclusive and hard-working whānau, who make the Treasury a great place to work. Our rigorous and diverse analysis enables growth and resilience in financial/physical, human, social and natural capitals for present and future generations.



# The Way We Go About Our Business

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

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

## Our Key Frameworks



TO LEARN MORE ABOUT THE LSF  
GO TO: [HTTPS://BIT.LY/361BTUV](https://bit.ly/361BTUV)



TO LEARN MORE ABOUT HE ARA WAIORA  
GO TO: [HTTPS://BIT.LY/HEARAWAIORA](https://bit.ly/hearawaiora)

The Treasury applies two wellbeing frameworks to its work: the LSF and He Ara Waiora.

The LSF is a wellbeing framework that we have developed to ensure we consider the broader impacts of our policy advice in a systematic and evidenced way. We published the initial version of the LSF in 2011, and have continually updated it in response to the emerging international and New Zealand literature, our own research and dialogue with people across Aotearoa New Zealand. The latest version, released in 2018, includes the 12 domains of current wellbeing, which reflect our understanding of the things that matter to New Zealanders' wellbeing, and the four capitals that support our wellbeing now and into the future.

He Ara Waiora was initially developed for the Tax Working Group by expert Māori thought leaders, who continue to work with the Treasury as we seek to apply He Ara Waiora to our policy work with authenticity. He Ara Waiora was developed using tikanga Māori and is derived from mātauranga Māori. It enables our wellbeing approach to reflect the national and cultural context that is unique to Aotearoa New Zealand.

This year we began to develop practical tools to support our analysts in the use of LSF and He Ara Waiora. The practical tools we developed were then used in applying He Ara Waiora to specific policy considerations related to public finance system modernisation and Resource Management Act 1991 reform, and applying a He Ara Waiora budget-assessment tool in assessing budget bids as part of the Budget. Using multiple frameworks enables us to garner wellbeing insights from different cultural perspectives and knowledge systems.

We also made progress in refreshing the LSF to better reflect children's wellbeing and culture, including te ao Māori and Pacific cultures. We drew on extensive feedback received during engagement on the release of the LSF Dashboard in 2018, completed an in-depth literature review, and have undertaken further engagement with key agencies and wellbeing experts. A refreshed LSF will be published before the end of 2021.

The changes will improve the LSF's alignment with He Ara Waiora and other frameworks that represent different cultural perspectives, but will not comprehensively incorporate them. We aim to use He Ara Waiora, the LSF and other frameworks alongside each other to support us in better understanding the distinctive nature of wellbeing in different communities in Aotearoa New Zealand.

We also updated the 'Our Country' and 'Our Future' sections of the LSF Dashboard in May 2021. We will refresh the Dashboard in 2021/22 to reflect the new elements of the LSF.

## Embedding wellbeing analysis in our work

We remain committed to embedding the LSF and He Ara Waiora in our work. One important way we do this is by encouraging the agencies we work with to think more broadly about the domains of wellbeing that will be affected by their proposed policies. This includes encouraging LSF analysis in agency Budget initiatives. In Budget 2021, and for the first time, we asked agencies to consider the alignment of their initiatives with He Ara Waiora concepts and principles. This provided the foundation for a more comprehensive application of the framework in future Budgets. Alongside this work we are supporting the development by the Ministry for Pacific Peoples of an All-of-Government Pacific Wellbeing Framework.

We also took a wellbeing approach to our COVID-19 response and ongoing recovery advice. In July 2020 we published He Kahui Waiora, which used 'rapid evidence reviews' and drew on concepts from the LSF and He Ara Waiora to estimate the possible impacts of COVID-19 and the associated economic recession on the wellbeing of New Zealanders. This research was complemented by direct real-time feedback from health providers and community leaders on the ground. The research helped to underpin our subsequent policy advice.

In the coming year we will:

- sustain our focus on implementing the LSF and He Ara Waiora together in our analysis and advice. This will include applying both frameworks to the Treasury's first four-yearly Wellbeing Report, which is now required under the Public Finance Act 1989. The Wellbeing Report will provide an indication of the state of wellbeing in New Zealand, and how it has changed over time
- further develop tools, training and guidance for Treasury analysts, including to support the application of the new LSF
- develop capability by applying the new LSF and He Ara Waiora alongside each other to priority economic policy issues
- continue to work with a small number of agencies seeking to understand or apply He Ara Waiora in their own work. In 2020/21 this included working with the Climate Change Commission and Te Puni Kōkiri (the Ministry of Māori Development).

Alongside our work on He Ara Waiora, we are currently working with the Ministry for Pacific Peoples and Pacific academics to develop a Pacific framework that captures the unique perspectives and lived experiences of Pacific New Zealanders.

## Strengthening the Treasury

In 2019 we established the Strengthening the Treasury work programme to improve the Treasury's governance, systems, processes and risk and information management. This work programme seeks to ensure that we have a culture of operational excellence that provides the environment for our people to flourish, and gives the Treasury systems and processes that support and enhance our work.

In 2020/21 our key achievements included setting the direction for the Treasury's future by refreshing the organisational strategy, including the vision, purpose, outcomes and strategic priorities. In addition, a range of Strengthening the Treasury projects was dedicated to supporting our people to succeed by ensuring that the right operating models, capabilities and culture were in place and our people were best placed to deliver operational excellence.

This year, two new directorates were established through a structural realignment – the Economic Strategy Directorate and the Organisational Strategy and Performance Directorate.

The Economic Strategy Directorate leads the development of the Treasury's strategic economic advice. It also supports the Government in the development and implementation of its economic strategy (including the response to and recovery from COVID-19)<sup>5</sup>.

The Organisational Strategy and Performance Directorate brings together like functions in strategy, governance, planning and executive services. It will increase our internal capability and ensure our work is well coordinated, prioritised, resourced, planned and aligned with our strategic priorities.

The Organisational Strategy and Performance Directorate also brings together our desire and intent to ensure that the organisation grows stronger in its capability and understanding of Te Ao Māori, through a centralised team of three Māori Principal Advisors who can be deployed across the organisation.

### Governance and accountability

In 2020/21 we embedded new governance structures aimed at strengthening our governance practices and operational management of cross-organisational matters. Our work included a new annual planning process to support work prioritisation decisions and provide staff with a greater line of sight of their work to our strategic framework. We also implemented a new risk-management approach and overall tightened our quality assurance and risk systems. Supporting our approach to this, we established three sub-committees of the Executive Leadership Team:

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

These sub-committees support stronger collective leadership on significant operational matters for the organisation and drive an agenda for improved collective ownership. This includes a clear direction for the work we are doing within our strategic framework and the operations needed to best support that work, while all the time remaining flexible to adapt to constant changes in our environment.

### Transparent ministerial reporting

2020/21 saw a continued increase in the volume of Official Information Act requests, written parliamentary questions and ministerial correspondence. The main topics of interest were:

- the Government response to COVID-19, specifically the Wage Subsidy Scheme
- housing affordability
- tax and inflation
- State Owned Enterprises (SOEs) such as Air New Zealand, New Zealand Post and KiwiRail.

We made further improvements in our level of ministerial servicing, including a new high for responding to Official Information Act requests within the statutory timeframe at 99%, compared with 98% in 2019/20 and 96% in the previous year. To put this achievement into perspective, this is an 11% improvement in the Treasury's timeliness over four years and 4.5% higher than the current average of public service departments.

An enhanced effort on the proactive release of information across the Treasury has resulted in 45 proactive releases being published on the Treasury website since September 2020. Many of these releases contained a significant amount of information, such as the Budget proactive release, which housed more than 170 documents. The Treasury continued to experience high levels of ministerial correspondence in 2020/21 with 1,315 replies prepared compared with 350-450 replies in a normal year. Similarly, we provided responses to 586 written parliamentary questions, of which 99% were provided on time.

### Strengthening our information security

Following on from the 2019/20 inquiry into concerns regarding the security of our Budget process by Te Kawa Mataaho Public Service Commission, we continued to strengthen our information security. Last year we established an Information Technology Governance Committee, which included external members, as a sub-committee of our Executive Leadership Team. In 2020/21 this Committee continued to provide us with strategic oversight of the management of IT assets and IT delivery. We securely delivered Budget 2021 and continue to implement new tools to provide improved cyber security identification, detection, protection and response capabilities.

<sup>5</sup> Further detail on the establishment of the Economic Strategy Directorate can be found in the Response to and Recovery from COVID-19 section.



## Diversity and inclusion

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

Our Diversity and inclusion programme aims to support us in lifting living standards by enabling our people to embrace diverse thinking, adopt inclusive ways of working and effectively engage with and support the many different communities within New Zealand.

In 2020/21 we finalised and embedded the refreshed Diversity and inclusion Strategy. We also increased support to our employee-led network groups by developing an employee-led network guide and providing some funding for cross-Treasury events that supported our diversity and inclusion agenda eg, speed mentoring events, panel discussions and training sessions such as rainbow inclusivity in the workplace.

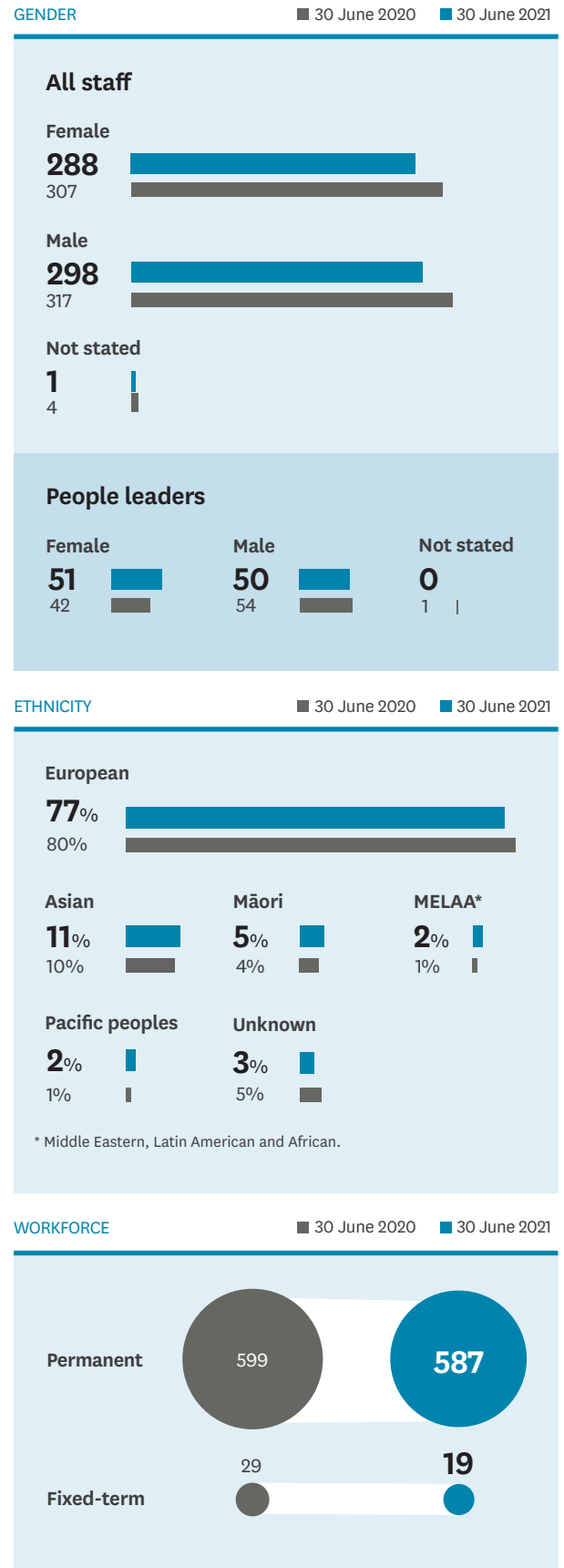
Additionally, unconscious bias training was available for all staff to complete via online e-videos and resources.

## Inclusive leadership and building relationships

In 2020/21 we invested in strengths-based development to support our people leaders and others to recognise, value and leverage our diverse mindsets, skillsets and experiences. We also focused on embedding flexible working, which we view as a significant enabler of diversity and inclusion as well as overall performance.

We also continued to reduce our gender pay gap by actively targeting like-for-like gaps, checking for biases in our policies and processes, and actively promoting and supporting gender-balanced leadership. As a result, our gender pay gap reduced from 14.30% to 10.19% in this period.

Figure 2: Human resource statistics as at June 2021



## Building and Strengthening our Capabilities

### Developing our leadership capabilities

The Treasury actively supports on-going leadership development for current and emerging people leaders and thought leaders. We have built on our leadership, decision-making, analytical and prioritisation capabilities and continue to embed our People Leader Capability Framework.

Regular People Leader Forums and Away Days bring leaders together from all areas of the business to learn collaboratively, broaden thinking and develop their leadership practices. Regular Emerging People Leader Forums focus on building future leaders' capabilities to transition from individual contributors to people leaders and support us in building a pipeline of future people leaders.

### Strengthening our economic capabilities

Our staff's economic capabilities enable us to achieve our strategic intentions and deliver our work, both now and into the future. We continue to build our economic capabilities at the Treasury via on-the-job experiences and learning, forums for economic and policy discussions, preparing working papers, exposing staff to innovative or new thinking, providing ongoing training opportunities and further developing our analytic tools.

We have continued our Treasury Guest Lecture Series to bring local and international experts to the Treasury to present their research to our staff and interested members of the public. The purpose of these lectures is to build collaborative working relationships with the academic community and other experts, and to expose staff and the public to new ideas and research on issues relevant to the Treasury's strategic priorities.

In order to build capability across our workforce, staff have the option of undertaking internal macroeconomics training, on topics such as working with data and charts, fiscal policy and projections, and statistical programme reviews. In 2020/21 we also ran a macroeconomic modelling study group.

Our internal capability is further strengthened by undertaking research and delivering this in the form of presentations at conferences to external audiences. Several of our staff recently presented a selection of the empirical work taking place in the organisation at the recent annual New Zealand Association of Economists conference. We also presented at Pacific leadership forums and summits on economic development and partnerships.

### Strengthening our financial capabilities

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

We have a focus on lifting strategic financial management capabilities. In 2020/21 we continued to develop opportunities for teams to engage in high-value, strategic financial management work. This included participating in formal spending reviews (a cooperative, systematic approach to analysing agency baselines) and the New Zealand Health and Disability System Review. We also progressed work on developing new business intelligence tools to enable faster analyses of data in existing systems.

## Māori Crown Relations Capability

### Whāinga Amorangi – Building Māori cultural competency

Whāinga Amorangi is a cross-agency Building Māori Cultural Competency approach, led by Te Arawhiti (the office for Māori Crown Relations), to ensure the culture of each agency supports our collective goal of Māori/Crown partnership.

Our Whāinga Amorangi plan is to strengthen our culture by building individual and organisational capabilities, and supporting the state sector shared goal of true Māori/Crown partnership. Our Secretary has developed her own, dedicated Whāinga Amorangi plan with guidance from our Poutiaki – Director Te Ao Māori Strategy and Performance. Work is also underway to create our organisational plan for strengthening capability across the Treasury, with an initial focus on te reo Māori/tikanga and Treaty literacy.

Throughout the year we continued to develop our cultural intelligence and strengthen our engagement with Māori. Foundational to our organisation, and as individuals, is the embedding of He Ara Waiora in our work. Leading the way on building an understanding of this work across the organisation is Te Puna Aronui, a team of Māori capability advisors who work alongside and within business units, supporting them to look at how He Ara Waiora is applied in our advice and strategic products.

He Ara Waiora is strongly reflected in our organisational priorities and deliverables, including our COVID-19 response, Budget 2021, public finance system modernisation and the long-term fiscal statement. The focus for the year was on building an understanding and sharing examples of the framework application. The next phase will be embedding this understanding into our daily practices.

In collaboration with the Reserve Bank, we hosted the Tāne te Wānanga series, which involved senior leaders from both agencies gathering to grow their understanding and cultural intelligence of the Māori economy from various iwi and Māori business leaders.

## Māori language planning

To support staff to engage in cultural development, regular formal learning classes in te reo Māori and Māori-Crown relations are available, along with a specific focus in our Kotahi Learning Groups (New Staff Induction approach) on raising awareness and understanding of the He Ara Waiora framework. The Treasury continues with the annual Ivan Kwok awards, which recognise teams that demonstrate and achieved significant growth and leadership in the Māori-Crown space. As part of our Whāinga Amorangi plan – phase two – we will also focus on te reo Māori.

## Wellbeing/Health and Safety

Following staff consultation, our Wellbeing, Health and Safety Policy was refreshed during the year to ensure alignment with the Treasury's responsibilities and accountabilities under the Health and Safety at Work Act 2015. The new policy provides clear, accessible and easy-to-understand information for all, describing everyone's responsibilities, from staff members up to and including the Executive Leadership Team as officers of the Treasury's PCBU (ie, Person Conducting a Business or Undertaking). All employees and contractors reviewed and confirmed their understanding of and commitment to meeting expectations through the 2021 Annual Obligations Confirmation process.

We continue to provide opportunities to support good mental and physical health. Initiatives include providing annual flu vaccinations on site, providing a wellbeing allowance and normalising flexible working by default. In 2020 we introduced the Employee Liaison Service as an option for conflict resolution coaching, supplementing regular channels for raising issues and providing independent external advice.

Ongoing initiatives to support wellbeing include: a regular guest speaker series; frequent wellbeing pulse surveys; weekly wellbeing tips and tricks; intranet articles; and videos from senior leaders speaking about wellbeing.

Building on and improving policies and processes developed early in the COVID-19 pandemic, we have continued to convene our internal COVID-19 Response Group to protect the health (both mental and physical) and safety of our people. We continue to monitor the situation closely, carefully reassessing and adjusting our settings whenever there is a change in the national (or international) environment, and providing channels for staff to have their say and ask questions. Consistent, focused communications on the organisation's operations in response to the pandemic are provided.

## Prioritising Sustainable Practices and Moving to Net Zero Carbon Emissions

The Treasury's annual carbon dioxide emissions from our baseline year (1 February 2019 – 31 January 2020) was 1,028 tonnes, generated mostly from travel but also through electricity and waste. In March 2021 we received Toitū Carbon Reduce certification for having measured and audited our greenhouse gas emissions in accordance with ISO 14064-1:2006, and committed to managing and reducing our emissions as an organisation. Being one of the first central agencies to receive this certification places us in a strong position to meet the Carbon Neutral Government Programme requirements that begin in the 2021/22 financial year.

In the He Ara Waiora tikanga-based approach to wellbeing, Te Taiao (the natural world, the environment) is paramount and inextricably linked with human wellbeing. Humans have responsibilities and obligations to sustain and maintain the wellbeing of Te Taiao. Improving our environmental sustainability helps us to protect the environment, as well as fulfil our responsibility as a central agency to help lift state sector performance.

The Treasury's zero-carbon strategy sets out an action-based pathway to becoming a zero-carbon organisation in our travel, energy and waste emissions. Our overall carbon emission reduction targets focus on three areas:

1. **Waste:** we conduct regular waste audits to monitor and evaluate the amount of waste we generate and communicate regularly with staff to encourage behaviours that reduce the amount of waste we send to landfill.
2. **Travel:** travel is the largest contributor to our greenhouse gas emissions. We are developing a travel policy that will reduce our travel emissions and assign responsibilities to ensure this target is met.
3. **Energy:** we need to have the right settings in place to ensure we maximise the energy efficiency of our workspace. We have started the National Australian Built Environment Rating System – New Zealand work programme assessment and will work with our supplier to action agreed recommendations.

As part of the next steps in our Zero Carbon strategy we will start offsetting our emissions informally through voluntary tree-planting exercises.



## SECTION TWO

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Wāhanga Tuarua:  
Ko ā mātou  
Whakatutukitanga

**Our Key  
Achievements**



# Policy Advice and Financial Services (Multi-year)<sup>6</sup>

WE FORECAST TO SPEND

\$81.962m

OF OUR \$395.238M

WE SPENT

\$81.958m

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

## Overarching Measure<sup>7</sup>

STANDARD

RESULT

The satisfaction of the Minister of Finance with the provision of our advice and financial services.

Achieved

Achieved

## Policy Advice

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

We received strong positive feedback from our Ministers for our consistent high-quality policy advice throughout the COVID-19 pandemic.

### Modernising the public finance system

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

Following on from the work we completed in 2019/20 to make amendments to the Public Finance Act, which came into effect in June 2020, we completed further legislative work to support the introduction of new types of entity under the Public Service Act 2020. Those amendments came into force in August 2020.

We continue to progress work to modernise the public finance system, including testing an approach based on clusters of agencies. This involves agencies with common or overlapping areas of responsibility being brought together to agree on cluster-specific priorities, strategic planning and performance reporting. In Budget 2022 we will be testing this model using two pilot clusters – Justice and Natural Resources. The lessons we learn from this experience will help shape a public finance

system that can better serve the interests of New Zealanders and manage some of the complex, multigenerational issues that we are facing in the 21st century.

### Overseas Investment Act reform

In May 2021 the Overseas Investment Amendment Act No.3 (the No.3 Act) was passed into law. This represented the successful completion of the Treasury-led Phase 2 reforms of the Overseas Investment Act 2005, which had begun in late 2018.

The Phase 2 reforms look to strike a better balance in the investment screening regime. They include measures to support high-quality overseas investment in productive New Zealand assets, for example by reducing the number of low-risk transactions caught in the regime by up to 30% and streamlining many of those transactions that remain. However, the reforms also provide new residual powers to ensure investments are not contrary to our national interest, including security interests, by introducing a range of backstop risk-management tools.

In parallel to working towards the passage of the No.3 Act, we were heavily involved in supporting the Overseas Investment Office (the Overseas Investment Act's regulator) in implementing and operationalising the urgent changes brought into effect in June 2020 in response to the COVID-19 pandemic<sup>8</sup>. The pandemic increased the economy's need for foreign capital but also exacerbated existing, and created new, foreign investment risks. The urgent changes included a temporary wider-scale emergency notification regime to manage heightened risks during the pandemic, and brought forward high-priority liberalising measures agreed to in the Phase 2 reform, such as removing the need to screen investments in fundamentally New Zealand companies.

<sup>6</sup> Policy Advice and Financial Services is a Multi-year, Multi-category Appropriation (MY MCA) that we introduced in 2019/20.

<sup>7</sup> Our overarching measure provides an indicator of success across the work in the categories making up this MY MCA. It is derived from a satisfaction survey developed by the DPMC and completed by the Minister.

<sup>8</sup> Overseas Investment (Urgent Measures) Amendment Act 2020.

The temporary emergency notification regime operated successfully and ceased in June 2021 due to the positive shift in market conditions. It has since been replaced by a narrower national security review function that was included in the No.3 Act.

The Treasury is now focused on supporting the implementation of the No.3 Act, with some of the most significant measures not expected to come into force until late 2021 or early 2022. The Treasury is also undertaking an operational review of the revised forestry provisions that were introduced in 2018. This review is required by statute.

### Health and disability reform

The Treasury has continued to work closely with agencies to progress the reform of the health and disability system. In April 2021 the Government announced further details of decisions, including an agreement to establish a funding framework that provides greater budget certainty for the health system and the Crown. We worked closely with the Transition Unit in the Department of the Prime Minister and Cabinet (DPMC) on Budget 2021 funding to support the future establishment of new entities (including Health New Zealand and the Māori Health Authority) and funding for local health and wellbeing networks. We also worked alongside the Transition Unit and the Ministry of Health to provide advice on the implementation of the reforms, particularly the new funding framework.

### Resource management reform

In February 2021 the Government announced it would repeal the Resource Management Act and replace it with three proposed acts: the Natural and Built Environments Act; the Strategic Planning Act (SPA); and the Climate Adaptation Act. The Treasury Secretary is an active member of the Strategic Planning Act Interagency Board (established under the Public Service Act), which has oversight of the development of the SPA, provides ministers with advice, and helps support coordination across the three Acts.

The Treasury engages with other agencies in developing advice to Ministers, and supports the Secretary in her role on the SPA Board. In addition, we support the Minister of Finance in his role as Chair of a Ministerial Oversight Group.

The Treasury provides a system lens to our advice and engagement on the resource management work programme, as the three Acts will need to function as a coherent and interconnected system if they are to achieve the Government's objectives. An additional driver for the Treasury's engagement is the Government's objective to "Better enable development within environmental biophysical limits, including a significant improvement in housing supply, affordability and choice, and a timely provision of appropriate infrastructure, including social infrastructure", given the Treasury's strategic priority on housing.

### Welfare reform

In Budget 2021 the Government announced the lifting of weekly main-benefit rates by between \$32 and \$55 per adult, to bring these rates in to line with a key recommendation of the Welfare Expert Advisory Group and provide an additional boost to families with children. This is expected to lift between 19,000 and 33,000 more children out of poverty on the after-housing-costs measure. The Treasury worked closely with the Ministry of Social Development to provide advice to Ministers throughout the formulation of the benefits package. The Government also announced in Budget 21 that it would continue to work on overhauling the welfare system and addressing other recommendations from the Welfare Expert Advisory Group. It committed to bringing forward the review of the Working for Families tax credits, currently in the medium-term welfare overhaul work programme. The Treasury has commenced work with the Ministry of Social Development and Inland Revenue on this review.

### Modernising the Earthquake Commission Act to improve New Zealand's resilience to natural disasters

Through collaboration with the Earthquake Commission (EQC), we led advice in 2020/21 on a suite of potential amendments to the Earthquake Commission Act 1993 to improve New Zealand's resilience to natural disasters and provide greater clarity on the role of EQC and the cover it provides. This advice took into account the findings and recommendations of the Public Inquiry into the Earthquake Commission and built on previous Treasury work on the Earthquake Commission Act, including a 2015 discussion document: New Zealand's Future Natural Disaster Insurance Scheme: Proposed changes to the Earthquake Commission Act 1993 (July 2015).

### Climate change

A key priority for the Treasury is to navigate significant issues and Government priorities, of which climate change is one. During the year:

- we introduced an emissions shadow-price into CBAX, the Treasury's cost-benefit analysis tool, for the first time in December 2020. The purpose of this was to assess the wider costs/benefits of the emission impacts of policy and investment proposals, so that they could be better considered in decision-making
- we supported the delivery of the climate change package for Budget 2021
- we worked with the Ministry for the Environment on establishing a work programme to consider issues related to the funding and financing of climate change objectives, with Cabinet agreement to this work programme. This work will support the Government's overall Emissions Reduction Plan
- we worked with other agencies to support the Government as it considered its response to the Climate Change Commission's final report (Ināia Tonu Nei: A low emissions future for Aotearoa, was published in June 2021)
- we significantly progressed the **Statement on the Long-term Fiscal Position, He Tirohanga Mokopuna**, which includes consideration of climate change issues. This is the first time that climate change has been explicitly considered in a Treasury statement on the long-term fiscal position.

## Modernising New Zealand's monetary and financial stability settings

Raising the living standards of New Zealanders requires a careful consideration of the regulatory framework that underpins New Zealand's financial system.

In the past few years we have been working with the Reserve Bank to modernise New Zealand's monetary and financial policy and legislative frameworks, along with the Bank's governance and accountability settings, through a review of the Reserve Bank of New Zealand Act 1989.

In 2020/21 we focused on developing the Reserve Bank's new governance and accountability settings, decisions on which are reflected in the Reserve Bank of New Zealand Bill. Administered by the Treasury, the Bill repeals and replaces the parts of the Reserve Bank of New Zealand Act that provide for the Bank's institutional, governance and accountability arrangements as well as its central bank powers. The Bill also:

- establishes a new governance board, comprising non-executive members and the Reserve Bank Governor, that is responsible for all decision-making (except decisions made by the Monetary Policy Committee)
- reframes the overarching financial stability objective to "protecting and promoting the stability of New Zealand's financial system", which will provide greater clarity for the Reserve Bank as New Zealand's prudential regulator
- ensures operational independence is balanced with appropriate accountability, with changes to update the Reserve Bank's accountability and reporting frameworks, such as aligning with the Crown entity framework requirements for Statements of Performance Expectations
- provides for a Financial Policy Remit to be issued by the Minister of Finance, setting out matters that the Board must have regard to
- amends the funding agreement process between the Minister of Finance and the Reserve Bank to promote greater transparency, and the ability for the Reserve Bank's costs for its regulatory function to be recouped through industry levies and fees
- provides the Minister of Finance the ability to direct the Reserve Bank to maintain a minimum level of capital
- provides the Council of Financial Regulators a statutory mandate to support the effective and responsive regulation of the financial system, by facilitating cooperation and coordination among its members.

The Bill progressed through the House during the first half of 2021. We supported the Minister of Finance with this process, while also preparing for implementation.

## Strengthening infrastructure and supporting urban growth

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

In 2020/21 we provided advice to the Minister of Finance on a range of infrastructure projects, programmes and reforms. These included the:

- Auckland Light Rail project
- City Rail Link programme
- New Zealand Upgrade Programme
- Auckland Transport Alignment Project
- shovel-ready programme of investment
- Three Waters Reform Programme, supporting the Department of Internal Affairs as the lead agency.

One of the three key priority 'big issues' for the Treasury is housing. This recognises that New Zealand's house prices are among the least affordable in the OECD and risk undermining our living standards, economic stability and social cohesion.

In 2020/21 the Treasury, along with the Ministry of Housing and Urban Development and Inland Revenue, advised on the Government's package of housing affordability reforms, which begins to address several of the key barriers to realising a more affordable housing supply and supports first-home buyers. It included the extension of the bright-line test and the removal of interest deductibility for residential investment properties acquired on or after 27 March 2021, as well as the establishment of the \$3.8 billion Housing Acceleration Fund to bring forward infrastructure to enable housing supply, including for Kāinga Ora – Homes and Communities large-scale projects. While our focus this year was on whole-of-system interventions, we also provided regular advice on individual housing programmes.

We also played a key role in advising on the establishment of the National Policy Statement on Urban Development 2020, the Urban Development Act 2020 and the Infrastructure Funding and Financing Act 2020. These changes overcome regulatory and financial barriers to urban development, with the goal of delivering affordable housing and thriving communities.

In addition to policy advice, we provided commercial advice in relation to housing. In 2020/21 we advised on 20 KiwiBuild deals and the increase in Kāinga Ora's borrowing protocol to \$8.3 billion, as part of its continued Kāinga Ora balance-sheet-monitoring work.

The housing crisis does not affect all New Zealanders equally: Māori and Pacific peoples disproportionately experience negative housing outcomes. We were involved in the development of the Budget 2021 housing package that saw \$780 million invested in improving housing outcomes for Māori. The inquiry and recent investment provide an opportunity to improve how the housing system can better partner with and deliver for Māori, and will offer important insights into how the system can improve outcomes for and with Pacific peoples going forward.

## Commercial policy advice

Throughout the year we provided commercial advice to Ministers and led the Crown's negotiations with Rio Tinto and Sumitomo regarding the future of New Zealand Aluminium Smelter's operations at Tiwai Point. The scope of negotiations involved considerations of timing and environmental remediation, as well as employment and regional economy aspects. This was a good example of cross-Treasury and cross-agency collaboration (the Treasury led a three-agency coordinated negotiation), and the engagement of commercial and legal experts to support our work. Ministers were complimentary about the high-quality advice they received to inform their decision-making on the future of Tiwai Point aluminium smelter and its role in the Southland economy.

## Continual improvement in the quality of our policy advice

As we are the Government's key economic and fiscal advisor, it is important that we constantly improve the quality of our advice. In 2019/20 we adopted the common Policy Quality Framework created by the DPMC to ensure that our policy advice was based on a common set of standards that defined what good quality looked like. We continue to use the Framework to anchor our advice and ensure that it is aligned with common standards.

In addition to using this framework, the Treasury has an internal work programme to strengthen the quality of our advice. This includes a quality of policy advice panel, which provides regular feedback on the quality of our policy advice against the DPMC standards set in the common Policy Quality Framework. We improved our quality of our advice this year by ensuring that the advice provided was responsive to the needs of the Minister of Finance and carefully positioned with attention to context.

MEASURE <sup>9</sup>	STANDARD	RESULT
Papers with a score of 3 or more.	80%	81%
Papers with a score of 4 or more.	20%	27%
Average score of assessed papers.	3.5	3.3



TO LEARN MORE ABOUT THE COMMON POLICY QUALITY FRAMEWORK [HTTPS://BIT.LY/374T5D4](https://bit.ly/374t5d4)

## Monitoring Crown financial institutions

A key responsibility of the Treasury is to monitor Crown financial institutions. We support the Ministers' ownership interests in a portfolio of agencies and advise on policy and operational settings for the Crown financial institutions. These include agencies managing capital for Crown companies and agencies that represent some of the Crown's impact investing portfolio.

In 2020/21 we facilitated the completion of an independent review of the Government Superannuation Fund Authority, which is required every five years by statute. The review provided Ministers with an assessment of the overall performance of the Authority and the Government

Superannuation Fund, with a focus on performance and responsible investment. The review recommended three strategic priority areas to enhance the Authority's overall performance, alongside several other key considerations. The Treasury will engage with the Authority's Board as it develops a workplan to implement the recommendations.

Other activities this year focused on the maturation of new entities and mandates, and included:

- supporting an increased capital allocation to New Zealand Green Investment Finance to increase momentum behind the Government's climate change priority
- helping Te Arawhiti to establish a monitoring function for Tupu Tonu
- bedding in the settings of the new Elevate NZ Venture Fund with new Board representation for New Zealand Growth Capital Partners.

### Agencies

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

### Impact Investment Agencies

- New Zealand Green Investment Finance Limited (NZGIF)
- New Zealand Growth Capital Partners (NZGCP), secondary to the Ministry of Business, Innovation and Employment
- Local Government Funding Agency (LGFA), Crown shareholding representative, secondary to the Department of Internal Affairs
- Tupu Tonu (Ngāpuhi Investment Funds Limited), secondary to Te Arawhiti

## APEC

New Zealand is hosting APEC (Asia-Pacific Economic Cooperation) in 2021, and the Treasury is responsible for hosting the Finance Ministers' Process (FMP). The FMP is a year-long set of meetings and workshops at official and ministerial levels. The focus of the FMP in 2021 has been the response to COVID-19, the future of fiscal policy and budget management, and how to make the recovery sustainable and inclusive.

Throughout the year we worked closely with the Ministry of Foreign Affairs and Trade to undertake a considerable amount of planning and preparation for the year, particularly to meet the challenge of hosting virtually. To date we have successfully held several meetings, including a virtual meeting of finance deputies in March 2021 and an informal dialogue between the APEC Business Advisory Council and Finance Ministers in June 2021 (an innovation of this year). The focus is now on preparation for the formal Finance Ministers' meeting in October 2021.

<sup>9</sup> Measures relating to the Quality of Policy Advice papers have been assessed based on the first three quarters of 2020/21, as results for quarter four were not available at the time of publication.

## Fiscal Management and Reporting

### Delivering Budget 2021

Our commitment to lifting the living standards of New Zealanders continued to be reflected in our production of Budget 2021, New Zealand's third Wellbeing Budget. Despite ongoing challenges due to the COVID-19 pandemic, we successfully worked collaboratively across the state sector to support the Government in delivering Budget 2021.

As part of the delivery of Budget 2021, we provided advice on Budget initiatives. Our advice focused on three key considerations: contribution to the Government's priorities; implementation readiness; and value for money. In turn, value for money comprised an assessment against wellbeing domains of the LSF, the objectives set out in the 2021 Budget Policy Statement, and the benefits and costs of initiatives. We also made initial steps to apply He Ara Waiora to the Budget, by assessing the alignment of groups of initiatives with He Ara Waiora.

We also reviewed the list of Budget publications, as a result of which we reintroduced the Budget at a Glance and BEFU [Budget Economic and Fiscal Update] Basics documents. Both aimed to provide brief, accessible information on the Budget.

### Delivering the Financial Statements of the Government and the Economic and Fiscal Update 2020

This year we published a Pre-election Economic and Fiscal Update on 16 September 2020, as required by the Public Finance Act prior to a General Election, at the same time as we prepared the Financial Statements of the Government. The Financial Statements of the Government were completed and provided to the Office of the Auditor-General as required by the Public Finance Act. While the audit was delayed, the Financial Statements of the Government received a clear audit opinion. This was a significant achievement given the Government's response to the COVID-19 pandemic and the added complexities that this added to the Financial Statements of the Government.

### Long-term Fiscal Statement

As a result of COVID-19 there have been major changes to the fiscal outlook of New Zealand. In 2020/21 we made significant progress towards the delivery of the first phase of the Long-term Fiscal Statement. This is published by the Treasury at least every four years. It provides an opportunity to take a long-term view of the Government's fiscal position and the factors that may drive it. The Long-term Fiscal Statement will also incorporate the first long-term insights briefing to the Minister of Finance, providing an opportunity to analyse key trends and their potential long-term fiscal impacts, directly alongside a range of policy options available to address them. The final statement will be published by 30 September 2021.

MEASURE	STANDARD	RESULT
Published documents are produced without material error, as measured by the number of corrections in the form of formal republication or errata.	Zero formal republication and errata	One formal republication and errata <sup>10</sup>
Major fiscal models are quality assured (periodically) and, where appropriate, assumptions are tested with suitably qualified experts.	Achieved	Achieved

## Investment Management and Asset Performance

### Lifting performance: our stewardship of public funds

The Treasury leads the Government's investment management system<sup>11</sup>, working with other State sector agencies to ensure that the stewardship of public funds is robust and transparent. In 2020/21 we advised the Government on how investment management and asset performance in the State services could be delivered in a way that supported a wellbeing focus.

- We provide specialist support for, and assurance on, individual investments. In 2020/21 our specialist support included facilitating a system-wide response to escalations in several Public Private Partnerships following the COVID-19 lockdown. This helped the lead agencies to stabilise these investments so they had a way to proceed and deliver benefits.
- Our assurance on individual investments includes administering the Gateway assurance programme, an independent and confidential peer-review process that examines projects and programmes at key points in their lifecycles to assess their progress. Over the course of 2020/21, 34 reviews were undertaken.

A review of the Investor Confidence Rating (ICR) system was completed in 2020/21. The review recommended a series of significant changes to the ICR system, including that the ICR be reset into two components. These were proposed as a rating (an assessment of confidence that an investor can have in an agency's investment delivery performance based on historical performance data) and an outlook (a forward-looking view of the level of confidence that an investor can have in an agency's ability to manage appropriately their investment risk based on the agency's pipeline).

<sup>10</sup> Following the publication of the 2020 Pre-election Economic and Fiscal Update, the Treasury identified that the printed booklets provided at briefings to members of Parliament, media and analysts had been misprinted. The printed document reflected the official forecasts in the Treasury's finalised database; however, it was a penultimate version that did not incorporate final proofreading changes. The misprinted versions were replaced with the correct version. The Pre-election Economic and Fiscal Update documents published on the Treasury's website, and provided electronically to members of Parliament, media and analysts, were correct, accurate and the final versions.

<sup>11</sup> The processes, rules, capabilities, information and behaviours that work together to shape the way investments are managed throughout their life cycles.



## Understanding financial performance through expenditure reviews

Our work to modernise the public finance system includes working with other agencies to conduct spending reviews, which act as 'deep dives' into their financial performance. This provides a thorough understanding of their current spending and helps us to assess how current work may need to be reprioritised and what future funding will be needed given the nature of their work.

These reviews also provide Ministers with a thorough understanding of the drivers of agencies' cost pressures, and the choices available to manage those pressures. In 2020/21 we completed a spending review of the Ministry of Justice to inform Budget 2021 decisions. We also commenced spending reviews of the two pilot clusters – Justice and Natural Resources. These reviews cover eight agencies and therefore represent an increase in our spending review activity.

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

## Crown Lending and Bank Accounts

In 2020/21 we continued to provide the consolidated management of agency bank accounts enabling efficient liquidity management of the Crown's cash position. Throughout 2020/21 lending to Crown entities was undertaken to implement various policy decisions of the Government.

MEASURE	STANDARD	RESULT
Crown Departments are able to conduct banking transactions, with no Crown bank accounts opened outside of this policy and visibility of the total cash position of the Crown is maintained.	Achieved	Achieved

## Export Credit

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

In 2020/21 a total of \$174 million of risk exposure was underwritten and a historical high of 155 policies were issued, supporting 68 exporters to deliver \$478 million of goods and services into 60 countries.

In order to further extend and grow our support, we implemented an annual marketing and engagement strategy that saw targeted and regular engagements with insurers, brokers, banks and business advisors to promote New Zealand Export Credit's services. We worked collaboratively with other Government and industry agencies to facilitate a cohesive export recovery, including participating in 22 export-finance-focused educational seminars across New Zealand.

MEASURE	STANDARD	RESULT
The internationalisation of New Zealand exporters is promoted and supported when commercial markets cannot assist.	Achieved	Achieved
Implementation of an annual marketing and engagement strategy.	Achieved	Achieved

# Administration of Guarantees and Indemnities Given by the Crown Permanent Legislative Authority (PLA)<sup>12</sup>

## OUR BUDGET

\$3.110m

## WE SPENT

\$1.507m

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

Measure	STANDARD	RESULT
A register of Crown guarantees and indemnities is maintained as an accurate record throughout the financial year.	Achieved	Achieved
Validated and approved payments under the Business Finance Guarantee Scheme are made within agreed timeframes.	Achieved	Achieved

## The Business Finance Guarantee Scheme

In 2019/20, as part of our COVID-19 response, the Government launched the Business Finance Guarantee Scheme. The purpose of the Scheme was to support the provision of Scheme loans to viable businesses. The Scheme encouraged banks, non-bank deposit takers (non-banks) and non-deposit-taking lenders to lend where otherwise they might not by the Government taking up to 80% of the loans' default risks. Borrowers remained liable and had to pay back the debt, with interest, in the usual way.

In 2020/21 specific changes were made to the Scheme that resulted in an increased number of loans being supported. These changes included:

- the addition of non-deposit-taking lenders to the Scheme
- the maximum loan size increasing to \$5 million
- the maximum loan term extending to five years
- the purpose of the loan broadening from liquidity support to include capital investment
- a six-month extension to the availability period to 30 June 2021.

Upon the expiry of the loan availability period, at the end of June 2021, the Scheme had supported \$2.86 billion loans to 4,035 businesses.

The establishment and ongoing management of this Scheme was an example of cross-Treasury team support, leveraging the range of policy and commercial skills of our staff.

### Business Finance Guarantee Scheme as at 30 June 2021

- \$2.86 billion loans
- 4,035 businesses



FOR MORE ABOUT THE BUSINESS  
FINANCE GUARANTEE SCHEME GO TO:  
[HTTPS://BIT.LY/3NLT2TO](https://bit.ly/3nlt2to)

<sup>12</sup> Permanent Legislative Authority appropriations do not need to be sought from and approved by Parliament each year.

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

## OUR BUDGET

\$12.625m

## WE SPENT

\$10.367m

This appropriation is intended to ensure the Government has access to a sustainable and cost-effective source of debt funding for the provision of public services to New Zealanders.

### Measure

The Crown's debt funding needs are met through execution of the MOF-approved annual NZGB programme and associated funding strategy. Associated risks are managed in accordance with the Portfolio Management Policy.

### TARGET

Achieved

### RESULT

Achieved

## Debt Management

The Treasury plays a key role in funding the Crown's borrowing requirements and maintaining well-functioning debt-funding markets. Our focus is to minimise the Crown's borrowing costs over the long term, with due consideration given to risk and to ensure ongoing access to debt funding markets. We are also responsible for managing the Crown's liquidity position. All activities are guided by three core principles: to be transparent; to be consistent; and to be even-handed.

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

### Issuance

Crown borrowing occurs through the regular issuance of New Zealand Government Securities throughout the year. Securities are generally issued via weekly tender, an online auction where registered Primary Market investors bid to buy government bonds.

In 2020/21 a total of \$45 billion in New Zealand Government bonds were issued. These bonds were supplemented with syndicated issuance, which was used to issue a large volume (\$2-5 billion) into new or existing bond lines in single transactions. This saw us issue:

- **\$24.8 billion of nominal bonds via tender.** On average, these tenders received over three times the number of bids for the quantity of bonds on offer. The bonds issued included 11 different maturity dates

- **\$1.0 billion of Inflation-indexed Bonds via tender.** On average, these tenders received over two times the number of bids for the quantity of bonds on offer. The bonds issued had maturity dates of 2035 and 2040
- **\$14.2 billion of new bonds via syndication.** These included the 2041 maturity nominal bond which re-established the 20-year point on the New Zealand Government Bond (NZGB) curve
- **\$4 billion of existing April 2027 nominal NZGBs via syndication**
- **\$14.8 billion of treasury bills via tender**
- **US\$5.3 billion of European Commercial Paper** (short-term funding in US dollars).

Despite a notable increase in core Crown debt on issue, the actual interest expense remained low compared to history at 2.28% (2019/20: 3.50%).

**Figure 3: Current New Zealand Government bond portfolio as at 30 June 2021**

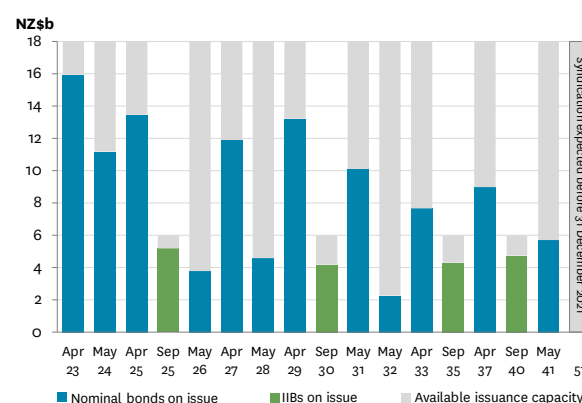
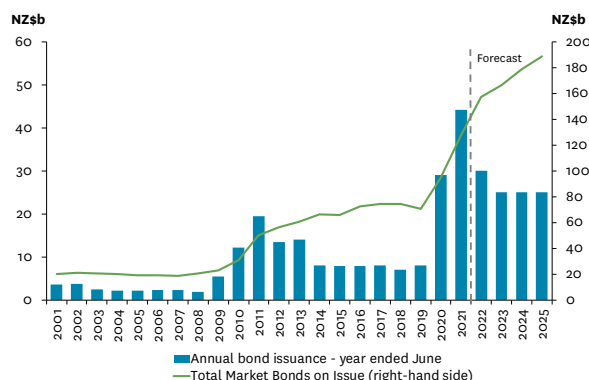


Figure 4: New Zealand Government bonds



## Maturity and settlements

The maturity of the 15 May 2021 New Zealand Government Bond was implemented, with \$11 billion worth of payments managed on the day.

## Investor Communication and Engagement

Engagement with, and the provision of, up-to-date information is crucial to maintaining confidence in investing in New Zealand Government Securities and ensuring a diverse investor base. Participation from a diverse global bond investor base was maintained and broadened during challenging market conditions. Proportional non-resident holdings of NZGBs remain around 50%. We held around 40 one-on-one investor meetings in almost 20 cities globally (virtual and in person) in addition to delivering presentations at investor conferences, maintaining a diverse global bond investor base in challenging market conditions.

We also provided investors with insights through our flagship publications, the New Zealand Government Securities Overview and the New Zealand Government Securities Funding Strategy. In response to COVID-19 we introduced a new monthly e-newsletter (Investor Update) to ensure timely updates could be provided to investors. In addition, we continued to contribute content to specialist media publications to help enhance access to our global investor base.

## Credit rating agencies

Credit ratings are an important support for investor confidence. While it is important that ratings are provided by agencies with independence, the Treasury facilitates accurate two-way information-sharing with relevant agencies. During the year we coordinated the annual credit rating agency visits from each of the three major global rating agencies – S&P Global Ratings, Moody's Investors Services and Fitch Ratings. These visits were augmented with timely information-sharing throughout the year.

New Zealand is among the world's highest-rated sovereigns. In February 2021 New Zealand was the first sovereign to receive a credit rating upgrade from S&P Global Ratings since the onset of the COVID-19 pandemic. The sovereign was upgraded to an AAA long-term local currency credit rating, the highest possible rating. Moody's maintains an Aaa rating for New Zealand while Fitch holds an AA+ rating.

## Liquidity Management

Sound liquidity management is critical to an effective debt-management programme. The Crown must always have enough cash available to make payments and fund maturing bonds when due. The economic implications of, and the fiscal response to, COVID-19 placed significant demands on the Crown's liquidity position. Having responded to these initial funding demands, we reduced our reliance on short-term funding products and undertook investment in highly liquid financial assets where appropriate. Specific examples were:

- reducing the short-term market Treasury Bill outstanding from approximately \$12 billion to around \$7.6 billion at 30 June 2021
- continuing to maintain a small presence in short-term foreign currency Euro Commercial Paper markets. The total New-Zealand-dollar-equivalent Euro Commercial Paper outstanding as at 30 June 2021 was around NZ\$1.3 billion
- investing surplus cash in liquid financial assets when investment opportunities arose.

## Corporate Treasury Services

The Treasury provides risk-management services to government departments and other Crown agencies to help them manage and hedge financial market risks, as well as administering on lending activities for the Crown. Products that can be transacted with the Treasury include foreign exchange contracts to manage the risks associated with changes in foreign exchange rates, interest rate swaps to manage risks associated with changes in interest rates, and Crown lending transactions whereby the Treasury provides debt financing that must be repaid at some date in the future. The total transaction volumes administered in 2020/21 included:

Outright FX	Interest Rate Swaps	Crown lending
1,223 Transactions	65 Transactions	58 Transactions
\$1,205,584,580 NZD	\$3,820,808,892 NZD	\$1,057,476,398 NZD

## Assurance and Oversight

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

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

The Committee also considers appropriate strategic targets and key risk and performance indicators for the Treasury's Capital Markets Directorate. In 2020/21 the membership of the Committee expanded by two; there are now five external Capital Markets Advisory Committee members.

# Southern Response Earthquake Services Independent Oversight Committee

OUR BUDGET

\$400,000

WE SPENT

\$67,000

This appropriation is intended to achieve independent oversight and advice on the implementation and delivery of a Southern Response proactive settlement package for former AMI policyholders who cash-settled for earthquake damage before 1 October 2014.

Measure	STANDARD	RESULT
The Board’s decisions on implementing the package are informed by regular reports on progress and recommendations from the Oversight Committee.	Achieved	Achieved

## The Independent Oversight Committee

We played a key role in the establishment of an Independent Oversight Committee for a specific Crown initiative involving Southern Response. The Committee comprises four members of high standing in their fields, who together have the specific set of experience and skills sought by Ministers for overseeing Southern Response’s implementation and delivery of the Crown’s proactive earthquake settlement package.

This package was announced by the Government in December 2020 and is to provide eligible AMI policyholders who cash-settled their insurance claims for earthquake damage prior to October 2014 with an additional payment in order to address some specific issues that have been identified for those policyholders relative to those who cash-settled later. It was anticipated that over the course of 12-18 months, starting in January 2021, the Package would be implemented. However, there have been significant delays in the implementation and related settlements of the package due to a class action opposing the Southern Response Earthquake Services engaging with eligible policyholders, which would be necessary to materially advance the package. As at the end of June 2021 the High Court’s decision on the class action was still to come, so implementation has yet to begin.



# Crown Company Monitoring Advice

## OUR BUDGET

\$5.042m

## WE SPENT

\$4.901m

The single overarching purpose of this appropriation is to provide advice to shareholding or responsible Ministers to improve performance of companies that the Crown has the shareholding in and some Crown entities in order to improve the wellbeing of New Zealanders.

Category	Measure	STANDARD	RESULT
Crown Company Monitoring Advice to the Minister for State Owned Enterprises and Other Responsible Ministers	Papers with a score of 3 or more.	80%	95%
	Papers with a score of 4 or more.	20%	30%
	Average score of assessed papers.	3.5	3.5
Crown Company Monitoring Advice to the Minister of Research, Science and Innovation	Papers with a score of 3 or more.	80%	100%
	Papers with a score of 4 or more.	20%	0% <sup>13</sup>
	Average score of assessed papers.	3.5	3 <sup>14</sup>

## Supporting and Advising on Crown-Owned Commercial Entities

Our Commercial Performance team is both a centre of commercial expertise within the Treasury, and a steward for best-practice monitoring across the central state sector. We provide ownership and investment advice to shareholding and responsible Ministers on 35 Crown-owned commercial entities. These entities have either principally commercial, or a mixture of policy and commercial objectives. As a shareholder, the Crown can take a long-term perspective for these companies and entities, which are highly diverse, and include interests in strategic and infrastructure assets in the transport, electricity and services sectors.

Throughout the year, in pursuit of a continued improvement in holistic and objective performance analysis, we developed and implemented a bespoke Performance Assessment Framework for assessing and advising Ministers on entity performance. The Framework utilises several financial and strategic indicators to develop a rigorous, evidence-based analysis of each entity in our Commercial Performance portfolio. As our wholly owned entities are not assessed by the market to the same extent as

listed companies, the Performance Assessment Framework seeks to assess entities with similar rigour. This is to enable transparency and accountability in publicly owned assets through our advice to Ministers, and to work towards entities meeting or exceeding best-practice standards in their activities, reporting and performance measurement.

In 2020/21 we achieved the following:

- We analysed, advised and implemented second round financial support (through a range of Crown funding mechanisms) for commercial Crown-owned companies financially affected by COVID-19. This included: (i) ongoing engagement with Air New Zealand relating to a significant Crown loan facility and future capital raise; and (ii) providing further capital to support the continued operation of core aviation services provided by the Airways Corporation of New Zealand.
- We carefully managed the subsequent mitigation of Crown contingent liabilities from first-round COVID-19 support funding in 2019/20. This also led to the early cancellation by two entities of previously implemented uncalled capital facilities once the entities gained comfort regarding their financial positions.

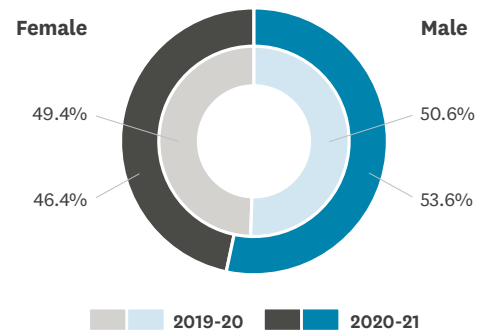
<sup>13</sup> The Treasury provides second-opinion advice to the Minister of Research, Science and Innovation. The Ministry of Business, Innovation and Employment provides first-opinion advice. One paper was assessed for this category; it was selected from a possible two papers being in scope.

<sup>14</sup> The Treasury provides second-opinion advice to the Minister of Research, Science and Innovation. The Ministry of Business, Innovation and Employment provides first-opinion advice. One paper was assessed for this category, out of a sample size of two papers.

- We advised on EQC's insurer finalisation settlements and implemented the required short-term Crown loan funding relating to this. This funding allowed EQC to settle outstanding liabilities with private insurers arising from the Canterbury earthquakes. We also provided support to the Treasury's EQC Policy team regarding the Earthquake Commission Act review and significant earthquake policy. This included the progression of litigation matters and the extension and oversight of the Crown's package for on-sold-property owners.
- We met all three of the annual performance measures for our Crown Company monitoring advice to the Minister for State Owned Enterprises and other responsible Ministers during the year.
- We supported the implementation of initiatives that resulted from the prior year's Future of Rail Review. Initiatives implemented during 2020/21 included the development of KiwiRail's inaugural Rail Network Investment Programme, which supports a reliable and resilient rail network. We also continued to evaluate actual and prospective performance resulting from additional funding for KiwiRail in prior years, to assist in the provision of transparency and accountability for the investment of public funds in KiwiRail's infrastructure.

## Advising on Board Appointments

**Figure 5: Board appointments in 2021**



The Treasury provides advice to shareholding Ministers on director appointments for several Crown boards. This includes assessments of the specific skillsets required to procure directors, which cater to the needs of each entity board, while balancing the Government's objectives regarding Crown board diversity. In 2020/21 we made 56 appointments across commercial and financial entities. These included new appointments, reappointments and elevations to the boards of SOEs, Crown entity companies, Public Finance Act Schedule 4A companies and Crown entities. We supported the Government to promote greater diversity in board participation, particularly with regards to increasing the number of women in these roles. Of the 56 appointments made, 26 were women (46.4%) and 30 were men (53.6%). This compares with 158 appointments in 2019/20, where 78 were women (49.4%) and 80 were men (50.6%). We have made significant improvements in gender representation across SOEs, with women making up 48.1% of directors (up from 38.2% in 2015). We will continue to work to close the gender gap and increase ethnic diversity across entities in the coming years.

# Shared Support Services

OUR BUDGET

\$10.460m

WE SPENT

\$9.626m

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

## Measure

STANDARD

RESULT

Services meet the standards and timeframes agreed with other agencies.

Achieved

Achieved

A range of our functions and teams has been purpose-built to meet the needs of the small agencies at the centre of government, solving problems and leveraging opportunities. We aim to provide services that are integrated, innovative and customer centric and that optimise processes.

Throughout the year we:

- delivered quality finance and payroll services in a timely manner
- enabled access to, and the availability of, shared services at or above expected service levels
- enabled IT infrastructure, tools and business processes to continue to successfully support the flexible and remote working practices of our customers
- transitioned various teams within the DPMC to temporary accommodation without loss of connectivity so that earthquake strengthening could be carried out on Bowen House

- refreshed the shared Information and Technology Strategy for the Treasury and the DPMC
- provided financial advice on and modelling analysis for Cabinet papers and Budget bids for additional funding sought by our customers
- onboarded more than 300 people to the DPMC during the year as the agency experienced organisational growth
- supported the establishment of the Health and Disability Review Transition Unit as a new business unit within the DPMC
- successfully transitioned the New Zealand Infrastructure Commission, Te Waihanga to its new operating model for the provision of finance and payroll services.

### SECTION THREE

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Wāhanga Tuatoru:  
He Pūrongo  
Pārongo Ahumoni

**Reporting  
on Financial  
Information**

# Appropriation Statements

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

for the year ended 30 June 2021

2020 Actual \$000		2021 Actual \$000	2021 Main Estimates Unaudited \$000	2021 Supp. Estimates Unaudited \$000	Location of End-of- year Performance Information
<b>Vote Finance</b>					
<b>Departmental Output Expenses</b>					
10,286	Administration of Crown Borrowing, Securities, Derivative Transactions and Investment PLA	10,367	10,105	12,625	Section Two
1,075	Administration of Guarantees and Indemnities Given by the Crown PLA	1,507	3,110	3,110	Section Two
95	Design and Establishment of the Christchurch Regeneration Acceleration Facility	59	-	799	Section Three
61	Design and Establishment of the Green Investment Fund	-	-	-	n/a
1,075	Infrastructure Funding and Financing	49	-	49	Section Three
8,476	Shared Support Services	9,626	10,485	10,460	Section Two
-	Southern Response Earthquake Services Independent Oversight Committee	67	-	400	Section Two
<b>21,068</b>	<b>Total Departmental Output Expenses</b>	<b>21,675</b>	<b>23,700</b>	<b>27,443</b>	
872	<b>Departmental Capital Injection</b>	-	-	-	Section Three
<b>872</b>	<b>Total Departmental Capital Injection</b>	-	-	-	
2,601	<b>The Treasury Capital Expenditure PLA</b>	3,058	5,985	5,985	Section Three
<b>2,601</b>	<b>Total Departmental Capital Expenditure</b>	<b>3,058</b>	<b>5,985</b>	<b>5,985</b>	
<b>Non-Departmental Output Expenses</b>					
8,100	Independent Infrastructure Advice and Oversight	13,488	13,488	13,488	New Zealand Infrastructure Commission Annual Report
5,030	Inquiries and Research into Productivity-related Matters	5,030	5,030	5,030	Exempt
18,865	Management of Anchor Projects by Ōtākaro Limited	10,828	20,000	29,318	Exempt
2	Management of the Crown's Obligations for Geothermal Wells	-	-	-	n/a
544	Management of the New Zealand Superannuation Fund	452	728	728	Exempt
<b>32,541</b>	<b>Total Non-Departmental Output Expenses</b>	<b>29,798</b>	<b>39,246</b>	<b>48,564</b>	
<b>Non-Departmental Borrowing Expenses</b>					
3,074,471	Debt Servicing PLA	3,147,611	3,521,709	3,162,449	Exempt
<b>3,074,471</b>	<b>Total Non-Departmental Borrowing Expenses</b>	<b>3,147,611</b>	<b>3,521,709</b>	<b>3,162,449</b>	
<b>Non-Departmental Other Expenses</b>					
9,000	Ahu Whenua Trust Ex-gratia Payment	-	-	-	n/a
-	Carrying Value of Future Liabilities	2,749	3,000	3,314	Exempt
86,000	Christchurch Regeneration Acceleration Facility	8,180	-	94,000	Reported in an appendix to the Treasury Annual Report
113	Crown Residual Liabilities	-	-	-	n/a
50,163	Global Settlement with Christchurch City Council	-	-	-	n/a
28	Government Superannuation Appeals Board	5	50	50	Exempt
41,048	Government Superannuation Fund Authority: Crown's Share of Expenses PLA	67,060	44,000	39,125	Exempt
540,189	Government Superannuation Fund Unfunded Liability PLA	450,413	496,686	406,699	Exempt
42,000	Impairment of Investment in Southern Response Earthquake Services Limited	72,461	-	79,000	Exempt
115,000	Meeting Deficiency in Earthquake Commission's Natural Disaster Fund PLA	-	-	-	n/a
26	National Provident Fund Schemes – Crown Liability for Scheme Deficiency PLA	-	-	-	n/a



2020 Actual \$000		2021 Actual \$000	2021 Main Estimates Unaudited \$000	2021 Supp. Estimates Unaudited \$000	Location of End-of- year Performance Information
12,000	National Provident Fund Schemes – Liability Under Crown Guarantee PLA	2,000	16,000	2,000	Exempt
2,800	New Zealand Green Investment Finance Limited – Operating Expenses	-	-	-	n/a
2,345	Payment in Respect of Export Credit Office Guarantees and Indemnities PLA	3,788	-	77	Exempt
76,789	Payments and Expenses in Respect of Guarantees and Indemnities PLA	3,157,279	-	3,142,672	Reported in an appendix to the Treasury Annual Report
-	Stewardship of Residual Crown Obligations	35	711	516	Exempt
35	Unclaimed Money PLA	36	250	29	Exempt
-	Unclaimed Trust Money PLA	-	250	-	Exempt
2,840	Unwind of Discount Rate Used in the Present Value Calculation – Rehabilitation of Stockton Mine Acid Mine Drainage	-	-	-	n/a
189	Unwind of Discount Rate Used in the Present Value Calculation of Payments for Shares in International Financial Institutions PLA	-	496	44	Exempt
896	Unwind of Discount Rate Used in the Present Value Calculation of Payment Under Crown Deed of Support with Southern Response Earthquake Services Limited	-	-	-	n/a
<b>981,461</b>	<b>Total Non-Departmental Other Expenses</b>	<b>3,764,006</b>	<b>561,443</b>	<b>3,767,526</b>	
<b>Non-Departmental Capital Expenditure</b>					
70,000	COVID-19: Capital Injections to Airways New Zealand	-	-	45,000	Reported in an appendix to the Treasury Annual Report
-	COVID-19: Loan to Hawke's Bay Airport Limited	-	-	4,500	Reported in an appendix to the Treasury Annual Report
-	Earthquake Commission Natural Disaster Fund Deficiency – Advances PLA	130,000	-	130,000	Exempt
-	International Financial Institutions PLA	30,199	10,400	40,568	Exempt
1,460,000	New Zealand Superannuation Fund – Contributions	2,120,000	2,120,000	2,120,000	NZ Superannuation Fund Annual Report
250,220	Refinancing of Kāinga Ora – Homes and Communities and Housing New Zealand Limited Debt	141,434	141,458	141,458	Reported in an appendix to the Treasury Annual Report
42,000	Southern Response Earthquake Services Limited: Equity Investment	72,461	-	79,000	Exempt
-	Tāmaki Regeneration Company Limited – Equity Injection	60,000	60,000	60,000	Exempt
-	Transfer of Anchor Projects to Ōtākaro Limited	3,136	50,000	50,000	Exempt
<b>1,822,220</b>	<b>Total Non-Departmental Capital Expenditure</b>	<b>2,557,230</b>	<b>2,381,858</b>	<b>2,670,526</b>	
<b>Multi-Category Expenses and Capital Expenditure</b>					
<b>Crown Company Monitoring Advice MCA</b>					
<i>Departmental Output Expenses</i>					
5,573	Crown Company Monitoring Advice to the Minister for State Owned Enterprises and Other Responsible Ministers	4,770	4,624	4,954	Section Two
143	Crown Company Monitoring Advice to the Minister of Research, Science and Innovation	131	88	88	Section Two
<b>5,716</b>	<b>Total Crown Company Monitoring Advice MCA</b>	<b>4,901</b>	<b>4,712</b>	<b>5,042</b>	
<b>Greater Christchurch Anchor Projects MCA</b>					
<i>Non-Departmental Other Expenses</i>					
16,756	Christchurch Bus Interchange and Associated Transport Infrastructure – Operating	-	4,959	-	Ōtākaro Limited Annual Report
3,680	Christchurch Convention Centre – Operating	7,451	6,500	9,019	Ōtākaro Limited Annual Report
478	Christchurch Stadium – Operating	-	100	-	Ōtākaro Limited Annual Report

2020 Actual \$000		2021 Actual \$000	2021 Main Estimates Unaudited \$000	2021 Supp. Estimates Unaudited \$000	Location of End-of- year Performance Information
-	Financial Impact of Valuations	-	831	-	Exempt
-	Leasing Anchor Project Land	-	1,000	-	Exempt
-	Metro Sports Facility – Operating	-	110,000	43,000	Ōtākaro Limited Annual Report
1,500	Pre-development Holding Costs – Operating	1,424	3,300	2,042	Ōtākaro Limited Annual Report
14,954	Procurement of Land and Assets – Operating	4,052	24,000	7,068	Ōtākaro Limited Annual Report
14,482	Public Space – Operating	1,052	19,000	8,047	Ōtākaro Limited Annual Report
-	Sale of Land	-	684	-	Exempt
<i>Non-Departmental Capital Expenditure</i>					
-	Christchurch Bus Interchange and Associated Transport Infrastructure	-	100	-	Ōtākaro Limited Annual Report
99,988	Christchurch Convention Centre	29,226	16,000	32,284	Ōtākaro Limited Annual Report
-	Land and Asset Acquisition	-	8,000	-	Ōtākaro Limited Annual Report
17,106	Metro Sports Facility	21,828	70,000	26,299	Ōtākaro Limited Annual Report
1,455	Public Space	1,052	4,600	2,321	Ōtākaro Limited Annual Report
<b>170,399</b>	<b>Total Greater Christchurch Anchor Projects MCA</b>	<b>66,085</b>	<b>269,074</b>	<b>130,080</b>	
<b>Management of Landcorp Protected Land Agreement MCA</b>					
<i>Non-Departmental Other Expenses</i>					
690	Operating Costs	320	1,500	1,500	Section Three
<i>Non-Departmental Capital Expenditure</i>					
2,278	Capital Investments	-	1,500	1,500	Section Three
<b>2,968</b>	<b>Total Management of Landcorp Protected Land Agreement MCA</b>	<b>320</b>	<b>3,000</b>	<b>3,000</b>	
<b>Management of New Zealand House, London MCA</b>					
<i>Non-Departmental Output Expenses</i>					
-	Property Management	-	1,000	2,000	Section Three
<i>Non-Departmental Other Expenses</i>					
8,575	Operational Costs	8,130	10,563	17,563	Section Three
286	Renegotiation of Lease Arrangements	68	500	500	Section Three
<i>Non-Departmental Capital Expenditure</i>					
-	Capital Expenditure	-	750	750	Section Three
<b>8,861</b>	<b>Total Management of New Zealand House, London MCA</b>	<b>8,198</b>	<b>12,813</b>	<b>20,813</b>	
<b>Social Housing Reform MCA</b>					
<i>Departmental Output Expenses</i>					
1,383	Implementation of the Social Housing Reform Programme	-	-	-	n/a
<b>1,383</b>	<b>Total Social Housing Reform MCA</b>	<b>-</b>	<b>-</b>	<b>-</b>	
<b>Management of the Crown's Agreement with Taitokerau Forests Limited MCA</b>					
<i>Non-Departmental Other Expenses</i>					
191	Grants	-	-	3	Exempt
1,115	Impairment of Loans	192	-	192	Exempt
<b>1,306</b>	<b>Total Management of the Crown's Agreement with Taitokerau Forests Limited MCA</b>	<b>192</b>	<b>-</b>	<b>195</b>	
<b>Tax Working Group MCA</b>					
<i>Departmental Output Expenses</i>					
24	Provision of Support and Advice	-	-	-	n/a
<b>24</b>	<b>Total Tax Working Group MCA</b>	<b>-</b>	<b>-</b>	<b>-</b>	

2020 Actual \$000		2021 Actual \$000	2021 Main Estimates Unaudited \$000	2021 Supp. Estimates Unaudited \$000	Location of End-of- year Performance Information
<b>Greater Christchurch Regeneration MCA</b>					
<i>Non-Departmental Other Expenses</i>					
-	Greater Christchurch Regeneration – Operating	-	-	3,373	Section Three
<i>Non-Departmental Capital Expenditure</i>					
-	Greater Christchurch Regeneration – Capital	-	-	2,100	Section Three
-	<b>Total Greater Christchurch Regeneration MCA</b>	-	-	<b>5,473</b>	
<b>184,941</b>	<b>Total Multi-category Expenses and Capital Expenditure</b>	<b>79,696</b>	<b>289,599</b>	<b>164,603</b>	
<b>6,125,891</b>	<b>Total Annual Appropriations and Permanent Appropriations</b>	<b>9,603,074</b>	<b>6,823,540</b>	<b>9,847,096</b>	
-	Shovel Ready Project Funding – Crown Infrastructure Partners MYA	1,034,892	-	1,055,923	Crown Infrastructure Partners Annual Report
-	Shovel Ready Project Funding – Ōtākaro Limited MYA	137,145	-	121,645	Ōtākaro Limited Annual Report
80,000	COVID-19: Capital Injections to New Zealand Post Limited MYA	-	-	-	Exempt
-	COVID-19: Loans to Air New Zealand MYA	350,000	600,000	350,000	Reported in an appendix to the Treasury Annual Report
-	Crown Infrastructure Partners Limited – Equity Injection MYA	10,500	14,452	10,484	Exempt
40,000	New Zealand Green Investment Finance Limited – Equity Injections for Capital Investments (MYA Expense)	40,000	20,000	60,000	New Zealand Green Investment Finance Annual Report
-	New Zealand Green Investment Finance Limited – Equity Injections for Operating Expenditure (MYA Expense)	7,940	6,000	7,940	New Zealand Green Investment Finance Annual Report
19,094	Participation in Dividend Reinvestment Plans by the Mixed Ownership Model Companies (MYA Expense)	8,867	20,000	17,866	Exempt
-	Venture Capital Fund MYA	23,404	80,000	40,430	Section Three
<b>6,264,985</b>	<b>Total Annual Appropriations, Permanent Appropriations, and Multi-Year Appropriations</b>	<b>11,215,822</b>	<b>7,563,992</b>	<b>11,511,384</b>	
<b>EQC – On-sold Canterbury Properties MY MCA</b>					
<i>Non-Departmental Output Expenses</i>					
1,448	Claims Handling and Other Administrative Costs	20,552	2,000	9,748	EQC Annual Report
<i>Non-Departmental Other Expenses</i>					
286,490	Repair of Canterbury Properties	62,077	-	44,510	EQC Annual Report
<b>287,938</b>	<b>Total EQC – On-sold Canterbury Properties MY MCA</b>	<b>82,629</b>	<b>2,000</b>	<b>54,258</b>	
<b>Policy Advice and Financial Services MY MCA</b>					
<i>Departmental Output Expenses</i>					
495	Crown Lending and Bank Accounts	249	451	451	Section Two
2,118	Export Credit	2,345	2,087	2,087	Section Two
7,262	Fiscal Management and Reporting	6,536	9,966	9,966	Section Two
5,371	Investment Management and Asset Performance	4,479	7,222	7,222	Section Two
66,709	Policy Advice	68,349	52,643	62,236	Section Two
<b>81,955</b>	<b>Total Policy Advice and Financial Services MY MCA</b>	<b>81,958</b>	<b>72,369</b>	<b>81,962</b>	
<b>6,634,878</b>	<b>Total Annual Appropriations, Permanent Appropriations, Multi-Year, and Multi-Year Multi-Category Appropriations</b>	<b>11,380,409</b>	<b>7,638,361</b>	<b>11,647,604</b>	

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

for the year ended 30 June 2021

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

Nil. (2020: Nil)

Expenses and capital expenditure incurred in excess of appropriation

Nil. (2020: Nil)

## Statement of Capital Injections

for the year ended 30 June 2021

2020 Actual \$000		2021 Actual \$000	2021 Main Estimates Unaudited \$000	2021 Supp. Estimates Unaudited \$000
872	Capital contributions	-	-	-

# Financial and Performance Reporting Against Appropriations

The Treasury is responsible for achieving measures relating to:

- six departmental annual output expense appropriations
- one departmental capital expenditure appropriation
- one departmental multi-category appropriation (MCA)
- one departmental multi-year multi-category appropriation (MY MCA)
- three non-departmental MCAs administered by the Treasury, and
- one non-departmental multi-year appropriations (MYA), administered by the Treasury.

Performance information for the above appropriations is reported in either section two or three of the Treasury Annual Report with all financial information reported in section three.

<b>Departmental Appropriations .....</b>	<b>44</b>
<b>Non-Departmental Appropriations .....</b>	<b>49</b>
<b>Other Financial Information for Non-Departmental Appropriations .....</b>	<b>51</b>



# Departmental Appropriations

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

### What is intended to be achieved with this appropriation

This appropriation is intended to ensure the government has access to a sustainable and cost-effective source of debt funding for the provision of public services to New Zealanders.

Performance information for this appropriation is reported in section 2 of the Treasury Annual Report.

### Financial information

2020 Actual \$000		2021 Actual \$000	2021 Main Estimates Unaudited \$000	2021 Supp. Estimates Unaudited \$000	2022 Forecast Unaudited \$000
10,286	Expenses	10,367	10,105	12,625	12,625
	<i>Funded by:</i>				
10,286	Revenue Crown	12,620	10,100	12,620	12,620
-	Revenue Department	151	-	-	-
-	Other Revenue	-	5	5	5

## Administration of Guarantees and Indemnities Given by the Crown PLA

### What is intended to be achieved with this appropriation

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

Performance information for this appropriation is reported in section 2 of the Treasury Annual Report.

### Financial information

2020 Actual \$000		2021 Actual \$000	2021 Main Estimates Unaudited \$000	2021 Supp. Estimates Unaudited \$000	2022 Forecast Unaudited \$000
1,075	Expenses	1,507	3,110	3,110	3,110
	<i>Funded by:</i>				
1,075	Revenue Crown	3,109	3,109	3,109	3,109
-	Other Revenue	-	1	1	1

## Design and Establishment of Christchurch Regeneration Acceleration Facility

### What is intended to be achieved with this appropriation

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

### Financial information

2020 Actual \$000		2021 Actual \$000	2021 Main Estimates Unaudited \$000	2021 Supp. Estimates Unaudited \$000	2022 Forecast Unaudited \$000
95	Expenses	59	-	799	-
<i>Funded by:</i>					
894	Revenue Crown	799	-	799	-

### What was achieved in this appropriation

Performance measure	Standard for 2020/21	Performance for 2020/21
The Christchurch Regeneration Acceleration Facility is established in a timely manner.	Achieved	Achieved

## Infrastructure Funding and Financing

### What is intended to be achieved with this appropriation

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

### Financial information

2020 Actual \$000		2021 Actual \$000	2021 Main Estimates Unaudited \$000	2021 Supp. Estimates Unaudited \$000	2022 Forecast Unaudited \$000
1,075	Expenses	49	-	49	-
<i>Funded by:</i>					
2,158	Revenue Crown	49	-	49	-

### What was achieved in this appropriation

Performance measure	Standard for 2020/21	Performance for 2020/21
The design of an alternative funding model for local authorities to accelerate infrastructure and support housing affordability.	Achieved	Achieved

## Shared Support Services

### What is intended to be achieved with this appropriation

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

Performance information for this appropriation is reported in section 2 of the Treasury Annual Report.

### Financial information

2020 Actual \$000		2021 Actual \$000	2021 Main Estimates Unaudited \$000	2021 Supp. Estimates Unaudited \$000	2022 Forecast Unaudited \$000
8,476	Expenses	9,626	10,485	10,460	10,460
<i>Funded by:</i>					
8,080	Revenue Department	9,247	10,485	10,460	10,460
456	Other Revenue	379	-	-	-

## Southern Response Earthquake Services Independent Oversight Committee

### What is intended to be achieved with this appropriation

This appropriation is intended to achieve independent oversight and advice on the implementation and delivery of a Southern Response proactive settlement package for former AMI policyholders who cash-settled for earthquake damage before 1 October 2014.

Performance information for this appropriation is reported in section 2 of the Treasury Annual Report.

### Financial information

2020 Actual \$000		2021 Actual \$000	2021 Main Estimates Unaudited \$000	2021 Supp. Estimates Unaudited \$000	2022 Forecast Unaudited \$000
-	Expenses	67	-	400	200
<i>Funded by:</i>					
-	Revenue Crown	400	-	400	200

## The Treasury – Capital Expenditure PLA

### What is intended to be achieved with this appropriation

This appropriation is intended to achieve the renewal and replacement of life-expired assets in support of the delivery of Treasury services.

### Financial information

2020 Actual \$000		2021 Actual \$000	2021 Main Estimates Unaudited \$000	2021 Supp. Estimates Unaudited \$000	2022 Forecast Unaudited \$000
1,298	Property, Plant and Equipment	1,355	2,430	2,985	2,430
1,303	Intangibles	1,703	3,555	3,000	3,555
2,601	Total Appropriation	3,058	5,985	5,985	5,985

### What was achieved in this appropriation

Performance measure	Standard for 2020/21	Performance for 2020/21
Expenditure is in accordance with the Treasury capital asset management plan.	Achieved	Achieved

## Crown Company Monitoring Advice MCA

### What is intended to be achieved with this appropriation

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

Performance information for this appropriation is reported in section 2 of the Treasury Annual Report.

### Financial information

2020 Actual \$000		2021 Actual \$000	2021 Main Estimates Unaudited \$000	2021 Supp. Estimates Unaudited \$000	2022 Forecast Unaudited \$000
<b>5,716</b>	<b>Total Appropriation</b>	<b>4,901</b>	<b>4,712</b>	<b>5,042</b>	<b>5,051</b>
	<i>Departmental Output Expenses</i>				
5,573	Crown Company Monitoring Advice to the Minister for State Owned Enterprises and Other Responsible Ministers	4,770	4,624	4,954	4,963
143	Crown Company Monitoring Advice to the Minister of Research, Science and Innovation	131	88	88	88
	<i>Funded by:</i>				
5,674	Revenue Crown	5,039	4,709	5,039	5,048
98	Other Revenue	-	3	3	3

## Policy Advice and Financial Services MY MCA

This appropriation is intended to provide the government with high quality policy and financial advice and to deliver financial services.

Performance information for this appropriation is reported in section 2 of the Treasury Annual Report.

### Financial information

2020 Actual \$000		2021 Actual \$000	2021 Main Estimates Unaudited \$000	2021 Supp. Estimates Unaudited \$000	2022 Forecast Unaudited \$000
<b>Departmental Output Expenses</b>					
495	Crown Lending and Bank Accounts	249	451	451	449
2,118	Export Credit	2,345	2,087	2,087	2,077
7,262	Fiscal Management and Reporting	6,536	9,966	9,966	9,920
5,371	Investment Management and Asset Performance	4,479	7,222	7,222	7,189
66,709	Policy Advice	68,349	52,643	62,236	58,746
<b>81,955</b>	<b>Total</b>	<b>81,958</b>	<b>72,369</b>	<b>81,962</b>	<b>78,381</b>
<i>Funded by:</i>					
77,174	Revenue Crown	76,011	68,696	75,789	74,708
5,094	Revenue Department	4,229	3,556	6,056	3,556
425	Other Revenue	1,215	117	117	117

2020 Actual \$000		2021 Actual \$000
<b>Commenced: 1 July 2019</b>		
<b>Expires: 30 June 2024</b>		
347,949	Original Appropriation	347,949
20,351	Cumulative Adjustments	47,289
<b>368,300</b>	<b>Total Adjusted Appropriation</b>	<b>395,238</b>
-	Cumulative Actual Expenditure as at 1 July for All Categories	81,955
<b>Current-year Actual Expenditure for All Categories</b>		
495	Crown Lending and Bank Accounts	249
2,118	Export Credit	2,345
7,262	Fiscal Management and Reporting	6,536
5,371	Investment Management and Asset Performance	4,479
66,709	Policy Advice	68,349
81,955	Total Current Year Actual Expenditure	81,958
<b>81,955</b>	<b>Cumulative Actual Expenditure as at 30 June for All Categories</b>	<b>163,913</b>
286,345	Appropriation Remaining as at 30 June	231,325



# Non-Departmental Appropriations

## Management of Landcorp Protected Land Agreement MCA

### What is intended to be achieved with this appropriation

This appropriation is intended to support the maintenance and management of land to ensure it is fit for purpose when it is required for public policy requirements.

### Financial information

2020 Actual \$000		2021 Actual \$000	2021 Main Estimates Unaudited \$000	2021 Supp. Estimates Unaudited \$000	2022 Forecast Unaudited \$000
<b>2,968</b>	<b>Total Appropriation</b>	<b>320</b>	<b>3,000</b>	<b>3,000</b>	<b>3,158</b>
	<i>Non-Departmental Other Expenses</i>				
690	Operating Costs	320	1,500	1,500	1,658
	<i>Non-Departmental Capital Expenditure</i>				
2,278	Capital Investment	-	1,500	1,500	1,500

### What was achieved in this appropriation

Performance measure	Standard for 2020/21	Performance for 2020/21
Land and infrastructure is managed to the standards as set out in the terms and conditions of the Protected Land Agreement.	Achieved	Achieved

## Management of New Zealand House, London MCA

### What is intended to be achieved with this appropriation

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

### Financial information

2020 Actual \$000		2021 Actual \$000	2021 Main Estimates Unaudited \$000	2021 Supp. Estimates Unaudited \$000	2022 Forecast Unaudited \$000
<b>8,861</b>	<b>Total Appropriation</b>	<b>8,198</b>	<b>12,813</b>	<b>20,813</b>	<b>12,964</b>
	<i>Non-Departmental Output Expenses</i>				
-	Property Management	-	1,000	2,000	1,000
	<i>Non-Departmental Other Expenses</i>				
8,575	Operational Costs	8,130	10,563	17,563	11,214
286	Renegotiation of Lease Arrangements	68	500	500	-
	<i>Non-Departmental Capital Expenditure</i>				
-	Capital Expenditure	-	750	750	750

### What was achieved in this appropriation

Performance measure	Standard for 2020/21	Performance for 2020/21
New Zealand House, London is well managed.	Achieved	Achieved

## Greater Christchurch Regeneration MCA

### What is intended to be achieved with this appropriation

This appropriation is intended to achieve management of remaining risks and cost pressures relating to the regeneration of Greater Christchurch.

### Financial information

2020 Actual \$000	2021 Actual \$000	2021 Main Estimates Unaudited \$000	2021 Supp. Estimates Unaudited \$000	2022 Forecast Unaudited \$000
-	-	-	5,473	-
<b>Non-Departmental Other Expenses</b>				
-	-	-	3,373	-
<b>Non-Departmental Capital Expenditure</b>				
-	-	-	2,100	-

### What was achieved in this appropriation

Performance measure	Standard for 2020/21	Performance for 2020/21
Greater Christchurch Regeneration – Operating: Payments are made in accordance with approved drawdown requests.	Achieved	n/a
Greater Christchurch Regeneration – Capital: Payments are made in accordance with approved drawdown requests.	Achieved	n/a

## Venture Capital Fund MYA

### What is intended to be achieved with this appropriation

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

### Financial information

2020 Actual \$000	2021 Actual \$000	2021 Main Estimates Unaudited \$000	2021 Supp. Estimates Unaudited \$000	2022 Forecast Unaudited \$000
-	23,404	80,000	40,430	40,080
<b>Non-Departmental Capital Expenditure</b>				
-	23,404	80,000	40,430	40,080

2020 Actual \$000		2021 Actual \$000
	Commenced: 1 May 2020	
	Expires: 30 April 2024	
259,500	Original Appropriation	259,500
-	Cumulative Adjustments	-
259,500	Total Adjusted Appropriation	259,500
-	Cumulative Actual Expenditure as at 1 July	-
-	Current-year Actual Expenditure	23,404
-	Cumulative Actual Expenditure as at 30 June	23,404
259,500	Appropriation Remaining as at 30 June	236,096

### What was achieved in this appropriation

	Target for 2020/21	Performance for 2019/20	Performance for 2020/21
Venture Capital Fund capital is committed to venture capital funds, which are further supported by matching private capital.	Achieved	n/a	Achieved

## Other Financial Information for Non-Departmental Appropriations

Below is the financial information for eight non-departmental MYAs and one MY MCA for expenditure incurred by the Crown. The Treasury is not responsible for the performance reporting for these measures.

### Shovel Ready Project Funding – Crown Infrastructure Partners Limited MYA

This appropriation is intended to provide grant funding to Crown Infrastructure Partners Limited to fund or deliver Shovel Ready Infrastructure Projects.

Performance information for this appropriation will be reported by Crown Infrastructure Partners Limited in its 2020/21 Annual Report.

2020 Actual \$000	2021 Actual \$000
Commenced: 1 August 2020	
Expires: 30 June 2025	
- Original Appropriation	1,264,595
- Cumulative Adjustments	-
- <b>Total Adjusted Appropriation</b>	<b>1,264,595</b>
- Cumulative Actual Expenditure as at 1 July	-
- Current-year Actual Expenditure	1,034,892
- <b>Cumulative Actual Expenditure as at 30 June</b>	<b>1,034,892</b>
- Appropriation Remaining as at 30 June	229,703

### Shovel Ready Project Funding – Ōtākaro Limited MYA

This appropriation is intended to provide grant funding to Ōtākaro Limited to fund or deliver Shovel Ready Infrastructure Projects.

Performance information for this appropriation will be reported by Ōtākaro Limited in its 2020/21 Annual Report.

2020 Actual \$000	2021 Actual \$000
Commenced: 1 August 2020	
Expires: 30 June 2025	
- Original Appropriation	139,350
- Cumulative Adjustments	-
- <b>Total Adjusted Appropriation</b>	<b>139,350</b>
- Cumulative Actual Expenditure as at 1 July	-
- Current-year Actual Expenditure	137,145
- <b>Cumulative Actual Expenditure as at 30 June</b>	<b>137,145</b>
- Appropriation Remaining as at 30 June	2,205

## COVID-19: Capital Injections to New Zealand Post Limited MYA

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

Performance information for this appropriation is exempt.

2020 Actual \$000		2021 Actual \$000
	<b>Commenced: 6 May 2020</b>	
	<b>Expires: 30 June 2021</b>	
150,000	Original Appropriation	150,000
-	Cumulative Adjustments	-
<b>150,000</b>	<b>Total Adjusted Appropriation</b>	<b>150,000</b>
-	Cumulative Actual Expenditure as at 1 July	80,000
80,000	Current-year Actual Expenditure	-
<b>80,000</b>	<b>Cumulative Actual Expenditure as at 30 June</b>	<b>80,000</b>
70,000	Appropriation Remaining as at 30 June	70,000

## COVID-19: Loans to Air New Zealand MYA

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

Performance information for this appropriation is reported in the appendix to the Treasury's annual report.

2020 Actual \$000		2021 Actual \$000
	<b>Commenced: 23 March 2020</b>	
	<b>Expires: 27 September 2023</b>	
900,000	Original Appropriation	900,000
-	Cumulative Adjustments	600,000
<b>900,000</b>	<b>Total Adjusted Appropriation</b>	<b>1,500,000</b>
-	Cumulative Actual Expenditure as at 1 July	-
-	Current-year Actual Expenditure	350,000
-	<b>Cumulative Actual Expenditure as at 30 June</b>	<b>350,000</b>
900,000	Appropriation Remaining as at 30 June	1,150,000

## Crown Infrastructure Partners Limited – Equity Injection MYA

This appropriation is intended to enable Crown Infrastructure Partners Limited to invest in water and roading infrastructure to support the timely increase of housing supply.

Performance information for this appropriation is exempt.

2020 Actual \$000		2021 Actual \$000
	<b>Commenced: 9 April 2018</b>	
	<b>Expires: 30 June 2022</b>	
600,000	Original Appropriation	600,000
(308,000)	Cumulative Adjustments	(308,000)
<b>292,000</b>	<b>Total Adjusted Appropriation</b>	<b>292,000</b>
17,000	Cumulative Actual Expenditure as at 1 July	17,000
-	Current-year Actual Expenditure	10,500
<b>17,000</b>	<b>Cumulative Actual Expenditure as at 30 June</b>	<b>27,500</b>
275,000	Appropriation Remaining as at 30 June	264,500

## New Zealand Green Investment Finance Limited – Equity Injections for Capital Investments MYA

This appropriation is intended to fund the Crown's contribution to New Zealand Green Investment Finance Limited for its capital investments.

Performance information for this appropriation will be reported by New Zealand Green Investment Finance Limited in its Annual Report for 2020/21.

2020 Actual \$000		2021 Actual \$000
Commenced: 12 April 2019		
Expires: 30 June 2023		
100,000	Original Appropriation	100,000
-	Cumulative Adjustments	200,000
<b>100,000</b>	<b>Total Adjusted Appropriation</b>	<b>300,000</b>
-	Cumulative Actual Expenditure as at 1 July	40,000
40,000	Current-year Actual Expenditure	40,000
<b>40,000</b>	<b>Cumulative Actual Expenditure as at 30 June</b>	<b>80,000</b>
60,000	Appropriation Remaining as at 30 June	220,000

## New Zealand Green Investment Finance Limited – Equity Injections for Operating Expenditure MYA

This appropriation is intended to provide capital to New Zealand Green Investment Finance Limited to fund its operating costs and enable it to facilitate and accelerate low-emissions investment.

Performance information for this appropriation will be reported on by New Zealand Green Investment Finance Limited in its Annual Report for 2020/21.

2020 Actual \$000		2021 Actual \$000
Commenced: 12 April 2019		
Expires: 30 June 2023		
30,000	Original Appropriation	30,000
-	Cumulative Adjustments	-
<b>30,000</b>	<b>Total Adjusted Appropriation</b>	<b>30,000</b>
6,000	Cumulative Actual Expenditure as at 1 July	6,000
-	Current-year Actual Expenditure	7,940
<b>6,000</b>	<b>Cumulative Actual Expenditure as at 30 June</b>	<b>13,940</b>
24,000	Appropriation Remaining as at 30 June	16,060



## Participation in Dividend Reinvestment Plans by the Mixed Ownership Model Companies MYA

This appropriation is intended to achieve participation in any dividend reinvestment plans by the four mixed ownership companies: Genesis Energy Limited, Mercury NZ Limited, Meridian Energy Limited and Air New Zealand Limited.

Performance information for this appropriation is exempt.

2020 Actual \$000		2021 Actual \$000
<b>Commenced: 14 February 2018</b>		
<b>Expires: 30 June 2022</b>		
80,000	Original Appropriation	80,000
-	Cumulative Adjustments	-
<b>80,000</b>	<b>Total Adjusted Appropriation</b>	<b>80,000</b>
30,693	Cumulative Actual Expenditure as at 1 July	49,787
19,094	Current-year Actual Expenditure	8,867
<b>49,787</b>	<b>Cumulative Actual Expenditure as at 30 June</b>	<b>58,654</b>
30,213	Appropriation Remaining as at 30 June	21,346

## Earthquake Commission – On-sold Canterbury Properties MY MCA

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

Performance information for this appropriation will be reported by the Earthquake Commission in its 2020/21 Annual Report.

2020 Actual \$000		2021 Actual \$000
<b>Commenced: 1 September 2019</b>		
<b>Expires: 30 June 2022</b>		
300,000	Original Appropriation	300,000
-	Cumulative Adjustments	100,000
<b>300,000</b>	<b>Total Adjusted Appropriation</b>	<b>400,000</b>
-	Cumulative Actual Expenditure as at 1 July for All Categories	287,938
<b>Current-year Actual Expenditure for All Categories</b>		
1,448	Claim Handling and Other Administrative Costs	20,552
286,490	Repair of Canterbury Properties	62,077
<b>287,938</b>	<b>Total Current-year Actual Expenditure</b>	<b>82,629</b>
<b>287,938</b>	<b>Cumulative Actual Expenditure as at 30 June for All Categories</b>	<b>370,567</b>
12,062	Appropriation Remaining as at 30 June	29,433

# Financial Statements

Departmental Financial Statements .....	56
Non-Departmental Financial Schedules .....	68

# Departmental Financial Statements

## Statement of Comprehensive Revenue and Expenses

for the year ended 30 June 2021

The Statement of Comprehensive Revenue and Expenses details the revenue and expenses relating to all outputs (goods and services) produced by the Treasury during the financial year ended 30 June 2021. Total expenses are equal to total amounts incurred against departmental output expense appropriations and departmental output expense categories in the Statement of Budgeted and Actual Expenses and Capital Expenditure Incurred Against Appropriations.

2020 Actual \$000		Note	2021 Actual \$000	2021 Main Estimates Unaudited \$000	2022 Forecast Unaudited \$000
<b>Income</b>					
98,770	Revenue Crown	2	98,027	86,614	95,685
14,153	Other revenue	3	15,221	14,167	14,142
<b>112,923</b>	<b>Total income</b>		<b>113,248</b>	<b>100,781</b>	<b>109,827</b>
<b>Expenditure</b>					
77,831	Personnel costs	4	80,778	67,546	78,630
4,396	Depreciation and amortisation expense	5/6	4,750	6,396	5,163
1,355	Capital charge	7	1,217	1,587	1,217
26,564	Other operating expenses	8	21,767	25,252	24,817
<b>110,146</b>	<b>Total expenditure</b>		<b>108,512</b>	<b>100,781</b>	<b>109,827</b>
<b>2,777</b>	<b>Total comprehensive revenue and expenses</b>		<b>4,736</b>	<b>-</b>	<b>-</b>

## Statement of Changes in Equity

for the year ended 30 June 2021

2020 Actual \$000		2021 Actual \$000	2021 Main Estimates Unaudited \$000	2022 Forecast Unaudited \$000
23,473	Balance as at 1 July	24,345	24,345	24,345
2,777	Total comprehensive revenue and expenses	4,736	-	-
(2,777)	Return of operating surplus to the Crown	(4,736)	-	-
872	Capital contributions	-	-	-
-	Capital withdrawals	-	-	-
<b>24,345</b>	<b>Balance as at 30 June</b>	<b>24,345</b>	<b>24,345</b>	<b>24,345</b>

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

## Statement of Financial Position

as at 30 June 2021

The Statement of Financial Position reports the total assets and liabilities of the Treasury as at 30 June 2021. Taxpayers' funds are represented by the difference between the assets and liabilities.

2020 Actual \$000		Note	2021 Actual \$000	2021 Main Estimates Unaudited \$000	2022 Forecast Unaudited \$000
<b>Assets</b>					
<i>Current assets</i>					
13,231	Cash and cash equivalents		10,834	6,934	5,719
2,309	Debtors and other receivables		3,309	2,603	2,603
715	Prepayments		364	400	400
7,141	Debtor Crown		10,113	4,805	4,937
<b>23,396</b>	<b>Total current assets</b>		<b>24,620</b>	<b>14,742</b>	<b>13,659</b>
<i>Non-current assets</i>					
12,442	Property, plant and equipment	5	11,344	13,071	9,859
5,929	Intangible assets	6	5,335	9,876	11,210
<b>18,371</b>	<b>Total non-current assets</b>		<b>16,679</b>	<b>22,947</b>	<b>21,069</b>
<b>41,767</b>	<b>Total assets</b>		<b>41,299</b>	<b>37,689</b>	<b>34,728</b>
<b>Liabilities</b>					
<i>Current liabilities</i>					
7,268	Creditors and other payables	9	4,924	8,292	5,410
2,777	Repayment of surplus		4,736	-	-
6,567	Employee entitlements	10	6,633	4,341	4,276
<b>16,612</b>	<b>Total current liabilities</b>		<b>16,293</b>	<b>12,633</b>	<b>9,686</b>
<i>Non-current liabilities</i>					
810	Employee entitlements	10	661	711	697
<b>810</b>	<b>Total non-current liabilities</b>		<b>661</b>	<b>711</b>	<b>697</b>
<b>17,422</b>	<b>Total liabilities</b>		<b>16,954</b>	<b>13,344</b>	<b>10,383</b>
<b>24,345</b>	<b>Net assets</b>		<b>24,345</b>	<b>24,345</b>	<b>24,345</b>
<b>Equity</b>					
24,345	Taxpayers' funds		24,345	24,345	24,345
<b>24,345</b>	<b>Total equity</b>		<b>24,345</b>	<b>24,345</b>	<b>24,345</b>

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

## Statement of Cash Flows

for the year ended 30 June 2021

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

2020 Actual \$000		2021 Actual \$000	2021 Main Estimates Unaudited \$000	2022 Forecast Unaudited \$000
<b>Cash flows from operating activities</b>				
99,767	Receipts from Crown	95,055	86,614	95,685
14,523	Receipts from other revenue	14,221	14,167	14,142
(26,627)	Payments to suppliers	(23,292)	(32,073)	(30,115)
(76,047)	Payments to employees	(80,861)	(67,414)	(78,495)
(1,355)	Payments for capital charge	(1,217)	(1,294)	(1,217)
395	Goods and services tax net	(468)	6,831	1,485
<b>10,656</b>	<b>Net cash flows from operating activities</b>	<b>3,438</b>	<b>6,831</b>	<b>1,485</b>
<b>Cash flows from investing activities</b>				
(1,298)	Purchases of property, plant and equipment	(1,355)	(1,700)	(1,700)
(1,303)	Purchases of intangible assets	(1,703)	(2,000)	(1,000)
<b>(2,601)</b>	<b>Net cash flows from investing activities</b>	<b>(3,058)</b>	<b>(3,700)</b>	<b>(2,700)</b>
<b>Cash flows from financing activities</b>				
872	Capital contributions	-	-	-
(12,114)	Repayment of surplus to the Crown	(2,777)	-	-
<b>(11,242)</b>	<b>Net cash flows from financing activities</b>	<b>(2,777)</b>	<b>-</b>	<b>-</b>
<b>(3,187)</b>	<b>Net (decrease)/increase in cash</b>	<b>(2,397)</b>	<b>3,131</b>	<b>(1,215)</b>
16,418	Cash at the beginning of the year	13,231	3,803	6,934
<b>13,231</b>	<b>Cash at the end of the year</b>	<b>10,834</b>	<b>6,934</b>	<b>5,719</b>

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

## Reconciliation of Net Surplus to Net Cash Flows from Operating Activities

2020 Actual \$000		2021 Actual \$000
<b>2,777</b>	<b>Net surplus/(deficit)</b>	<b>4,736</b>
<b>Non-cash items</b>		
4,396	Depreciation, amortisation and impairment expenses	4,750
<b>4,396</b>	<b>Total non-cash items</b>	<b>4,750</b>
<b>Add/(less) movements in Statement of Financial Position items</b>		
997	(Increase)/decrease in debtor Crown	(2,972)
899	(Increase)/decrease in debtors and other receivables	(1,000)
(282)	(Increase)/decrease in prepayments	351
(434)	Increase/(decrease) in creditors and other payables	(1,876)
395	Increase/(decrease) in GST	(468)
1,908	Increase/(decrease) in employee entitlements	(83)
<b>3,483</b>	<b>Net movement in working capital items</b>	<b>(6,048)</b>
<b>10,656</b>	<b>Net cash flow from operating activities</b>	<b>3,438</b>

## Statement of Commitments

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

2020 Actual \$000		2021 Actual \$000
<b>Non-cancellable operating lease commitments</b>		
3,671	Not later than 1 year	3,726
15,242	Later than 1 year and not later than 5 years	15,471
23,201	Later than 5 years	19,246
<b>42,114</b>	<b>Total non-cancellable operating lease commitments</b>	<b>38,443</b>

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

2020 Actual \$000		2021 Actual \$000
<b>Other commitments</b>		
382	Not later than 1 year	562
663	Later than 1 year and not later than 5 years	461
<b>1,045</b>	<b>Total capital commitments</b>	<b>1,023</b>

The Treasury entered into a five-year commitment in 2017 and another five-year commitment in 2018 with a software provider, with several minor variations agreed in the financial year ending 30 June 2021.

## Statement of Contingent Liabilities and Contingent Assets

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

### Unquantifiable contingent liabilities

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

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

### Quantifiable contingent liabilities and assets

As at 30 June 2021, the Treasury had no quantifiable contingent assets or liabilities (30 June 2020: Nil).



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

for the year ended 30 June 2021

## 1 Statement of Accounting Policies

The Treasury is a New Zealand government department as defined by section 5 of the Public Service Act 2020 and is domiciled and operates in New Zealand. The relevant legislation governing the Treasury's operations includes the Public Finance Act 1989, the Public Service Act and the Public Accountability Act 1998. The Treasury's ultimate parent is the New Zealand Crown.

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

The primary objective of the Treasury is to provide services to the public rather than make a financial return. It operates as the Government's lead economic and financial advisor. Accordingly, the Treasury has designated itself as a public benefit entity (PBE) for the purposes of complying with generally accepted accounting practice (GAAP).

The Financial Statements of the Treasury for the year ended 30 June 2021 were approved for issue by the Secretary to the Treasury on 28 September 2021.

The Treasury Financial Statements and the financial information reported in the Non-Departmental Financial Schedules are consolidated into the Financial Statements of the Government and readers of these schedules should also refer to the Financial Statements of the Government for the year ended 30 June 2021.

### Statement of compliance

The Financial Statements and unaudited Forecast Financial Statements of the Treasury, and the Non-Departmental Financial Schedules, have been prepared in accordance with the requirements of the Public Finance Act, which include a requirement to comply with New Zealand Generally Accepted Accounting Practices (NZ GAAP), Treasury Instructions, Treasury Circulars and Tier 1 NZ PBE accounting standards.

Measurement and recognition rules applied in the preparation of the Non-Departmental Supplementary Financial Schedules are consistent with NZ GAAP and Crown accounting policies and are detailed in the Financial Statements of the Government.

### Basis of preparation

The Financial Statements have been prepared on a going-concern basis, and the accounting policies have been applied consistently throughout the year.

### Functional and presentation currency

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

### Changes in accounting policies

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

### Standards issued and not yet effective and not early adopted

Standards and amendments issued but not yet effective and that have not been early adopted, and that are relevant to the Treasury are:

#### Amendment to PBE IPSAS 2 Cash Flow Statement

An amendment to PBE IPSAS 2 requires entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. This amendment is effective for the year ending 30 June 2022, with early adoption permitted. This amendment will result in additional disclosures. The Treasury has not early adopted the amendment and the impact is not expected to affect the Treasury significantly.

### **PBE IPSAS 41 Financial Instruments**

PBE IPSAS 41 replaces PBE IFRS 9 Financial Instruments and is effective for the year ending 30 June 2023, with earlier adoption permitted. The Treasury has assessed that there will be little change as a result of adopting the new standard as the requirements are similar to those contained in PBE IFRS 9. The Treasury has not early adopted the amendment and the impact is not expected to affect the Treasury significantly.

### **PBE FRS 48 Service Performance Reporting**

PBE FRS 48 replaces the service performance reporting requirements of PBE IPSAS 1 Presentation of Financial Statements and is effective for the year ending 30 June 2023, with earlier adoption permitted. The Treasury has not yet determined how the application of PBE FRS 48 will affect its statement of service performance. The Treasury has not early adopted the amendment.

### **Critical accounting estimates and assumptions**

In preparing these Financial Statements, estimates and assumptions have been made concerning the future. These estimates and assumptions may differ from the subsequent actual results. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of the non-departmental liabilities relate to the following provisions:

- Business Finance Guarantee Scheme
- Large Scale Asset Purchases Indemnity
- Southern Response Earthquake Services Limited Investment
- Earthquake Commission On-sold Canterbury Properties
- Stockton Acid Mine Drainage Remediation.

For departmental liabilities, the most significant estimates relate to the measurement of long service and retirement leave.

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

### **Summary of significant accounting policies**

Significant accounting policies are included in the notes to which they relate.

Significant accounting policies that do not relate to a specific note are outlined below.

### **Financial instruments**

#### **Financial assets**

Cash and cash equivalents include cash on hand, deposits held at call with banks, and other short-term, highly liquid investments with original maturities of three months or less. The Treasury is permitted to expend its cash and cash equivalents only within the scope and limits of its appropriations.

Short-term receivables are recorded at the amounts due, less an allowance for expected credit losses (if any). When relevant, the Treasury applies the simplified expected-credit-loss model of recognising lifetime expected credit losses for receivables.

In measuring expected credit losses, short-term receivables are assessed on a collective basis as they possess shared credit-risk characteristics.

Short-term receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include the debtor being in liquidation or the receivable being more than one year overdue.

#### **Goods and services tax**

Items in the financial statements are stated exclusive of goods and services tax (GST), except for receivables and payables, which are stated on a GST-inclusive basis. Where GST is not recoverable as input tax, it is recognised as part of the related asset or expense.

The net amount of GST recoverable from, or payable to, Inland Revenue is included as part of receivables or payables in the Statement of Financial Position.

The net GST paid to or received from Inland Revenue, including the GST relating to investing and financing activities, is classified as an operating cash flow in the Statement of Cash Flows. Commitments and contingencies are disclosed exclusive of GST.

### **Income tax**

The Treasury is a public authority and consequently is exempt from income tax. Accordingly, no provision has been made for income tax.

### **Financial liabilities**

All financial liabilities are measured at amortised cost, unless the non-current amount is significant enough to warrant designation at amortised value using the effective interest rate method.

### **Commitments**

Future expenses and liabilities to be incurred on non-cancellable contracts at balance date.

### **Main Estimates and forecast figures**

The 2021 Main Estimates figures are consistent with the Treasury's best estimate financial forecast information submitted to the Treasury for the 2020 Budget Economic and Fiscal Update (BEFU) for the year ending 30 June 2021.

The 2022 forecast figures are for the year ending 30 June 2022, and are consistent with the best estimate financial forecast information submitted to the Treasury for the 2021 BEFU for the year ending 30 June 2022.

The Forecast Financial Statements have been prepared as required by the Public Finance Act to communicate forecast financial information for accountability purposes.

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

The 30 June 2022 forecast figures have been prepared in accordance with and comply with PBE FRS 42 Prospective Financial Statements. The Forecast Financial Statements were approved for issue by the Secretary to the Treasury on 16 April 2021.

The Secretary to the Treasury is responsible for the Forecast Financial Statements, including the appropriateness of the assumptions underlying them and all other required disclosures.

Although the Treasury regularly updates its forecasts, updated Forecast Financial Statements for the year ending 30 June 2022 will not be published.

Significant assumptions are used in preparing the forecast financial information.

The forecast figures contained in these financial statements reflect the Treasury's purpose and activities and are based on a number of assumptions on what might occur during the 2021/22 year. The forecast figures have been compiled on the basis of existing government policies and ministerial expectations at the time the Main Estimates were finalised.

The main assumptions that were adopted as at 16 April 2021, were as follows:

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

The actual financial results achieved for the year ending 30 June 2022 are likely to vary from the forecast information presented, and the variations might be material. Additional factors that could lead to material differences between the Forecast Financial Statements and the results in the 2021/22 Financial Statements include changes to the baseline funding through new initiatives, transfers of funding across financial years or technical adjustments.

### **Comparatives**

When the presentation or classification of items in the Treasury Financial Statements is amended or accounting policies are changed voluntarily, comparative figures are restated to ensure consistency with the current period unless it is impracticable to do so. There were no amendments or accounting policy changes during 2021.

## Statement of cost allocation policies

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

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

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

## 2 Revenue Crown

Revenue from the Crown is measured based on the Treasury's funding entitlement for the reporting period. The funding entitlement is established by Parliament when it passes the Appropriation Acts for the financial year. The amount of revenue recognised takes into account any amendments to appropriations approved in the Appropriation (Supplementary Estimates) Act for the year and certain other unconditional funding adjustments formally approved prior to balance date.

There are no conditions attached to the funding from the Crown. However, the Treasury can incur expenses only within the scope and limits of its appropriations.

The fair value of Revenue Crown has been determined to be equivalent to the funding entitlement.

## 3 Other Revenue

2020 Actual \$000		2021 Actual \$000
8,303	Cost recoveries from Government agencies for shared services	9,626
2,136	Cost recoveries from secondments	1,848
2,345	Cost recoveries from Gateway projects	2,457
1,369	Other	1,290
<b>14,153</b>	<b>Total other revenue</b>	<b>15,221</b>

## 4 Personnel Costs

### Salaries and wages

Salaries and wages are recognised as an expense as employees provide services.

### Superannuation

Employee contributions to the State Sector Retirement Savings Scheme, KiwiSaver and the Government Superannuation Fund (GSF) are accounted for as defined contribution superannuation schemes and are expensed in the surplus or deficit as incurred.

2020 Actual \$000		2021 Actual \$000
72,034	Salaries and wages	76,553
2,334	Superannuation contributions to defined contribution plans	2,315
1,561	Increase/(decrease) in employee entitlements	(83)
722	Training and development	931
1,180	Other	1,062
<b>77,831</b>	<b>Total personnel costs</b>	<b>80,778</b>

## 5 Property, Plant and Equipment

	Leasehold Improvements \$000	Furniture, Fittings and Office Equipment \$000	Computer Hardware \$000	Total \$000
<b>Cost</b>				
<b>Balance at 30 June 2019</b>	<b>15,316</b>	<b>2,514</b>	<b>10,973</b>	<b>28,803</b>
Additions	249	13	1,036	1,298
Disposal	(5,848)	-	-	(5,848)
<b>Balance at 30 June 2020</b>	<b>9,717</b>	<b>2,527</b>	<b>12,009</b>	<b>24,253</b>
Additions	-	-	1,355	1,355
Disposal	-	(398)	(3,567)	(3,965)
<b>Balance at 30 June 2021</b>	<b>9,717</b>	<b>2,129</b>	<b>9,797</b>	<b>21,643</b>
<b>Accumulated depreciation and impairment losses</b>				
<b>Balance at 30 June 2019</b>	<b>6,177</b>	<b>1,472</b>	<b>7,492</b>	<b>15,141</b>
Depreciation expense	803	411	1,304	2,518
Elimination on disposal	(5,674)	-	(174)	(5,848)
<b>Balance at 30 June 2020</b>	<b>1,306</b>	<b>1,883</b>	<b>8,622</b>	<b>11,811</b>
Depreciation expense	788	400	1,265	2,453
Elimination on disposal	-	(398)	(3,567)	(3,965)
<b>Balance at 30 June 2021</b>	<b>2,094</b>	<b>1,885</b>	<b>6,320</b>	<b>10,299</b>
<b>Carrying amounts</b>				
Balance at 30 June 2019	9,139	1,042	3,481	13,662
Balance at 30 June 2020	8,411	644	3,387	12,442
<b>Balance at 30 June 2021</b>	<b>7,623</b>	<b>244</b>	<b>3,477</b>	<b>11,344</b>

Asset	Useful Life	Depreciation/Amortisation Rate
Furniture and fittings and office equipment	3-10 years	10%-33%
Leasehold improvements	12 years	8.33%
Computer equipment	3-5 years	20%-33.3%
Computer software – intangibles	3-5 years	20%-33.3%

## 6 Intangible Assets

	Acquired Software \$000	Internally Generated Software \$000	Total \$000
<b>Cost</b>			
<b>Balance at 30 June 2019</b>	<b>8,770</b>	<b>9,752</b>	<b>18,522</b>
Additions	24	1,279	1,303
<b>Balance at 30 June 2020</b>	<b>8,794</b>	<b>11,031</b>	<b>19,825</b>
Additions	276	1,427	1,703
Disposal	(116)	-	(116)
<b>Balance at 30 June 2021</b>	<b>8,954</b>	<b>12,458</b>	<b>21,412</b>
<b>Accumulated amortisation and impairment losses</b>			
<b>Balance at 30 June 2019</b>	<b>5,417</b>	<b>6,601</b>	<b>12,018</b>
Amortisation expense	701	1,177	1,878
<b>Balance at 30 June 2020</b>	<b>6,118</b>	<b>7,778</b>	<b>13,896</b>
Amortisation expense	934	1,363	2,297
Elimination on disposal	(116)	-	(116)
<b>Balance at 30 June 2021</b>	<b>6,936</b>	<b>9,141</b>	<b>16,077</b>
<b>Carrying amounts</b>			
Balance at 30 June 2019	3,353	3,151	6,504
Balance at 30 June 2020	2,676	3,253	5,929
<b>Balance at 30 June 2021</b>	<b>2,018</b>	<b>3,317</b>	<b>5,335</b>

## 7 Capital Charge

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

The capital charge rate for the year ended 30 June 2021 was 5% (2020: 6%).

## 8 Other Operating Expenses

2020 Actual \$000		2021 Actual \$000	2021 Main Estimates Unaudited \$000	2022 Forecast Unaudited \$000
4,400	Rental of premises	4,539	3,602	4,389
1,895	Commissions, service charges and bank fees	625	846	857
	<i>Fees to auditor:</i>			
461	- Fees to KPMG for audit of the Treasury financial statements	652*	622	400
364	- Fees to Audit New Zealand for the audit of the Financial Statements of the Government	470	234	300
179	- Fees to KPMG for other services	-	-	-
7,023	Consultants	4,982	10,200	8,200
1,712	Legal fees	654	920	968
342	Process management services	337	502	557
1,056	Transport and travel	276	251	816
7,134	Information and communication costs	7,897	7,199	7,460
534	Office administration costs	322	385	346
1,464	Other operating costs	1,013	491	524
<b>26,564</b>	<b>Total operating expenses</b>	<b>21,767</b>	<b>25,252</b>	<b>24,817</b>

\* \$125,000 relates to the 2020 audit of the Treasury financial statements.



## 9 Creditors and Other Payables

2020 Actual \$000		2021 Actual \$000
1,930	Payables	1,775
3,926	Accrued expenses	2,205
1,412	GST payable to Inland Revenue	944
<b>7,268</b>	<b>Total creditors and other payables</b>	<b>4,924</b>

## 10 Employment Entitlement Provisions

Accrued salaries, annual leave, retirement leave and other employee entitlements expected to be settled within 12 months of balance date are classified as current liabilities. All other employee entitlements are classified as non-current liabilities.

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

In determining the appropriate discount rate, the Treasury has adopted the central table of risk-free discount rates and consumers price index assumptions provided by the Treasury to all departments.

The Treasury is no longer required to recognise a sick leave provision as its staff members are now entitled to a managed sick leave arrangement. The cost of sick leave is recognised when the absences occur.

2020 Actual \$000		2021 Actual \$000
<b>Current employment entitlement provisions</b>		
1,136	Accrued salaries	1,390
4,933	Annual leave	4,890
108	Sick leave	-
390	Retirement, resigning and long service leave	353
<b>6,567</b>	<b>Total current employment entitlement provisions</b>	<b>6,633</b>
<b>Non-current employment entitlement provisions</b>		
810	Retirement, resigning and long service leave	661
<b>810</b>	<b>Total non-current employment entitlement provisions</b>	<b>661</b>
<b>7,377</b>	<b>Total employee entitlements</b>	<b>7,294</b>

## 11 Related Party Transactions

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

The Treasury is a wholly owned entity of the Crown and received funding from the Crown of \$98.027 million to provide services to the public in the year ended 30 June 2021 (2020: \$98.770). The Government significantly influences the roles of the Treasury as well as being its major source of revenue.

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

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

## Key management personnel compensation

2020 Actual \$000		2021 Actual \$000
2,325	Salaries and other short-term employee benefits	2,243
72	Post-employment benefits	74
<b>2,397</b>	<b>Total key management personnel compensation</b>	<b>2,317</b>

Key management personnel of the Treasury as at 30 June 2021 comprised the Secretary and five Deputy Secretaries, who together form the Executive Leadership Team.

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

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

There were no related party transactions involving key management personnel or their close family members. No provision has been required, nor any expense recognised, for impairment of receivables from related parties (2020: Nil).

## 12 Events After Balance Date

There were no events subsequent to balance date that required adjustment to the Financial Statements or disclosure (2020: Nil).

## 13 Explanation of Major Variances Between Actual 2020/21 and Budget

The Treasury had a higher net surplus than estimated, mainly as a result of delays in one-off projects such as the Christchurch Regeneration Acceleration Facility and the Southern Response Earthquake Services Independent Oversight Committee. The unspent funding on these projects in 2020/21 will transfer to 2021/22 as these projects continue. The Treasury is investing more in its Debt Management function. As a result, the PLA has increased; however, the scaling up of resourcing is still underway. Expenditure on the Business Finance Guarantee Scheme was less than the assumed funding. The Shared Services Support appropriation was less than estimated as expenses are limited to the revenue received from agencies procuring the shared services.

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

# Non-Departmental Financial Schedules

for the year ended 30 June 2021

This section reports on the Non-Departmental Financial Schedules in the form of revenue and capital receipts, expenses, assets and liabilities, commitments, contingent liabilities and trust accounts that the Treasury manages on behalf of the Crown.

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

## What are Non-Departmental Expenses?

A category (class) of outputs can be supplied either by a department (in which case it is labelled a departmental output expense) or to, or on behalf of, the Crown (in which case it is labelled a non-departmental output expense). Definitions of 'departmental' and 'non-departmental' are in section 2 of the Public Finance Act 1989.

Non-Departmental expense appropriations are where Ministers have decided to use a supplier other than a department to provide an output. Most commonly these appropriations fund Crown entities.

Examples of the Treasury's non-departmental activities are:

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

## Schedule of Revenue and Capital Receipts

for the year ended 30 June 2021

2020 Actual \$000		Note	2021 Actual \$000	2021 Main Estimates Unaudited \$000
<b>Vote Finance</b>				
<b>Non-Departmental Revenue</b>				
2,049,117	Capital charge		1,817,376	2,146,796
17,810	Change in other Crown assets and liabilities		-	-
741,516	Dividends from State Owned Enterprises		603,341	802,942
161,742	Interest revenue – NZDM		114,227	275,696
538,835	Other income, fair value and foreign exchange gains (loss) – NZDM	1(b)	(446,133)	94,355
279,372	Other revenue	2	243,922	217,643
14,867	Other income from associates		6,680	11,020
<b>3,803,259</b>	<b>Total Non-Departmental Revenue and Receipts</b>		<b>2,339,413</b>	<b>3,548,452</b>
<b>Non-Departmental Capital Receipts</b>				
12,599	Return of advances by International Monetary Fund members		(85,450)	-
62,229	Loan and other repayments		162,913	23,469
251,521	Kāinga Ora – Homes and Communities and Housing New Zealand Limited loan repayments		142,015	141,734
<b>326,349</b>	<b>Total Non-Departmental Capital Receipts</b>		<b>219,478</b>	<b>165,203</b>
<b>4,129,608</b>	<b>Total Non-Departmental Revenue and Capital Receipts</b>		<b>2,558,891</b>	<b>3,713,655</b>

The accompanying notes form part of these financial schedules.

For a full understanding of the Crown's financial position and the result of its operations for the year, refer to the consolidated Financial Statements of the Government for the year ended 30 June 2021.

## Schedule of Expenses

for the year ended 30 June 2021

2020 Actual \$000		Note	2021 Actual \$000	2021 Main Estimates Unaudited \$000
<b>Vote Finance</b>				
33,989	Non-departmental output expenses		50,350	41,246
-	Non-departmental multi-category output expenses		-	1,000
3,074,471	Debt servicing – NZDM	1(a)	3,147,611	3,521,709
1,267,951	Non-departmental other expenses*		4,998,120	561,443
62,707	Non-departmental multi-category other expenses		22,689	182,937
<b>Re-measurements:**</b>				
1,270,743	Government Superannuation Fund revaluation: actuarial loss/(gain)		(2,325,447)	-
40,300	Change in National Provident Fund Defined Benefit Plan (A) Scheme provision under Crown guarantee		(28,100)	-
-	International Financial Institution foreign exchange losses		32,281	-
257,950	Write-down of Air New Zealand goodwill		-	-
-	Other re-measurements		1,655	-
<b>6,008,111</b>	<b>Total Non-Departmental Expenses</b>		<b>5,899,159</b>	<b>4,308,335</b>

\* 2021 includes \$3,126 million (2020: \$57 million) for a revaluation of the Large Scale Asset Purchases indemnity to Reserve Bank. The Main Estimates process does not include estimations of future movements in financial asset and liability values.

\*\* 2021 includes the impacts from higher investment earnings, reducing the net balance sheet obligation. The Main Estimates process does not include estimations of future movements in financial asset and liability values.

The accompanying notes form part of these financial schedules.

For a full understanding of the Crown's financial position and the result of its operations for the year, refer to the consolidated Financial Statements of the Government for the year ended 30 June 2021.

## Schedule of Assets and Liabilities

as at 30 June 2021

2020 Actual \$000		Note	2021 Actual \$000	2021 Main Estimates Unaudited \$000
<b>Current assets</b>				
19,636,441	Cash and cash equivalents		39,801,493	24,888,479
399,316	Accounts receivable and prepayments		44,758	2,206
845,531	Advances		409,083	1,075,714
10,770,653	Marketable securities, deposits and derivatives in gain – NZDM		8,912,076	6,682,227
<b>31,651,941</b>	<b>Total Current Assets</b>		<b>49,167,410</b>	<b>32,648,626</b>
<b>Non-current assets</b>				
4,002,444	Advances		4,592,278	4,634,264
63,219	Marketable securities, deposits and derivatives in gain – NZDM		1,451,623	894,000
469,731	Other share investments	3	447,638	427,743
310,739	Other equity-accounted investments		324,254	300,357
43,396	Property, plant and equipment		42,088	41,816
<b>4,889,529</b>	<b>Total Non-Current Assets</b>		<b>6,857,881</b>	<b>6,298,180</b>
<b>36,541,470</b>	<b>Total Non-Departmental Assets</b>		<b>56,025,291</b>	<b>38,946,806</b>
<b>Current liabilities</b>				
10,741,782	Crown balances with Westpac		7,610,570	4,829,056
86,387	Payables and accrued expenses		40,292	105,265
27,598,188	Borrowings – NZDM	1(c)	11,346,100	11,886,836
823,000	GSF unfunded liability		904,000	725,000
257,011	Provisions	4,5,6,7,8,9	3,533,938	713,102
<b>39,506,368</b>	<b>Total Current Liabilities</b>		<b>23,434,900</b>	<b>18,259,259</b>
<b>Non-current liabilities</b>				
93,541,769	Borrowings – NZDM	1(c)	141,986,459	154,782,579
13,146,131	GSF unfunded liability		10,134,695	11,521,573
857,000	National Provident Fund Defined Benefit Plan (A) Scheme unfunded provision		762,000	763,220
331,001	Provisions	4,5,6,7,9	298,782	105,370
<b>107,875,901</b>	<b>Total Non-Current Liabilities</b>		<b>153,181,936</b>	<b>167,172,742</b>
<b>147,382,269</b>	<b>Total Non-Departmental Liabilities</b>		<b>176,616,836</b>	<b>185,432,001</b>

The accompanying notes form part of these financial schedules.

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

For a full understanding of the Crown's financial position and the result of its operations for the year, refer to the consolidated Financial Statements of the Government for the year ended 30 June 2021.



## Schedule of Commitments and Contingent Liabilities

as at 30 June 2021

The Treasury, on behalf of the Crown, has entered into non-cancellable contracts in relation to New Zealand House in London at a value of \$0.841 million for the year ended 30 June 2021 (2020: \$0.852 million).

A disclosure of the contingent liabilities incurred by the Crown is detailed in the Financial Statements of the Government for the year ended 30 June 2021.

## Statement of Trust Monies

as at 30 June 2021

2020 Actual \$000		2021 Actual \$000
19,061	Unclaimed money	20,849
1	Genesis Initial Public Offer Trust Account	1
1	Mercury (formerly Mighty River Power) Initial Public Offer Trust Account	1
<b>19,063</b>	<b>Total Trust Account monies closing balance</b>	<b>20,851</b>

### (a) Unclaimed money

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

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

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

During the year, \$2.223 million (2020: \$3.867 million) of contributions were made to, and \$0.443 million (2020: \$0.327 million) of distributions were made from the Trust Account. Interest earned on the Trust Account for the year was \$0.048 million (2020: \$0.113 million), with expenditure incurred by the Trust Account of \$0.040 million (2020: \$0.107 million).

### (b) Government share offer trust accounts

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

There were insignificant movements in the Trust Accounts in the 2020/21 and 2019/20 financial years.

## Explanatory Notes to Non-Departmental Financial Schedules

Explanatory notes provide details of significant Treasury non-departmental expenditure and revenue variances in actual results in 2019/20 and 2020/21. All non-departmental balances are also included in the Financial Statements of the Government, with the exception of impairment of investments.

### 1 New Zealand Debt Management

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

#### (a) Interest expense

2020 Actual \$000	Interest expense	2021 Actual \$000
2,182,867	New Zealand Government Nominal Bonds	2,312,050
808,888	New Zealand Government Inflation-indexed Bonds	782,056
33,667	New Zealand Government Treasury Bills	24,289
49,049	Other	29,216
<b>3,074,471</b>	<b>Total Interest Expense</b>	<b>3,147,611</b>

The debt servicing interest expense remained consistent with the prior year. There was an increased average volume of Nominal Bonds and Inflation-indexed Bonds. This was offset by a declining yield cost of new issuance and the maturity of the May 2021 bond. The average interest rate paid was 2.28% (2020: 3.50%).

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

Within this total, the net unrealised valuations on financial instruments moved from a net gain of \$528.646 million (2020) to a net loss of \$437.801 million (2021). This was mainly due to interest rates rising in the 2021 period, causing a reduction in the fair value of the net interest rate swap position and leading to an unrealised loss expense.

#### (c) Borrowings

The outstanding borrowings increased significantly from the previous year as a result of the Government's response to COVID-19. The May 2021 nominal bond matured, reducing current liabilities. Nominal bonds that mature in 2026, 2028, 2032 and 2041 were launched this year, with issuance increasing steadily. The issuance of the September 2040 bond during the period increased Inflation-indexed Bonds outstanding.

2020 Actual \$000	Borrowings at amortised cost	2021 Actual \$000
<b>Current Liabilities</b>		
11,429,878	New Zealand Government Nominal Bonds	-
12,172,481	New Zealand Government Treasury Bills	8,404,182
183,023	KiwiBonds	121,203
1,280,361	European Commercial Paper	1,331,358
2,532,445	Other	1,489,357
<b>27,598,188</b>	<b>Total Borrowing – Current Liabilities</b>	<b>11,346,100</b>
<b>Non-Current Liabilities</b>		
71,172,701	New Zealand Government Nominal Bonds	117,856,140
20,398,577	New Zealand Government Inflation-indexed Bonds	22,213,221
59,451	KiwiBonds	60,759
1,911,040	Other	1,856,339
<b>93,541,769</b>	<b>Total Borrowing – Non-Current Liabilities</b>	<b>141,986,459</b>

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

2020 Actual \$000	Movement in New Zealand Government Bonds	2021 Actual \$000
<b>76,551,613</b>	<b>New Zealand Government Bonds opening balance</b>	<b>103,001,156</b>
16,050,000	New Zealand Government Nominal Bonds – issued via tender	24,850,000
400,000	New Zealand Government Inflation-indexed Bonds – issued via tender	1,050,000
12,500,000	New Zealand Government Nominal Bonds – issued via syndication	18,250,000
(100,000)	Net – Non-market Bonds	350,000
(5,380,000)	New Zealand Government Nominal Bonds matured	(11,059,000)
2,979,543	Net premium/discount and accrued interest	3,627,205
<b>26,449,543</b>	<b>Net movement for the period</b>	<b>37,068,205</b>
<b>103,001,156</b>	<b>New Zealand Government Bonds closing balance</b>	<b>140,069,361</b>

## 2 Other Current Revenue

Net receipts on the Large Scale Asset Purchases indemnity of \$195.084 million (2020: \$15.556 million) are the main item in this total. For more information on the Large Scale Asset Purchase programme, refer to note 8.

## 3 International Financial Institutions (IFIs)

The Crown has share investments in the following International Financial Institutions: the Asian Development Bank; the International Bank for Reconstruction and Development; the International Finance Corporation; the Multilateral Investment Guarantee Agency; and the Asian Infrastructure Investment Bank. Included in the Schedule of Assets and Liabilities – other share investments, Treasury Crown has a total share investment balance of \$447.638 million in International Financial Institutions (2020: \$469.731 million).

A loss of \$32.281 million on the revaluation of the International Financial Institutions' investment was recorded as a result of a New Zealand dollar foreign exchange rate movement (2020: a gain of \$14.640 million). This revaluation loss is included in the Schedule of Expenditure.

In addition, the investment in the International Bank for Reconstruction and Development increased by \$10.188 million as a result of the Crown's additional share subscription in the International Financial Institution.

## 4 Ōtākaro Limited and Greater Christchurch Anchor Projects

The responsibilities for continuing the key Anchor Projects Programme and precincts in Christchurch, along with managing the Crown's property assets in the central city, are carried out by Ōtākaro Limited, a Crown entity.

In 2020/21 the Crown incurred \$10.828 million in Ōtākaro Limited operating grant and financing expenses (2020: \$18.865 million). The Crown also incurred \$66.085 million relating to the Greater Christchurch Anchor Projects MCA (2020: \$170.399 million).

There were no new transfers of assets to Ōtākaro Limited in the current and previous financial periods. Interest on existing vendor finance is charged on a base risk-free rate plus an interest margin. The interest margin represents a concessionary component of the loan and is funded via operating funding to Ōtākaro Limited.

Some of the land transferred to Ōtākaro Limited for the Anchor Projects, rather than being built on, will become new public spaces for the people of greater Christchurch and visitors to enjoy. Under a cost-sharing agreement signed by the Crown and Christchurch City Council, any land (or associated assets) for Anchor Projects that forms part of the 'public realm' will vest in the Council, which will be responsible for its ongoing maintenance. The vesting dates vary and some have yet to be determined. The Crown has recognised a write-down for the 'public realm' land/assets that will be transferred to the Council at a future date. The vesting write-down balance at 30 June 2021 was \$85.030 million (2020: \$83.979 million). This included a vesting provision during the 2020/21 financial year of \$1.052 million (2020: \$19.466 million), which was recognised in the total Anchor Projects MCA expenses.

## 5 Southern Response Earthquake Services Limited (SRESL)

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

A Deed of Indemnity (DOI) was provided by the Crown to SRESL on 26 September 2018 in relation to certain litigation. The DOI was amended on 28 June 2019 to include any present or future proceeding or claim relating to a housing claim against SRESL that is agreed as covered by both SRESL and the Crown.

An addendum to the DOI in December 2020 further included and clarified that the indemnity covered, among other things, the company's financial exposure under both the Crown Package (the Package) and the Ross Representative Action. On 7 December 2020, Cabinet approved the Package to be offered to eligible policyholders who cash settled with SRESL prior to 1 October 2014. The Package is designed to offer payments to customers in similar situations to that of Mr and Mrs Dodds, in whose favour the Court of Appeal upheld a High Court decision against SRESL in September 2020. The Package payments relate to certain professional fees, contingency and an allowance for interest.

A representative action was filed against SRESL on 25 May 2018, seeking to represent policyholders who had entered into full and final settlement agreements and cash settled with SRESL prior to 1 October 2014 (the 'Ross Representative Action'). The Ross Representative Action is based on similar arguments and circumstances to the Dodds'. The Ross Representative Action is proceeding on an opt-out basis and is ongoing.

There is significant uncertainty around the interaction of the Package and the Ross Representative Action; however, SRESL's view is that, by design, the Package will be available to most, if not all, of the class included in the Ross Representative Action.

In the absence of counter-evidence, liability has been assessed on the basis that the Package is the preferred method of individual settlements, subject to any court intervention to the contrary.

For accounting and reporting purposes, the liability represented by the Package is regarded as an outstanding claims liability in respect of insurance contracts (NZ IFRS 4) and is reported in a manner consistent with an outstanding earthquake claims liability. The outstanding claims liability for Package payments is measured as the central estimate of the present value of expected future Package payments.

As at 30 June 2021, the Crown has recognised a liability for the total balance of the Uncalled Ordinary Share facility of which Southern Response had called 846 million shares (2020: \$806 million). A non-current provision of \$167.198 million represents financial obligations to SRESL under the Uncalled Ordinary Share facility and DOI. This provision has been calculated based on the negative shareholders' equity of SRESL, adjusted to exclude an insurance risk premium that is not relevant to the reporting of the Crown obligation. The liability provision involves a number of key assumptions, including the estimate of the direct costs to be incurred to settle claims, the inflation rate, the discount rate, and claims handling expenses. There is considerable uncertainty surrounding the projection and valuation of SRESL's outstanding claims liability and therefore considerable uncertainty in the provision recognised by the Crown to assist SRESL in settling these outstanding claims.

## 6 Stockton Acid Mine Drainage

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

A current provision of \$7.850 million (2020: \$3 million) and a non-current provision of \$71.760 million (2020: \$80.150 million) represents the discounted present value of the forecast cost of meeting the Crown's obligations for AMD remediation. This represents a long-term obligation under current treatment methods. The Treasury is exploring alternative treatment options to manage the Crown's future liability.

## 7 Business Finance Guarantee Scheme

In a response to the financial challenges brought about by COVID-19 restrictions on business activity, in March 2020 the Minister of Finance announced that the Crown would provide an indemnity to banks for 80% of the credit loss experienced by banks that lent under the terms of the Business Finance Guarantee Scheme. The Scheme obligation was capped at a Crown exposure of \$5 billion, which enabled coverage for \$6.25 billion of lending to be allocated among participating banks. The initial Scheme was extended from a closing date of 30 September 2020 to 30 June 2021, and some other features were changed to broaden the reach of the Scheme. Businesses with turnover of up to \$200 million per annum could apply for loans of up to \$5.0 million for a maximum term of five years. The Crown accepted the credit risk share in order to encourage banks to provide new loans or refinance facilities to existing business customers.

The obligations under the Crown Deed of Indemnity are treated as a financial guarantee in accordance with PBE IFRS 9 Financial Instruments. The product offers financial certainty to banks and modifies their lending risk management metrics and capital requirements. The provision of \$79.361 million (2020: \$19.741 million) represents an assessment of the fair value of the guarantee. This was determined by applying the expected loss methodology prescribed within PBE IFRS 9. At 30 June 2021, when the Scheme availability closed, lending facilities totalling \$2.861 billion had been established.

The provision relied on key inputs for the probability of default, exposure at default, loss given default and loan credit staging. Movements in these factors led to a range of outcomes, with the selected provision level assessed as a balanced view.

## 8 Large Scale Asset Purchases Indemnity

The Reserve Bank of New Zealand (RBNZ) has responsibility for managing monetary policy. It commenced extensive purchasing of issued government bonds and Local Government Funding Agency bonds from the secondary market, as a mechanism in response to the economic impacts of COVID-19. On 22 March 2020 the Minister of Finance used his authority within the Public Finance Act to issue an indemnity that reimbursed the RBNZ for any losses incurred from the use of the Large Scale Asset Purchase programme. An initial holdings cap of \$30 billion of assets was set. Revisions on 12 May 2020 and 9 August 2020 resulted in an indemnity covering RBNZ purchases of up to 60% of the Government Bonds on issue, 30% of the Government Inflation-indexed Bonds on issue and 30% of the Local Government Funding Agency bonds on issue. The indemnity is in place for assets purchased until 31 August 2022, with an ability for the Minister of Finance to give one day's notice of expiry after that date. The indemnity will apply through to the maturity dates of the bonds held at the time that the indemnity qualification period ceases.

The indemnity is a financial derivative within the definitions of PBE IFRS 9 and is required to be reported at fair value. At any point in time the value of the obligation is the difference between the market value of the assets held and the book value of the portfolio held by the RBNZ. A market value loss for the RBNZ is offset by an equal gain arising from the indemnity provided by the Crown. For the Crown, the indemnity value is the same as the net market value loss of the portfolio. At 30 June 2021, the RBNZ had purchased bonds with a book value of \$60.6 billion (2020: \$22.1 billion) and a market value of \$57.5 billion (2020: \$22.0 billion). The market value loss of \$3,126 million (2020: \$57 million) is recognised as the indemnity liability provision by the Crown.

## 9 Earthquake Commission – On-sold Canterbury Properties

On 15 August 2019 the Government announced a policy that allowed homeowners of on-sold, over-cap properties in Canterbury to apply for an ex-gratia payment to enable them to complete agreed earthquake repairs. Subject to certain criteria, the Crown will contribute to the over-cap costs of repairs to those homes. The application period closed on 14 October 2020, with assessments and payments expected to continue until 2022. There is considerable uncertainty in evaluating the future cost of the policy as it depends on many situations, and as a result a number of significant judgements have been made to address this uncertainty. These significant judgements include the expected cost per claim and conversion from applications to settled claim assumptions. The final costs will not be known until the programme closes.

Within a range of \$321 million to \$435 million, the best estimate of the cost of the total on-sold programme is \$371 million (inclusive of service fees of \$22 million payable to EQC). After deducting payments made up to 30 June 2021 (inclusive of the \$16.8 million invoiced for the three months ended 30 June 2021), the best estimate of the provision at 30 June 2021 is \$316 million (inclusive of service fees).

## 10 Events After Balance Date

### International Monetary Fund Special Drawing Rights Allocation

On 2 August 2021 the International Monetary Fund (IMF) Board of Governors approved a general allocation of Special Drawing Rights (SDRs) equivalent to US\$650 billion, to boost global liquidity. The general allocation of SDRs was effective on 23 August 2021 and the newly created SDRs were credited to IMF member countries in proportion to their existing quotas in the fund.

The New Zealand share of the allocation is 1.2 billion SDRs, which is approximately NZ\$2.49 billion based on the exchange rate at the time of allocation. The allocation increases both non-departmental balance sheet assets and liabilities, with the increase in SDR holdings representing an increase in New Zealand's official reserve assets and a corresponding increase in Other Borrowing within Non-Current Liabilities.

### Large Scale Asset Purchases

On 14 July 2021 the RBNZ announced a pause from 23 July 2021 on further asset purchases. The Crown indemnity obligation to the RBNZ will continue to fluctuate in response to changes in interest rates through the period in which existing assets are held.

### COVID-19 Lockdown

On 17 August 2021 a New Zealand-wide lockdown commenced in order to contain the resurgence of COVID-19 in the community. This has had no immediate, measurable impact on the valuation of items in the financial statements.

### Southern Response Earthquake Services Limited

On 20 September 2021, the High Court ruled that SRES may communicate and settle directly with policyholders that cash settled with SRES prior to October 2014, including those who may be members of the Ross Representative Action, as part of the Crown package. In these non-departmental financial schedules, the Crown's financial support to SRES includes the liability for the Crown package. Refer to note 5 for more information on the Crown package and Ross Representative Action.

There have been no other significant events since balance date.



# Independent Auditor's Report



## To the readers of the Treasury's Annual Report for the year ended 30 June 2021

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

- the financial statements of the Department on pages 56 to 67, that comprise the statement of financial position, statement of commitments, statement of contingent liabilities and contingent assets as at 30 June 2021, the statement of comprehensive revenue and expense, statement of changes in equity, and statement of cash flows for the year ended on that date and the notes to the financial statements that include accounting policies and other explanatory information;
- the performance information prepared by the Department for the year ended 30 June 2021 on pages 14 to 15, 24, 27 to 31, 33 to 34, 36, 45, 47, and 49 to 50;
- the statements of expenses and capital expenditure of the Department for the year ended 30 June 2021 on pages 38 to 42; and
- the schedules of non-departmental activities which are managed by the Department on behalf of the Crown on pages 69 to 77 that comprise:
  - the schedules of assets; liabilities; commitments; and contingent liabilities and assets as at 30 June 2021;
  - the schedules of expenses; and revenue for the year ended 30 June 2021;
  - the statement of trust monies for the year ended 30 June 2021; and
  - the notes to the schedules that include accounting policies and other explanatory information

### Opinion

In our opinion:

- the financial statements of the Department on pages 56 to 67:
  - present fairly, in all material respects:
    - its financial position as at 30 June 2021; and
    - its financial performance and cash flows for the year ended on that date; and
  - comply with generally accepted accounting practice in New Zealand in accordance with Public Benefit Entity Reporting Standards.
- the performance information of the Department on pages 14 to 15, 24, 27 to 31, 33 to 34, 36, 45, 47, and 49 to 50:
  - presents fairly, in all material respects, for the year ended 30 June 2021:
    - what has been achieved with the appropriation; and
    - the actual expenses or capital expenditure incurred compared with the appropriated or forecast expenses or capital expenditure; and
  - complies with generally accepted accounting practice in New Zealand.
- the statements of expenses and capital expenditure of the Department on pages 38 to 42 are presented fairly, in all material respects, in accordance with the requirements of section 45A of the Public Finance Act 1989
- the schedules of non-departmental activities which are managed by the Department on behalf of the Crown on pages 69 to 77 present fairly, in all material respects, in accordance with the Treasury Instructions:
  - the assets; liabilities; commitments; and contingent liabilities and assets as at 30 June 2021; and
  - expenses; and revenue for the year ended 30 June 2021; and
  - the statement of trust monies for the year ended 30 June 2021.

Our audit was completed on 28 September 2021. This is the date at which our opinion is expressed.

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

## Emphasis of Matters

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

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

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

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

Note 5 outlines the considerable uncertainty surrounding the projection and valuation of SRESL's outstanding claims liability, and therefore, the considerable uncertainty in the provision recognised by the Crown due to its commitment to provide financial support to SRESL in settling these outstanding claims. Note 5 and 10 also outlines that SRESL's possible obligation from legal claims and disputes, filed against them in respect of policyholders' claim settlements.

## Basis for our opinion

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

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

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

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

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

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

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

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

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

## Responsibilities of the auditor for the information to be audited

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

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

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

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

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

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

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

Our responsibilities arise from the Public Audit Act 2001.

## Other information

The Secretary to the Treasury is responsible for the other information. The other information comprises the information included on pages 1 to 13, 16 to 23, 25 to 26, 32, 35, 37, 43 to 44, 46, 48, 51 to 55, 68, and 81 to 84, but does not include the information we audited, and our auditor's report thereon.

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

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

## Independence

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

Other than in our capacity as auditor, we have no relationship with, or interests, in the Department.



**Brent Manning**

KPMG

On behalf of the Auditor-General  
Wellington, New Zealand

## APPENDIX

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# What has Been Achieved with Non-Departmental Appropriations

Although the following information is presented in the same document as the Treasury's Annual Report, it does not form part of the Treasury's Annual Report for the year ended 30 June 2021 (including reporting by the Treasury on appropriations for that year).

Six appropriations in this appendix meet the requirement, set out in the supporting information to the 2020/21 Estimates or 2020/21 Supplementary Estimates, for information on certain non-departmental appropriations to be reported by the Minister of Finance:

- Refinancing of Kāinga Ora – Homes and Communities and Housing New Zealand Limited Debt
- Christchurch Regeneration Acceleration Facility
- Payments and Expenses in Respect of Guarantees and Indemnities PLA
- COVID-19: Capital Injections to Airways New Zealand
- COVID-19: Loans to Air New Zealand
- COVID-19: Loan to Hawke's Bay Airport Limited

## Refinancing of Kāinga Ora – Homes and Communities and Housing New Zealand Limited Debt

### What is intended to be achieved with this appropriation

This appropriation is intended to enable Kāinga Ora – Homes and Communities and Housing New Zealand Limited to refinance their loans.

### Financial information

2020 Actual \$000		2021 Actual \$000	2021 Main Estimates \$000	2021 Supp. Estimates \$000
250,220	Capital expenditure	141,434	141,458	141,458

### What was achieved in this appropriation

Performance measure	Target for 2020/21	Performance for 2019/20	Performance for 2020/21
Refinancing will be undertaken in accordance with the agreed appropriation limits.	Achieved	Achieved	Achieved

## Christchurch Regeneration Acceleration Facility

### What is intended to be achieved with this appropriation

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

### Financial information

2020 Actual \$000		2021 Actual \$000	2021 Main Estimates \$000	2021 Supp. Estimates \$000
86,000	Expenditure	8,180	-	94,000

### What was achieved in this appropriation

Performance measure	Target for 2020/21	Performance for 2019/20	Performance for 2020/21
Crown funding is transferred in a timely way.	Achieved	Achieved	Achieved
Crown funding for the Canterbury Multi-Use Arena is transferred as called for by the Council in its quarterly funding requests.	Achieved	Achieved	Achieved

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

### What is intended to be achieved with this appropriation

This appropriation is intended to achieve the recognition of expenses associated with Crown guarantees and indemnities.

### Financial information

2020 Actual \$000		2021 Actual \$000	2021 Main Estimates \$000	2021 Supp. Estimates \$000
76,789	Expenditure	3,157,279	-	3,142,672

### What was achieved in this appropriation

Performance measure	Target for 2020/21	Performance for 2019/20	Performance for 2020/21
Payments are made in accordance with the terms of the agreement for notified claims.	Achieved	Achieved	Achieved

## COVID-19: Capital Injections to Airways New Zealand

### What is intended to be achieved with this appropriation

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

### Financial information

2020 Actual \$000		2021 Actual \$000	2021 Main Estimates \$000	2021 Supp. Estimates \$000
70,000	Expenditure	-	-	45,000

### What was achieved in this appropriation

Performance measure	Target for 2020/21	Performance for 2019/20	Performance for 2020/21
Payments are made in accordance with the terms of the agreement for notified claims.	Achieved	Achieved	n/a

## COVID-19: Loans to Air New Zealand

### What is intended to be achieved with this appropriation

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

### Financial information

2020 Actual \$000	2021 Actual \$000	2021 Main Estimates \$000	2021 Supp. Estimates \$000
- Expenditure	350,000	600,000	350,000

### What was achieved in this appropriation

Performance measure	Target for 2020/21	Performance for 2019/20	Performance for 2020/21
Payments are made in accordance with the terms of the agreement for notified claims.	Achieved	n/a	Achieved

## COVID-19: Loan to Hawke's Bay Airport Limited

### What is intended to be achieved with this appropriation

This appropriation is intended to provide a commercial loan facility for the Hawkes Bay Airport Limited in response to the impacts of COVID-19.

### Financial information

2020 Actual \$000	2021 Actual \$000	2021 Main Estimates \$000	2021 Supp. Estimates \$000
- Expenditure	-	-	4,500

### What was achieved in this appropriation

Performance measure	Target for 2020/21	Performance for 2019/20	Performance for 2020/21
Payments are made in accordance with approved funding drawdown requests.	Achieved	New measure for 2020/21	Achieved