TE TAI ŌHANGA
THE TREASURY

B.27 – The Treasury Annual Report

B.14 (Finance) – Minister of Finance's Report
on Non-Departmental Appropriations

TE TAI ŌHANGA – THE TREASURY

The 2023/24 Annual Report

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

Lifting living standards for all New Zealanders

Te Kāwanatanga o Aotearoa
New Zealand Government

Ko te Tai Whakarunga

Ko te Tai Whakararo

Ko te Tai Tokerau

Ko te Tai Tonga

Ko te Tai Hauāuru

Ko te Tai Rāwhiti

Tēnei, ko Te Tai Ōhanga

Hui e, Tāiki e!

There in the challenge between the known and the unknown, the Treasury find direction from the northern, southern, western and eastern tides.

At the centre, Te Tai Ōhanga – The Treasury, serving the four directions of Aotearoa where our people live.

The tukutuku that appears on the front cover and throughout this report is Kaokao. At Te Tai Ōhanga, this means for us protection, strength and ability. The skilled stewardship of assets, people and relationships.

Statement of Responsibility

I am responsible, as the Acting Secretary to Te Tai Ōhanga – The Treasury for:

- the preparation of Te Tai Ōhanga – 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 Te Tai Ōhanga – 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 Te Tai Ōhanga – 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 Te Tai Ōhanga – The Treasury
- the Financial Statements fairly reflect the financial position of Te Tai Ōhanga – The Treasury as at 30 June 2024 and its operations for the year ended on that date, and
- the Forecast Financial Statements fairly reflect the forecast financial position of Te Tai Ōhanga – The Treasury as at 30 June 2024 and its operations for the year ending on that date.

Struan Little
Acting Secretary to Tai Ōhanga – The Treasury
30 September 2024

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Chief Executive's foreword

The Treasury is the Government's lead economic and financial adviser and steward of the public sector financial management system. In these roles, we advise Ministers on public finances, the broader economy and other matters with financial and economic implications.

2023/24 was a particularly busy year due to the election which required the production of additional forecasts and updates and compressed the time available for the preparation of the Budget from 10 to six months. Notwithstanding these time pressures and the addition of a pre-Christmas Mini-Budget, the Budget was delivered on time and to the high standards expected of the Treasury.

In addition, the Treasury assisted the new Government to operationalise its 100-day plan and extend the public sector savings exercise initiated by the previous government and advised on options to stimulate economic growth and improve living standards. Advice included changes to the legislative framework for monetary policy, housing reform, Reserve Bank monetary policy mandate review, overseas investment rules, the operation of Crown entities and the establishment of the new Ministry for Regulation and the planned National Infrastructure Agency.

New Zealand has emerged from the COVID-19 pandemic with heightened levels of debt and a structural deficit. Restoring the Government's books to surplus and reducing net core Crown debt to the Government's target of between 20 and 40 per cent of gross domestic product will require a sustained period of fiscal discipline. Delivering the health, education, welfare and other public services New Zealanders expect will require a continued focus on driving the performance of agencies and value for money.

During the year, the Treasury advised Ministers on savings options and provided strategic and operational guidance to government agencies about effective fiscal management. Performance plans were developed to enable agencies to demonstrate how they will deliver efficient, effective and responsive public services within their baselines.

It is important that the Treasury lead by example in driving value for money internally. Accordingly, the Treasury trimmed its own costs by reducing headcount and paring back expenditure on things such as contractors and consultants, travel, and consumables.

Internally, the Treasury continued to invest in building its technical and cultural capability. We recognise that our people are critical to our success, and that we are best placed to achieve our vision of lifting living standards for all New Zealanders when our people are supported to achieve their potential. This recognition is reflected in our new values and behaviours which have been developed with the assistance of staff: making a difference – kia pono, enhancing mana – kia whakamana and achieving together – kia hono.

Finally, 2024 marked the end of Caralee McLiesh's tenure as Secretary to the Treasury, during which time she played a central role in steering New Zealand through the COVID-19 pandemic and preparing the country to face the challenges of the future. I know Caralee will want to join me in thanking our people and all those who worked with us over the past 12 months to make a difference for New Zealanders.

Struan Little
Acting Secretary to Te Tai Ōhanga – The Treasury
30 September 2024

Te Kupu Whakataki a te Tumu Whakarae

Ko Te Tai Ōhanga te kaitohutohu matua mā te Kāwanatanga mō te ōhanga me ngā moni tūmatanui, te kaitiaki hoki mō te pūnaha whakahaere ahumoni o te rāngai tūmatanui. I roto i ēnei mahi, ka tuku tohutohu mātou ki ngā Minita mō te ahumoni tūmatanui, te ōhanga whānui me ētahi atu take ka hāngai ki te ahumoni me te ōhanga.

He nui hoki te mahi i te tau 2023/24 nā te pōtitanga i matea ai te whakarite matapae tāpiri, whakahounga hoki, ā, i whakapotoniga te wā mō te whakarite i Te Tahua i te 10 ki te ono marama. Ahakoa te poto o te wā me te pānga mai o Te Tahua-iti o mua i te Kirihimete, i tukuna Te Tahua i te wā tika me tōna kounga e hiahiatia ana mō te Tai Ōhanga.

Hei tapiri atu, i āwhina Te Tai Ōhanga i te Kāwanatanga hou ki te whakatutuki i tāna mahere 100-rangi, ki te whakawhānui hoki i te raupapa penapena o te rāngai tūmatanui i whakarewaina e te kāwanatanga o mua me te tuku tohutohu mō ngā whiringa hei whakahihiko i te tipu o te ōhanga, hei whakapiki hoki i ngā paerewa oranga. Tae ana ēnei ki ngā tohutohu e pā ana ki ngā whakahounga ki te anga ture mō te kaupapa here ahumoni, te whakahounga take whare, te arotake i te mana kaupapa here ahumoni o Te Pūtea Matua, ngā tikanga haumitanga mai i tāwāhi, te whakahaere i ngā hinonga Karauna me te whakatūnga o te Manatū Waeture hou me te National Infrastructure Agency kua maheretia.

Kua puta a Aotearoa i te urutā Kowheori-19 me te pikinga o te nama me te tarepa pūmau. Kia whakapiki anō ngā ripanga kaute o te Kāwanatanga ki te rahinga toenga, kia whakaheke hoki i te tōpūtanga nama iho Karauna ki te rahinga e ai ki te Kāwanatanga hou kua whakataungia kei waenganui i te 20 ki te 40 ōrau o te tapeke wāriu hokonga (arā, ko te GDP) me ū wā roa ki ngā tikanga ahumoni. Kia tuku i ngā ratonga hauora, mātauranga hoki, toko ora hoki me ētahi atu ratonga tūmatanui e hiahia ana ngā tāngata o Aotearoa me arotahi tonu ki te whaihua o ngā tari, o te moni hoki.

I te roanga o te tau, i tuku tohutohu Te Tai Ōhanga ki ngā Minita mō ngā whiringa penapena, i whakarato hoki i te aratohu rautaki me te aratohu whakahaere ki ngā tari kāwanatanga mō te whakahaere ahumoni whai hua. I whakawhanakehia ētahi mahere mahi hei whakaāhei i ngā tari ki te whakaatu ka pēhea rātou e whakarato ai i ngā ratonga tūmatanui whāomo, whaihua hoki, urupare hoki, kei roto i ā rātou takenga.

He mea hira mā Te Tai Ōhanga te whakatauira i te aronga ki te whaihua o āna moni mā roto. Heoi, i whakahekea e Te Tai Ōhanga tonu āna nama mō ngā mea pērā ki te tokomaha o ngā kaikirimana me ngā kaitohutohu, ngā haerenga hoki, me ngā mea whakapau.

I roto i Te Tai Ōhanga i haere tonu te haumi ki te hanga whare me ōna āheinga hangarau, ahurea hoki. E mārama ana mātou ko te mea waiwai ki te eke panuku, ko ō tātou tāngata, ā, kia pai ai te eke ki tō mātou wawata ki te hiki i ngā paerewa oranga mō ngā tāngata katoa o Aotearoa, me tautoko ō tātou tāngata ki te eke ki ngā taumata o te pitomata. E whakaaturia ana tēnei māramatanga ki ō mātou mātāpono me ā mātou whanonga hou kua whanaketia nā te āwhina o te hunga kaimahi: kia pono, kia whakamana, kia hono.

Hei whakakapi ake, i tēnei tau i oti te wā o Caralee McLeish hei Hekeretari mō Te Tai Ōhanga, me tāna mahi waiwai ki te hautū i Aotearoa i te wā o te urutā Kowheori-19, kia rite ai te motu mō ngā wero haere ake nei. Kei te mōhio au ka hiahia hoki a Caralee kia whakamiha tahi māua ki ō mātou tāngata, ki te hunga kua mahi ki tō mātou taha i te tau kua taha ake, kia whai hua ai mō ngā tāngata o Aotearoa.

Nā Struan Little
Te Hekeretari Taupua mō Te Tai Ōhanga – The Treasury
30 Mahuru 2024

SECTION ONE | WĀHANGA TUATAHI

Who the Treasury is and what we do

Ko mātou nei, ko ā mātou mahi hoki

Our Executive Leadership Team (ELT)

Our ELT is responsible for the strategic leadership of the Treasury, driving its performance, and steering the overall health of the organisation.

Struan Little

Acting Secretary and Chief Executive

Stacey Wymer

Acting Deputy Secretary

Budget and Public Services

Cath Atkins

Chief Operating Officer and Deputy Secretary

Strategy, Performance and Engagement

Leilani Frew

Deputy Secretary

Financial and Commercial

James Beard

Deputy Secretary

Macroeconomics and Growth

Dominick Stephens

Chief Economic Adviser and Deputy Secretary

Andrew Rutledge

Director, Strategy and Executive Services

Maintaining our strategic direction

The Treasury's strategic direction is underpinned by our focus on *lifting living standards for all New Zealanders*. As the Government's lead economic and fiscal adviser, and steward of public service financial management, our Strategic Intentions reflects how we shape our work to influence and provide advice on matters that will have the greatest impact in changing the economic and fiscal environment of New Zealand, as well as addressing the biggest policy issues for the nation and the government of the day.

During the year we refreshed our Strategic Intentions to sharpen our focus on those areas where we can have the greatest influence. Our strategic direction remains unchanged, and the strategic outcomes are consistent from the 2021-25 to the refreshed 2024-2028 Strategic Intentions. The Treasury's strategic outcomes are:

- a strong, growing and resilient economy for all
- strong public finances
- a high-performing public service.

Our work programme is shaped around our ability to influence a shift in these outcome areas and ensuring our people have the skills they need to help deliver our desired results. The following pages provide a summary of the work we have delivered during 2023/24 as we progress our strategy, and the initiatives we have put in place to continually lift our performance.

Section One provides the reader a summary of the work we have undertaken during the year against the backdrop of the Strategic Outcomes. Section Two provides a succinct narrative on our performance against our appropriations and Section Three provides a full assessment of our financial performance. Together these provide a full picture of our performance for 2023/24.

Our highlights in 2023/24

Growing New Zealand's economy

- Exercised economic stewardship by **advising on enduring challenges and opportunities for New Zealand's economic performance, and priorities** to build growth and resilience in a fiscally constrained environment.
- Led policy advice on **overseas investment, tax and infrastructure** to address cost of living challenges and build the productive capacity of the economy. This included **amendments to the Overseas Investment Act 2005** to provide a streamlined pathway for Build-to-rent (BTR) developments.
- Conducted research on the productivity slowdown **to inform economic forecasting and the 2025 Long-term Fiscal Statement** that was published in 'The productivity slowdown: implications for the Treasury's forecasts and projections'.
- Advised on housing market solutions and urban development **to improve economic stability and individual wellbeing**.
- Facilitated **policy debate on the important issues facing New Zealand** through our **Treasury Guest Lecture Series on Productivity in a Changing World** and a range of public presentations and engagements by our Executive Leadership Team.
- Supported the Government to increase **the weight the Reserve Bank places on price stability** by removing the employment objective from the Reserve Bank of New Zealand Act (2021) and issued a revised Monetary Policy Remit.
- A total of **$164 million in risk exposure was underwritten** by New Zealand Export Credit (NZEC) which enabled financing for 75 exporters to deliver $476 million of goods and services into 70 countries.

Strong public finances

- Exercised **fiscal stewardship by assisting the Government with aligning the 2023/24 Budget with Fiscal Responsibility principles**, supporting responsible spending and a sustainable debt trajectory.
- Delivered the **Mini Budget and Budget 2024**. This included **delivery of $5.9 billion of savings per annum, a $3.7 billion per annum tax relief package**, and the production of a new **'Tax at a Glance' document** and **'Tax Calculator'** – the calculator was viewed over 240,000 times within the first day of its release.
- Published **three sets of economic and fiscal forecasts** over 2023/24. In addition to the usual Half Year and Budget Economic and Fiscal Updates (the HYEFU and BEFU), the Treasury published a Pre-Election Economic and Fiscal Update (PREFU) in September 2023.
- Grew the **New Zealand Sovereign Green Bond Programme** with green bond issuances **reaching NZ$6.55 billion by 30 June 2024** and published the inaugural New Zealand Sovereign Green Bond Allocation Report for 2022/23.

A high-performing public service

- Provided significant **advice on reforming the Public Finance Act 1989** in line with the Minister of Finance's **December 2023 announcement of an amendment Bill** focused on fiscal risks, transparency, and fiscal discipline.
- Developed **performance plans** to demonstrate the value and performance of each agency.
- Enhanced **cost-benefit analysis methods to bolster fiscal discipline, revamped 'value for money' concepts for Budget 2024**, and offered comprehensive training and guidelines to government agencies.
- Issued **quarterly investment reports** ensuring detailed oversight and analysis of medium- to high-risk investments throughout their lifecycle to **inform Budget decision-making**.
- Advised on a significant number of **Crown company and entity board appointments with 64 directors starting their terms on Crown boards in 2023/24**, this included 25 new appointments, 26 reappointments, 3 elevations, 3 elections, 6 re-elections and 1 extension.

Compelling advice on New Zealand's biggest issues

- Undertook analysis to inform a record **three-year commitment for health cost pressures** and advised on health system performance, supporting actions to improve the **financial sustainability of health services**.
- Provided **fiscal, economic, and policy advice on the housing sector, including reviews of Kāinga Ora** and supporting the Going for Housing Growth programme to address the housing crisis.
- Advised on **infrastructure funding and financing, as well as Resource Management Act 1991 reforms**, to encourage development and improve housing affordability.
- Participated in a **comprehensive infrastructure system review** and provided advice on the establishment of a National Infrastructure Agency by 2025.
- Advised on **long-term climate adaptation settings**, and strengthened Cabinet Circular requirements on agencies' asset management and strategic planning, including in relation to significant risks such as climate change.
- Advised on and supported the **response to the North Island Weather Events (NIWE)** through work on the Future of Severely Affected Locations (FOSAL) and negotiating the Crown's contribution; and mechanisms to support highly-impacted businesses recover, overseeing the NIWE Loan Guarantee Scheme.
- Released **analytical notes on the impact of carbon pricing and the broader economic and fiscal effects** of climate change – contributing to the national discussion on these.

Strengthening the Treasury

- Boosted **economic capability with training** in the Living Standards Framework, microeconomics, macroeconomics, and public economics.
- Advanced **understanding of engagement with tangata whenua** through the He Ara Waiora e-learning module to positively influence policy advice.
- Progressed our **2023-2025 Workforce Plan** which sets out the type of workforce and workplace we need to be successful.
- Introduced new organisational **values and behaviours** to proactively shape our culture as we navigate the future.
- Refreshed our **Strategic Intentions**.

Measuring the impact of our work

In our capacity as the primary adviser to the Government on economic and financial matters, we strive to embody the principles of stewardship, or tiakitanga, in our efforts to enhance the living standards of New Zealand – for both current and future generations. We keep a close watch on, and endeavour to proactively impact on, various measures that signal progress towards our strategic goals – with the ultimate objective of elevating the standard of living across the New Zealand population.[1]

The following strategic indicators were selected to report on against our Strategic Intentions 2021-2025. Each year since reporting on the strategic indicators we have seen significant changes in our operating context at a global and national level which will drive changes. However, our aim is to influence positive shifts in these indicators through our work.

Growing New Zealand's economy

Our ambition is that New Zealand has a highly productive economy that is sustainable, and responsive to the needs of all New Zealanders. We work to support strong, stable growth and increase the resilience of the economy through evidence-based analysis and advice.

Real Gross Domestic Product (GDP)

JUNE 2022	JUNE 2023	JUNE 2024
5.1%	3.0%	-0.2%

Measures the value of all goods and services produced in New Zealand, after deducting the costs of goods and services used in production processes. Growth has slowed since 2023.

Inflation

JUNE 2022	JUNE 2023	JUNE 2024
7.3%	6.0%	3.3%

Annual inflation rate as measured by the Consumers Price Index (CPI). Inflation has fallen.

Global Competitiveness Index

2022	2023	2024
31ST	31ST	32ND

New Zealand's ranking in the World Economic Forum's Global Competitiveness Index. Has deteriorated by one place.

Strong public finances

Our ambition is to ensure our fiscal system is strong, sustainable, responsive, and able to absorb future shocks. We seek to enable government investments that deliver outcomes, maximise value for money, are fiscally responsible and contribute to lifting living standards for all New Zealanders.

Structural balance as a % of GDP

JUNE 2021	JUNE 2022	JUNE 2023
-0.38%	0.37%	-2.19%

The structural balance, which reflects New Zealand's underlying fiscal position, declined in 2022/23 relative to 2021/22.

Net Core Crown Debt as a % of GDP

JUNE 2021	JUNE 2022	JUNE 2023
29.8%	35.4%	39.3%

Net core Crown debt provides information on the sustainability of the Government's accounts and shows how much debt would remain after offsetting liquid financial assets.

Net worth as a % of GDP

JUNE 2021	JUNE 2022	JUNE 2023
45.8%	48.0%	48.4%

Total Crown net worth reflects growth in both financial and non-financial assets.

1 The results reported in this Annual Report reflect the most up to date data available.

A high-performing public service

We carry out our central agency stewardship role, providing leadership and support along with other central agencies across the public service to enable the public sector system to be effective, efficient, and responsive to the needs of New Zealanders.

Corruption perception

2021	2022	2023
88/100	87/100	87/100

Transparency International's Corruption Perceptions Index ranks 180 countries and territories by their perceived levels of state sector corruption, from 0 (highly corrupt) to 100 (very clean).

Trust and confidence of New Zealanders in public services

2022	2023	2024
62%	58%	56%

The Kiwis Count survey asks 1,000 people about their trust and confidence in Government and public services.

Compelling advice on New Zealand's biggest issues*

Health status

2022	2023	2024
88.4%	88%	86.2%

Percentage of adults reporting good, very good or excellent health.

Climate change[2]

2020	2021	2022
54.1 $mtCO_2$-e	55.7 $mtCO_2$-e	59.2 $mtCO_2$-e

This indicator reflects New Zealand's net greenhouse gas (GHG) emissions in million tonnes (Megatons) of CO_2 equivalent.

Housing

DEPOSIT AFFORDABILITY

JUNE 2022	JUNE 2023	JUNE 2024
60.1	70.2	73.3

Deposit affordability measures house prices relative to incomes and improved between 2022 and 2023.

Housing

MORTGAGE AFFORDABILITY

JUNE 2022	JUNE 2023	JUNE 2024
60.7	56.6	59.7

Mortgage affordability measures mortgage repayments relative to incomes and deteriorated slightly.

Housing

RENT AFFORDABILITY

JUNE 2022	JUNE 2023	JUNE 2024
103	103.4	105.8

Rental affordability measures tenancy rental prices relative to median incomes and remained broadly unchanged.

* All three affordability measures are indexed, set to equal to 100 in 2012. An increase in an index indicates an improvement in affordability.

2 The measures refer to New Zealand's Greenhouse Gas Inventory which is led by the Ministry for the Environment. It is a reporting requirement under the United Nations Framework Convention on Climate Change and the Paris Agreement. The 2022 emissions have recently been published in New Zealand's Greenhouse Gas Inventory 1990-2022: Snapshot, published on 18 April 2024.

Outcome 1: Growing New Zealand's economy

Ongoing volatility in the global environment and the economic downturn during the year highlighted the importance of growing the economy to lift living standards and position New Zealand to deal with long-term challenges and withstand future economic shocks.

The Treasury advised Ministers of Finance in both the current and previous government on measures to improve New Zealand's economic performance, the key strategic choices faced by government and how to coordinate policy responses. Increased emphasis was given to the way in which New Zealand is positioned to withstand and seize opportunities from global mega trends, like shifting geopolitical dynamics, climate, demographics and technological developments.

The Treasury's economic system leadership role has three key aspects:

- a responsive role, helping government navigate macroeconomic cycles for fiscal and economic stability
- a coordination role, working across government agencies on key policy issues for long-term growth and resilience, and
- a stewardship role, leading public debate and analysis on future economic drivers for New Zealand.

Over the last year, the Treasury has undertaken work across all three aspects of its leadership role. Our responsive role has included providing advice to the Government on managing heightened inflation and the severe weather events in early 2023. We introduced and oversaw the NIWE loan guarantee scheme and concluded negotiations with councils on central government support related to the future of severely affected locations (FOSAL). We have also reflected on the lessons learnt from how the government responded to recent shocks, including COVID-19, to further build our understanding of when and how a government can best intervene to support the communities most affected by these shocks.

Our coordination role has included becoming the strategic coordination agency for New Zealand's economic security work programme under the National Security Strategy, working with other agencies to highlight gaps in the work programme to address vulnerabilities and inform thinking on the Government's strategic direction on economic security. The Treasury also supports Ministers with their engagement with international counterparts on the topic.

Through our stewardship role we have led policy advice in key areas to lift New Zealand's long-term economic performance such as improvements to the overseas investment regime, the National Hazards Insurance Act, regulatory reforms, tax changes and infrastructure development. We have worked with other agencies to lift the quality of policy advice in other similarly critical areas such as housing and urban dynamics, climate change mitigation, adaptation and education. The Treasury has continued to lead an inter-agency work programme on access to capital for the Māori economy. In 2023/24 we contributed, and participated in, a range of work across government on adapting to climate change.

We published research to inform public debate. This included a study on slowing productivity and its impact on economic forecasting: The productivity slowdown: implications for the Treasury's forecasts and projections (https://www.treasury.govt.nz/publications/tp/productivity-slowdown-implications-treasurys-forecasts-and-projections). This research identified global and domestic factors contributing to the slowdown, such as diminishing returns from innovation, disproportionate investment to employment growth, and reduced international trade. Insights from the study will inform the Treasury's upcoming Long-term Fiscal Statement in 2025.

We produced a series of papers focused on human capability. These papers examined labour market trends, evaluated the Government's policies on enhancing human capability, and considered the effects of migration and an ageing population on New Zealand's socio-economic landscape. We released analytical notes on the impact of carbon pricing and the broader economic and fiscal effects of climate change.

We continue to invest in maintaining and improving the tools and models we have to inform our advice to government on the near-term economic outlook and long-term trends. For example, to ensure our tax revenue forecasts are as accurate as possible, we recently undertook a review of our forecasting methods and processes. We drew on an external panel of experts to help with the review. This review highlighted that tax types such as business taxes remain highly volatile and difficult to forecast.

The findings and recommendations can be found at: Review of the New Zealand Treasury's Revenue Forecasting (https://www.treasury.govt.nz/publications/information-release/review-new-zealand-treasurys-revenue-forecasting). We are currently implementing key aspects of the review.

Outcome 2: Strong public finances

Our advice during 2023/24 focused on the need for sustainable fiscal policy, in a challenging economic and fiscal context. We advised on the need for fiscal consolidation to bring expenses and revenue back into balance and support monetary policy to bring inflation back into the target range.

We supported successive governments to agree and communicate their fiscal strategies. Implementing these strategies focused on ensuring fiscal sustainability and improving value for money (VfM).

Securing savings, reprioritisation and revenue. The Treasury supported successive governments to implement baseline reductions (1-2% then 6.5-7.5%), aiming to decrease expenditure and improve performance. We supported the Government to incorporate assurance processes and five independent rapid reviews of agency spending as part of Budget 2024, and advised on the design of 'deep dives' into critical spending areas.

Better planning spending over the medium-term. We designed Performance Plans, a new mechanism that requires agencies to set out how they will deliver within baselines, highlighting the trade-offs this requires alongside any risks to financial sustainability, departmental performance, or service delivery.

System reforms that strengthen fiscal discipline and embed a culture of continuously improving VfM. We advised on changes to the Public Finance Act 1989, with a focus on enhancing transparency and fiscal responsibility.

The changing fiscal context has required the Treasury to provide additional support and advice to assist the Government with its response. This has meant that over the course of 2023/2024 we have led several Budget-related processes as well as that for the May 2024 Budget.

Reforming the Public Finance System

The Public Finance Act 1989 is the bedrock of New Zealand's internationally-acclaimed public finance system. It has served New Zealand well for more than three decades and generally functions well. However, there is a growing demand for more information about what is being achieved in terms of outcomes as well as outputs. In response to this and the Government's plans for an Amendment Bill focused on fiscal risks, transparency, and fiscal discipline, the Treasury developed significant advice on reforming the Public Finance Act 1989. We anticipate the Amendment Bill will be proposed for enactment within the current parliamentary term.

This work is being supported through parallel non-legislative measures to reinforce fiscal discipline and refine performance reporting quality. This has involved providing advice on potential broad reforms, targeted efforts for 2024/25, initiatives to enhance visibility and traceability of significant Budgetary items, and updates to core guidance documents for strategic reporting.

Building capability

We continued to build the capability of the finance profession, including 64 events to more than 5,000 government finance professionals.

The Vote Capability, Training and Guidance project was set up with the aim of developing a capability framework for vote work and creating a high-quality foundation of training and guidance for the Treasury's vote teams and finance function. The project has worked to ensure accessible on-demand learning is available so that new staff can quickly get up to speed and the Treasury can consistently meet Ministers' expectations.

The project ended in June 2024 and successfully delivered on its aims, delivering two key products:

- the **Vote Capability Framework**, which sets out the vote skills and knowledge that the Treasury needs, alongside other disciplines, to perform the Treasury's core Ministry of Finance functions, and
- the **Vote Hub**, which is an online platform with information, training and guidance that vote teams and others can access to support them to perform their role.

Vote Analytics is a Microsoft Power BI application designed specifically to support Vote teams to undertake analysis of agency finances. The application presents public sector financial data with an intuitive graphical interface. Vote Analytics' range of features enable analysts to access, analyse and report on the information they need more quickly than ever before. The latest update, launched in June 2024, includes new data, features and functionality and will play an important role supporting our future advice on fiscal sustainability, agency performance and Budgets.

Outcome 3: A high-performing public service

Building on the fiscal and economic imperatives during 2023/24, we worked with our central agency colleagues on initiatives that will continue to lift the performance of the public sector.

Our role is critical to supporting the Government's objective of an effective and efficient public sector that is responsive to the needs of New Zealanders. While this is always a focus of our work, there has been a stronger emphasis on progressing our work in this area within the current fiscal environment.

Working alongside our central agency colleagues, we helped deliver the Government's 100-day Plan. This included Treasury passing a Budget that reduced spending and took pressure off inflation, provided personal income tax changes and the introduction of the Family Boost childcare tax credit.

Through Budget 2024 we led discussions across the public sector to support agencies in implementing the Government's drive to see a reduction in public sector spending. Achieving the Government's target presented challenges across the sector, however the Treasury maintained strong engagement and relationships throughout.

Together with the Public Service Commission (PSC), the Treasury provided advice on and then implemented the Government's commitment to establish a new Ministry for Regulation. This included the transfer of staff and back-office functions from the Treasury, to enable the new Ministry to begin operating as quickly as possible. We assisted with the decommissioning of the Productivity Commission. We provided a range of advice on improving the Infrastructure system within New Zealand and have supported Ministers' consideration of organisational changes to better support infrastructure investment in the future.

We advise shareholding and responsible Ministers on the performance of around 50 Crown owned companies and entities, including the Crown Financial Institutions (CFIs). During the year we provided a range of ownership, performance, commercial and governance advice to Ministers. We delivered two comprehensive performance reports identifying opportunities for enhancing performance across these Crown companies and entities alongside reviews into entity performance. Notably, in 2023/24, this included the completion of the five-yearly independent review of the Guardians of New Zealand Superannuation. This review, which assessed the Guardians' management of the NZ Super Fund, resulted in their continuing alignment with global best practices. The Treasury is currently developing an action plan with the Guardians based on the review's recommendations.

In legislative matters, the Treasury supported the passage of an amendment to the New Zealand Superannuation and Retirement Income Act 2001, which now permits the Guardians to hold controlling company shares. Future oversight of how this amendment is leveraged is planned. In addition, we led the formulation of the inaugural Funding and Risk Management Statement (FRMS) for Natural Hazards Commission – Toka Tū Ake, under the Natural Hazards Insurance Act 2023. The FRMS is aimed at promoting transparency and fiscal prudence and guiding the Commission's investment strategy alignment.

To support system leadership, we have offered expertise in policy development and implementation, setting clear performance standards and encouraging a culture of continuous improvement. This included being actively engaged in inter-agency collaboration to drive coherent service delivery and shared goals across the public sector.

CASE STUDY

Advising the Government on personal income tax changes

Budget 2024 tax package

Together with Inland Revenue, we supported the Government with delivering significant tax initiatives through Budget 2024 and the December 2023 Mini Budget. This totalled a $3.7 billion per annum tax package, the centrepiece of Budget 2024. This package included:

- raising personal income tax thresholds
- expanding eligibility for the Independent Earner Tax Credit
- increasing the In-Work Tax Credit, and
- introducing the FamilyBoost childcare payment.

With the goal of encouraging new housing investment and placing downward pressure on rents, the tax package also included the restoration of interest deductibility for residential rental property and downwards adjustment of the bright-line test from 10 years to two.

Budget 2024 also included additional funding for Inland Revenue to increase its tax compliance activities, as well as the introduction of a 12% levy on online casino gambling operators. Together, these initiatives are expected to raise around $200 million per annum.

Budget 2024 tax calculator

With an external provider, the Treasury led the development of a tax calculator for the Budget 2024 website. By answering a series of simple questions, the calculator allows users to calculate how much their household will gain from the personal income tax relief package. The calculator was a highly popular product accessed by over 400,000 users in the week after Budget Day (30 May 2024).

Fiscal drag and the cost of living

New Zealand's progressive personal income tax system results in individuals paying higher rates of tax as their incomes rise. When prices and incomes rise from generalised inflation, while income thresholds remain unchanged, individuals end up paying a larger proportion of their income in tax. This phenomenon is known as 'fiscal drag'. In a high-inflation environment, such as the period from 2021 to 2023, the impact of fiscal drag intensified.

Delivering advice

The Treasury and Inland Revenue jointly provide first-opinion tax advice to Ministers. For the Budget 2024 package of personal income tax relief, the two agencies provided advice to help Ministers consider options against a range of criteria. In particular, this advice canvassed the trade-offs between fiscal sustainability, economic efficiency, and equity/fairness.

Distributional analysis

The Treasury produces distributional analysis using its Tax and Welfare Analysis (TAWA) model, a micro-simulation model of the New Zealand tax and transfer system. This distributional analysis helps Ministers to understand who will be affected by tax policies and how. These impacts can be compared across a range of characteristics including household and individual income level, household type, transfer receipt, age and ethnicity. Using the TAWA model, the Treasury estimated that 94% of households would benefit from the tax package. The analysis was used in the Budget documents to communicate the impact of the package to the public, as well as in the Treasury's published Regulatory Impact Statement on personal tax relief.

CASE STUDY

Economic capability leadership

Te Tai Ōhanga – The Treasury Guest Lecture Series (TGLS) continued to facilitate debate on the important issues facing New Zealand. Our Productivity in a Changing World series featured a range of accomplished speakers, exploring the implications of the changing world we find ourselves in and what this means for productivity growth both here and internationally. During the year we hosted 18 speakers. They included prominent economists such as Professor Dani Rodrik of Harvard University, Professor David Teece of the University of Berkeley, and Professor Cass Sunstein of Harvard Law School. For the first time, we also hosted two TGLS events in Auckland – with Professor Kevin Fox of the University of New South Wales in November 2023 and Dr Rui C. Mano of the International Monetary Fund (IMF) in May 2024.

In total, nearly 3,100 attendees joined these events during the year and many more watched the published recordings afterwards. To capture the key lessons from the Productivity in a Changing World series and help others access these, we published a paper that draws out the themes that emerged across the seminar series – as well as providing a short summary of the insights from each speaker.

Publication of the Treasury's analytical work contributes to the evidence base for policy, supports our relationships with the research community, and develops the Treasury's capability to provide high quality advice for the long term. The Treasury published 11 analytical papers in 2023/24.

The publications covered a broad range of topics that included estimating the distribution of wealth in New Zealand, the vulnerability of New Zealand to economic shocks experienced by its major trading partners, assessing the economic and fiscal impacts of climate change in New Zealand, and the effects of taxes and benefits on household incomes. To help with informing our productivity forecasts, we drew on insights from a Treasury Paper that explored trends in New Zealand's productivity performance. The paper is in the Productivity in a Changing World series.

We strengthened our involvement with the academic and research communities through sponsorship of the Southern Workshop in Macroeconomics (SWIM), Motu Public Policy Seminars, and the Government Economic Network (GEN) conference. We also sponsored the New Zealand Association of Economists (NZAE) Conference in early July 2024, at which the Treasury delivered 17 presentations. We have continued to expand the accessibility of our Tax and Welfare Analysis (TAWA) model to external researchers and have released two apps (applications) that provide insights into New Zealand's income distribution and the effects of our tax and welfare system.

With a focus on strengthening our own economic capability, we ran in-house training in introductory microeconomics and macroeconomics as well as a 'next steps course' in macroeconomics provided by the GEN. We have also developed a course in public economics to be delivered on an ongoing basis by our senior economists. Treasury staff have been supporting wider public sector economic capability development as trainers on GEN cost-benefit analysis, environmental economics, and wellbeing economics courses.

CASE STUDY

New Zealand Sovereign Green Bond Programme

Growth in green bonds

Since the initial $3 billion syndication of the New Zealand Sovereign Green Bond Programme in November 2022, the programme has grown. The pool of eligible green expenditures has increased from $6.80 billion to $10.87 billion, while the volume of green bonds on issue reached $6.55 billion as at 30 June 2024.

Although green bonds account for just 3.7% of New Zealand's outstanding sovereign bonds, they are an important part of the country's borrowing programme and reflect the Government's commitment to its climate and environment priorities.

Diversification of expenditures

Eligible expenditures in the programme span a broad range of green categories. The substantial amounts added to the green buildings and adaptation categories in 2023/24, together with expenditures already in the clean transport and biodiversity categories, result in a more balanced distribution overall compared with many sovereign peers.

The diversity in expenditures indicates to investors the wide range of actions New Zealand is undertaking to address climate and environmental priorities – including the importance of adaptation in the Government's response. This is increasingly relevant as more investors, even in non-labelled sovereign bonds, are keen to understand how the country as a whole is tackling these issues.

Importance of reporting outcomes

The *New Zealand Sovereign Green Bond Allocation Report 2023*, published in December 2023, was well received by the market. The focus in the second half of 2023/24 has been on preparing the inaugural 2023/24 impact report, which will demonstrate the green impacts financed by the programme. We have been collaborating closely with agencies to compile data on outputs and outcomes that are aligned with international standards and guidance.

Robust impact reporting for green bond projects is important – not only for investors to track the green outcomes of their investments, but to enable us to assess the effectiveness of the country's environmental and climate spending. Credible information on outcomes achieved will increase accountability and improve decision-making.

Pool of eligible expenditures in the Sovereign Green Bond Programme

Category	September 2022 Total ($m)	% Share	June 2024 Total ($m)	% Share
Clean Transport	$3,089	45.4	$3,777	34.7
Terrestrial and Aquatic Biodiversity	$1,820	26.8	$2,084	18.6
Green Buildings	–	–	$1,586	14.6
Climate Change Adaptation	$188	2.8	$1,482	13.6
Energy Efficiency and Renewable Energy	$947	13.9	$1,103	10.7
Sustainable Water and Wastewater Management	$472	6.9	$517	4.8
Living and Natural Resources and Land Use	$91	1.3	$184	1.7
Pollution Prevention and Control	$193	2.8	$137	1.3
Total	**$6,800**	**100.0**	**$10,872**	**100.0**

Our people and workplace

Our workforce

We aim to be an inclusive organisation that attracts and retains the best talent, draws on diverse skills and experiences and is informed by diverse perspectives. In December 2023, we released our combined Inclusion and Diversity and Kia Toipoto Gender and Ethnic Pay Gap Action Plan.

	30 JUNE 2023	30 JUNE 2024
Headcount	639	616
Full-time equivalents	623	600
Average age	40.6	41.4
Full time (percentage)	92%	90%
Permanent (percentage)	94%	95%
Length of service (years)	4.5	5.4

	30 JUNE 2023	30 JUNE 2024
Female	49%	48%
Female people leaders	48%	49%
Male	51%	52%
Male people leaders	52%	51%
Gender Pay Gap	8.4%	10.2%

Ethnicity

	Asian	Pacific people	Māori	MELAA*	Other	European
30 JUNE 2024	16.2%	2.7%	5.8%	2.0%	2.7%	79.7%
30 JUNE 2023	13.2%	2.7%	5.7%	2.4%	2.9%	81.8%

* Middle Eastern, Latin American and African

Union relationship

Over 2023/24, we undertook bargaining with the Public Service Association (PSA) for a first collective employment agreement. The agreement forms the basis of a new relationship between the Treasury and the PSA. The agreement focuses on key areas of interest for our people including flexible working, workload management, and change management. Approximately 20% of the Treasury employees are covered by this agreement.

Values and behaviours

We launched, and began the process of embedding, our new Values and Behaviours:

- **Making a difference – Kia pono**
- **Enhancing mana – Kia whakamana**
- **Achieving together – Kia hono.**

These are important touchstones for proactively shaping our culture as we navigate the future. Our success lies in the hands of our people, and our values and behaviours demonstrate what it looks like when we are operating at our best.

Teams have been identifying their actions for embedding the values and behaviours and ways of working. We have launched our Te Ara Pounamu recognition awards, which recognise teams demonstrating each of the three values. Critically, our Values are central to our refreshed leadership approach.

CASE STUDY

Paerata Generative AI Pilot

Te Tai Ōhanga – The Treasury is committed to innovation and excellence in our advice and in 2023/24 we reached a milestone in our journey towards digital transformation. The Treasury's Information and Technology Directorate developed a prototype Generative Artificial Intelligence (Gen AI) tool, Paerata (a transliteration of the word 'pilot'), which was piloted in February 2024 and rolled out to all staff in May 2024. In its initial iteration, Paerata is helping us to improve productivity and assess the viability and effectiveness of using Gen AI for policy and corporate work.

Uptake has been significant, and staff regularly suggest improvements and new potential use cases to build into updates. Paerata has already demonstrated its usefulness, with staff using it to analyse/summarise documents, generate ideas and options for early thinking, and write formulae for Excel and other software.

Paerata was developed in a way that contains inputs and outputs within the Treasury's access only. Its development was supported by an internal working group comprised of representatives from IT, privacy, risk, legal, policy, and analytics and insights, reflecting our holistic view of the technology and its risks and opportunities. The Treasury also actively engages with developments in Gen AI (and AI more generally) across the public sector, including with the Government Chief Digital Officer and Government Chief Privacy Officer.

Our use of Paerata is underpinned by appropriate technical controls and user guidance informed by our risk assessment and the latest advice from government experts. Fundamental to this is having accountable humans making decisions about what to include and how outputs are used. The use of other Gen AI tools external to the Treasury's environment, such as ChatGPT, is subject to separate, more-restrictive guidance reflecting higher risks around accuracy, security, privacy and bias.

Māori-Crown relations capability

In February 2024, we undertook our third annual staff survey to understand our Māori-Crown relations capability. Since the baseline survey in 2022, we have improved our scores in every category of questions. Results show that there is most confidence in knowledge of the Treaty of Waitangi and that most respondents believe a te ao Māori perspective is relevant to their work.

The survey results validate the progress on our Whāinga Amorangi plan. This plan focuses on capability areas relating to te reo Māori, knowledge of New Zealand history, Tiriti o Waitangi/Treaty of Waitangi literacy, tīkanga/kawa, and understanding and applying our He Ara Waiora framework.

We provide a range of opportunities for our people to grow their skills and knowledge. These include training in: te reo Māori, Crown-Māori Relations, and marae-based learning through our Te Aronuku programme.

The status of Te Tai Ōhanga – The Treasury's Treaty settlement commitments

The nature of the Treasury's commitments relate to the powers of the Minister of Finance under the Public Finance Act 1989 including tax indemnities and related obligations. The Minister of Finance generally gives a tax indemnity to claimants as part of Treaty settlements so that claimants can be certain about the quantum of settlement received. To a lesser extent the Treasury also has obligations related to deferred selection properties, other settlement property arrangements and participation commitments for arrangements over natural resources.

As of 30 June 2024, Te Tai Ōhanga – The Treasury was responsible for 384 Treaty-settlement commitments, the status of which are summarised below:

Table 1: Status of Treaty commitments

Progress status	Number of commitments	% of Progress status
Complete	12	3%
Delivery issues	34	9%
Not yet entered	7	2%
Yet to be triggered	331	86%
Total	384	100%

The status of Te Tai Ōhanga – The Treasury's Treaty settlement commitments as of 30 June 2024

Most of the commitments we are responsible for are yet to be triggered (86%). The reason is that the Minister of Finance generally gives a tax indemnity to claimants as part of Treaty settlements so that claimants can be certain about the quantum of settlement received. We are not aware of these clauses ever being used; however, they are on-going commitments with no timeframe specified. Consequently, these are recorded as "yet to be".

A small proportion of our commitments (9% or 34 commitments) have delivery issues, the most common of which relate to difficulties with finding evidence and information to support or verify the status of a commitment. We are actively working to resolve all delivery issues. As these obligations have never been triggered these obligations would not appear on the balance sheet.

Our business systems

Treasury governance in action

The Treasury's Governance Framework was implemented in 2021 to support our ELT to deliver on our purpose and priorities. The framework is well embedded and we continue to review and improve the effectiveness of the governance structure to keep it relevant and effective. The framework comprises three subcommittees, a committee of the Treasury Tier 3 staff, and five advisory bodies. The advisory bodies provide independent external advice to the Treasury.

Managing risk and compliance

An initiative within the Strengthening the Treasury programme was to improve our risk and compliance environment. Over the past few years we have continued to evolve our operating environment and have updated a number of our systems, including how we manage risk within our governance framework. We have a strong operating model that allows us to monitor and identify risks regularly, part of which is undertaking a range of internal audits each year to assess general organisational hygiene matters and top risks as identified by our ELT.

The audits undertaken during 2023/24 included:

- Compliance
- Regulatory and Legislative Compliance (for New Zealand Debt Management)
- Business Continuity
- Fraud.

The audits have not identified significant risks. Nonetheless, the Treasury is implementing a number of actions to continually improve and mature our operations.

Over the past 18 months, we refreshed our business continuity plans and systems. Our internal systems are sound, and these were tested in a practical situation by our response to the fire in our premises at No 1 The Terrace, Wellington, in February 2024.

Supporting an open and transparent public sector

In 2023/24, we received 623 Official Information Act 1982 (OIA) requests and provided information to support responses to 640 Written Parliamentary Questions (WPQs). While both the number of OIA requests and WPQs increased compared to 2022/23, there was a small decrease in Ministerial Correspondence. In 2023/24, we continued to support an open and transparent public sector successfully by:

- providing 100% of Treasury OIAs to requestors within the statutory timeframe
- improving our administration of Ministers' OIAs, with 100% of responses being provided in a timely way
- responding to WPQs and Ministerial Correspondence, with 100% and 99% success rates respectively for timeliness.

In 2023/24, we also published 27 proactive releases of documents as well as the responses to 278 OIA requests. Each proactive release comprised key documents highlighting significant public policy advice that the Treasury provided. This included advice on Project iReX, the 2023 Mini Budget, the establishment of the Ministry for Regulation, and the Budget 2023 release that comprised 307 documents totalling over 1,000 pages.

In December 2022, the Office of the Ombudsman announced an investigation into seven government agencies in relation to OIA timeliness and performance. They selected the Treasury as one of the agencies to be investigated. On 4 June 2024, the Treasury received the Provisional Opinion. The Ombudsman was complimentary of the Treasury's excellent OIA timeliness statistics and our robust culture around communicating the importance of OIA timeliness, noting that the culture of transparency is supported by senior leadership.

Reducing our emissions and embedding sustainable practices

In 2023/24 the Treasury emitted 420.51 tCO_2-e (tonnes of carbon dioxide equivalent), a 62.76% reduction on our baseline year (1,129.21 tCO_2-e in 2018/19). Most of our emissions have come from air travel and electricity consumed in our Wellington office. In August 2024, we received Toitū carbonreduce certification, demonstrating that we had measured and audited our emissions in accordance with ISO 14064-1:2018.

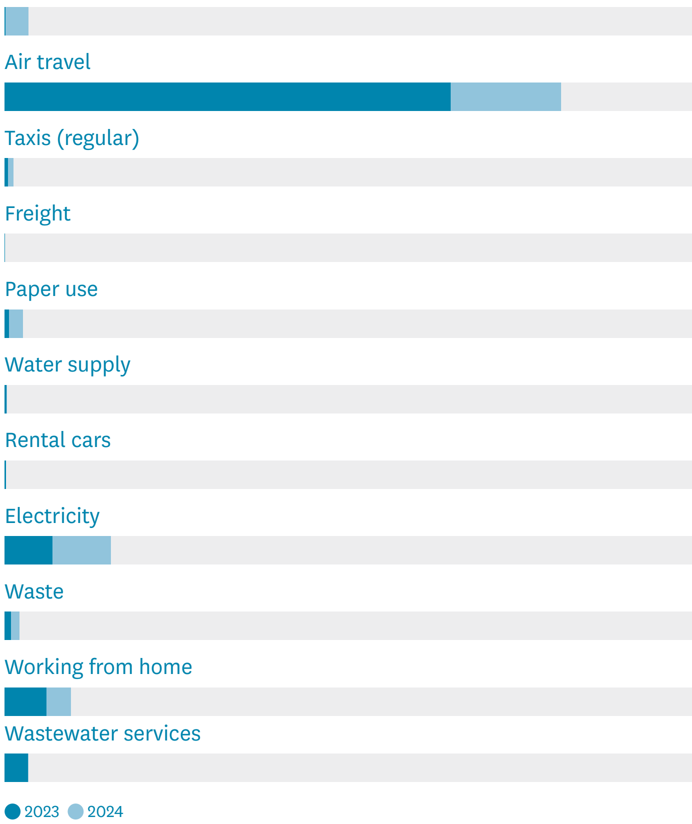
As expected, changes in COVID-19 settings in the past two years meant our travel emissions profile increased as we reconnected with the world, but despite this we continue to see reductions on our baseline year.

Table 2: Emissions profile broken down by scope and total annual emissions (tCO_2-e) for financial years 2018-2024

Category	Scope	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24
Direct emissions[3]	Scope 1	0.00	0.00	0.00	0.00	0.00	0.00
Indirect emissions from imported energy	Scope 2	19.13	33.91	35.50	33.90	48.25	27.20
Indirect emissions from transportation[4]		1,062.04	667.38	103.25	77.52	369.89	435.92
Indirect emissions from products used	Scope 3	48.04	32.94	38.73	23.97	33.22	9.89
Indirect emissions from other sources[5]		0.00	0.00	0.00	0.00	0.00	0.00
Total gross emissions		**1,129.21**	**734.23**	**177.47**	**135.38**	**451.36**	**473.00**
Change in gross emissions from previous financial year (%)			-34.98	-75.8291	-23.71	233.40	4.79
Change in gross emissions since base year (%)			-34.98	-84.2837	-88.01	-60.03	-58.11

Table 3: Total emissions breakdown by source, 2023/24

Source	2023 (tCO_2-e)	2023 (%)	2024 (tCO_2-e)	2024 (%)
Accommodation	15.61	3.46%	15.92	3.37%
Air travel	316.41	70.10%	369.99	78.22%
Taxis (regular)	48.25	10.69%	2.29	0.48%
Freight	0.05	0.01%	0.20	0.04%
Paper use	9.06	2.01%	2.95	0.62%
Water supply	0.76	0.17%	1.41	0.30%
Rental cars	4.26	0.94%	0.72	0.15%
Electricity	11.80	2.61%	31.71	6.70%
Waste	11.46	2.54%	4.24	0.90%
Working from home	0.89	0.20%	27.65	5.85%
Wastewater services	32.80	7.27%	15.92	3.37%



3 Direct emissions refer to emissions from sources that are owned or controlled by the company. The Treasury only operates one domestic size air conditioning unit and other domestic size units which are excluded from reporting requirements.

4 In 2022/23, following the relaxation of COVID-19 travel restrictions, there was a return to regular 'in-person' international engagements.

5 The Treasury does not have any indirect emissions of significant that are measured.

Since the 2018/19 financial year, our expenditure and the number of Treasury full-time equivalent employees (FTEs) have increased as we have taken on new functions. Despite this, there has been a reduction in emissions per FTE and per million dollars of expenditure since our baseline year.

Emission-reduction targets and progress towards targets

The Treasury has set science-aligned targets to support efforts to try to keep global warming at less than an increase of 1.5°C (Celsius), as required by the Carbon Neutral Government Programme. Our target also aligns with the Toitū carbonreduce programme.

We have set the following emission-reduction targets:

- **2025 target**: 787.11 tCO_2-e or a 25% reduction in gross emission (all categories) compared to the baseline year.
- **2030 target**: 556.22 tCO_2-e or a 47% reduction in gross emission (all categories) compared to the baseline year.

As we have achieved a 62.76% reduction in emissions on our baseline year, we are tracking well to achieve our emission goals. This has been accomplished through the development of a new travel policy that elevates emissions considerations, increasing regular reporting of our travel patterns to governance committees, and the implementation of the NABERSNZ energy efficiency assessment.

As we move forwards, we will focus on continuous improvement in our internal and external reporting and remain responsive to Government priorities around emissions reduction. In 2023/24 we continued to work with suppliers to action the recommendations of the National Australian Built Environment Rating System–New Zealand (NABERSNZ) Report, published in 2021.

Table 4: Emissions intensity by FTE and expenditure for financial years 2018/19–2023/24

KPI	Unit	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24
Total gross GHG emissions per FTE	tCO_2-e per FTE per annum	2.20	1.26	0.31	0.25	0.65	0.66
Total gross GHG emissions per operating revenue	tCO_2-e per $million	11.07	6.77	1.70	1.29	3.43	3.30

SECTION TWO | WĀHANGA TUARUA

Our key achievements Ko ā mātou Whakatutukitanga

Service performance judgements and assumptions

SERVICE PERFORMANCE JUDGEMENTS AND ASSUMPTIONS

The service performance information for the year ending 30 June 2024 on pages 32 to 47 was prepared in accordance with PBE FRS 48.

DISCLOSURE OF JUDGEMENTS

In preparing the service performance information for the period Treasury has made a number of judgements about what information to present, based on an assessment of what information would be most appropriate and meaningful to users when assessing performance against the Treasury's objectives. These decisions were made in consultation with the Minister of Finance, or as a response to having identified alternative measures that enhance the quality of performance information that can be presented and to meet PBE FRS 48 standards.

The judgements that had the most significant effect on the non-financial information presented related to the selection of information about the Treasury's Strategic Intentions and related activities during the period. For some activities there is not a quantitative value that can be used to measure the effectiveness of that activity. In those instances, judgement is applied to identify measures that provide readers of the annual report with relevant information. This includes the use of case studies where appropriate.

For other activities, such as the production of the Financial Statements of the Government, the measures are strictly defined by statutory provisions. There is no intermediary range or evaluation of quality; outcomes are conclusively evaluated as compliant or non-compliant.

Within the Treasury service performance measures, the following involve the most significant judgements. These are described in pages 32 to 34.

1. Policy Advice and Financial Services

The satisfaction of ministers with the provision of our policy advice

It is important for the Treasury to understand how ministers view our advice and other services we provide. Combined with the Quality of Advice measure, this helps the Treasury determine where improvements can be made. The Policy Quality Framework (PQF) is a public service-wide methodology for assessing the quality of policy advice. The PQF does not set a public-service wide standard for this measure.

Quality of advice

The quality of our policy and commercial advice is critical given:

- the significance and system-wide nature of what we advise on
- the need to maintain our reputation and relevance with ministers, the public sector, and with stakeholders, and
- the positive reputational effects for attracting high-calibre staff of being seen as a source of high-quality advice.

Investment Management and Asset Performance

Why this is important: The quality, quantity and composition of Crown assets and new investments have significant implications for New Zealand's economic performance, public services and resilience. That means the quality of investment management is vital to maintaining New Zealanders' wellbeing now and in the future. We lead the Government's investment management system. This includes working with other public sector agencies to ensure that the stewardship of public funds is robust and transparent.

Measure: The capability and performance of investment-intensive agencies are enhanced by the Treasury's stewardship of the investment management system.

Method: The measuring process consists of:

- Treasury submitting all completed Risk Profile Assessment (RPA)/Strategic Assessment (SA) for new investment proposals to the Investment Panel for moderation in the quarter immediately following their submission
- Treasury convening the Investment Panel four times a year
- Treasury submitting its quarterly investment advice to Cabinet within three months following quarter end
- Treasury convening Gateway Assurance reviews on high-risk investments in the Investment Management System.

Export Credit

Why this is important: Our trade credit insurance and financial guarantees assist exporters to secure international business. Our products and services are designed to reduce the risks of non-payment, and to encourage New Zealand banks to finance the export transaction and credit.

Measure: The internationalisation of NZ exporters is promoted and supported through the provision of guarantees and insurances to support exporters when commercial markets cannot assist. Evidence includes number of policies issued to the number of exporters to enable them to diversify exports into a broader number of countries.

Method: Export Credit Agencies' business models are often countercyclical, and demand tends to rise during difficult economic periods, when exporters are facing additional challenges. The Treasury's New Zealand Export Credit (NZEC) responded to increased demand in the current economic environment, supporting recovery and growth.

Measure: Collaboration with stakeholders to educate and increase the capability of exporters in terms of their understanding of trade finance. Evidence includes the number of presentations undertaken to external audiences.

Method: While NZEC cannot create the exports or the demand ultimately needed to secure export orders for New Zealand companies, it can help ensure that these companies and/or their financiers or advisers are aware of the support available from NZEC and that commercial export opportunities are not lost due to insufficient trade financing solutions or insurance. NZEC focuses on building this awareness and understanding via stakeholder channels (including bankers, trade credit insurers and brokers, industry groups, and other export related government agencies) as well as through direct exporter engagements.

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

Purpose: 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.

Why this is important: The Treasury plays a key role in managing the Crown's borrowing needs and associated investment portfolios. Our focus is on minimising the Crown's borrowing costs over the long term, with due consideration given to risk and ensuring ongoing access to debt funding markets.

Measure: The Crown's debt funding needs are met through execution of the Minister of Finance approved annual New Zealand Government Bonds (NZGB) programme and associated funding strategy. The financing task is met in a cost-effective manner with associated risks managed in accordance with the Portfolio Management Policy.

Method: Performance is assessed against three success measures:

- The Minister of Finance-approved Economic and Fiscal Update (EFU) funding plan and strategy is executed over the period. Funding plans are agreed with the Minister of Finance at each EFU. Completion of the funding task monitored and reported quarterly reported to Capital Markets Advisory Committee (CMAC).
- Risks are managed within Minister of Finance agreed risk compliance limits over the period. Daily calculations are made and aggregated. These limits reflect the level of the Crown's risk appetite from the activities.
- The weighted average issuance yields from bond tenders are at or below the prevailing mid-market secondary rates over the period. This demonstrates that incremental changes to funding cost are cost-effective.

3. Crown Company Monitoring Advice

Purpose: 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.

Quality of commercial policy advice

Why this is important: Enhanced performance leads to more efficient delivery of services and potentially improved economic returns, which in turn can be utilised to support the Government's broader social, cultural, environmental, and economic initiatives. Moreover, this ensures that public assets are managed responsibly, aligning with the Crown's expectations and long-term fiscal sustainability.

4. Southern Response Earthquake Services Independent Oversight Committee

Purpose: To achieve independent oversight and advice on the implementation and delivery of a Southern Response proactive settlement package for former Allied Mutual Insurance (AMI) policyholders who cash settled for earthquake damage before 1 October 2014.

Why this is important: This package was announced by the Government in December 2020. It is to provide eligible AMI policyholders – who prior to October 2014 cash-settled their insurance claims for earthquake damage – with an additional payment. This is to address specific issues identified for those policyholders, relative to those who cash-settled later.

Measure: The Board's decisions on implementing the packages are informed by regular reports on progress and recommendations from the oversight committee.

Method: Performance is assessed by Board's opinion on quality and timeliness of the Independent Oversight Committee (IOC) reporting to inform Board decision making in regards to the Package. The Board and management of Southern Response have confirmed that the reports provided by the IOC assist in the Board's decision making around implementation of the Package. The timeliness, quality and style of reporting is appreciated and gives the Board comfort around decisions being made. Reports are regularly incorporated in the board pack as well as being circulated separately. The Board and IOC also meet in person to enable further discussion.

Policy Advice and Financial Services

THE TREASURY FORECAST TO SPEND

$103.850m

THE TREASURY SPENT

$97.960m

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

MINISTERIAL SATISFACTION MEASURE

MEASURE	STANDARD	2022/23	2023/24
The satisfaction of the Minister of Finance with the provision of our advice and financial services	Achieved	Achieved	Achieved

POLICY ADVICE MEASURE

MEASURE	STANDARD	2022/23	2023/24
Papers with a score of 3 or more	80%	90%	85%
Papers with a score of 4 or more	20%	13%	22%
Average score of assessed papers	3.5	3.3	3.2

MINISTERIAL SATISFACTION

In this reporting period, feedback was sought from the Minister of Finance and the three Associate Ministers of Finance for the period 27 November 2023 to 30 June 2024, due to a change in responsibilities following the 2023 General Election. 75% provided a response. The weighted average score across all respondents was 3.4 out of 5. This measure records the Minister of Finance's response, who gave the Treasury a weighted average score of 3.8 out of 5 across the survey.

This measure is captured via a survey of appropriation ministers and other ministers who receive the Treasury's advice. This uses a scale of 1-5 and includes an opportunity to provide comments or suggestions. Survey questions cover the following topics aligned to the PQF:

- General Satisfaction eg, level of engagement, timeliness of advice
- Quality of Policy Advice
- Overall Performance eg, confidence in policy advice, trust in officials.

A weighted average is then calculated based on the average for each topic. The average for each topic is generated by adding up the scores for each and dividing them by the number of questions that have been answered in that topic. This weighted average from the Minister of Finance is the ministerial policy satisfaction score. A score over 3 out of 5 is considered to be achieved as it meets and overall standard of "mostly".

POLICY ADVICE

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

The Treasury regularly assesses the quality of its policy advice through two formal processes. One process focuses on its policy advice generally, and the other on its commercial advice (the latter is for Crown Company Monitoring Advice – see page 43). Scoring panels are largely made up of Treasury staff. The policy advice panel includes a representative from the New Zealand Institute of Economic Research (NZIER), to provide moderation (NZIER moderates across the public sector).

For policy advice, we score 10-12 papers each quarter. This represents approximately 7% of papers produced, although the total number of papers the Treasury produces naturally depends on current stakeholder requirements and can vary significantly across quarters. When selecting papers, the panel aims to cover a broad range of teams and topics. The quality metrics and scoring system we use have been developed by the DPMC Policy Project and are used across the public sector. The QPF identifies four high-level elements for assessing the quality of policy advice:

- **Context** – explains why the decision maker is receiving the advice and where it fits
- **Analysis** – is clear, logical and informed by evidence
- **Advice** – engages the decision makers and tells the full story
- **Action** – identifies who is doing what next.

In 2023/24, our policy advice was assessed through this internal panel. While our policy advice was well received by Ministers, and the quality remained consistent with prior years, we seek to continually strengthen it. Through our in-house learning and development programmes, we hold regular policy forums. These are to test and further develop emerging advice and address issues with policy capability. In 2022/23, we reset the focus of the Strengthening the Treasury organisational improvement programme. It included a plan of work, through 2023/24, on the quality of advice.

The Quality of Advice results between 2022/23 and 2023/24 are relatively stable, and there is a satisfactory increase in the percentage of papers scoring 4 or more. The Treasury has developed a new programme to improve the quality of its advice, and Treasury's Executive Leadership Team has a strong interest in ensuring that the Treasury's advice is robust and influential.

While there was a small decrease in the average score of papers, that in part reflects one extremely busy quarter, where the Treasury was working at pace. We have looked carefully at this experience and have incorporated the lessons from that time into our quality of advice training.

FISCAL MANAGEMENT AND REPORTING

MEASURE	STANDARD	2022/23	2023/24
Financial Statements of the Government are produced without material error, and within the statutory requirements in the Public Finance Act 1989	Achieved	Achieved	Achieved
An unmodified audit opinion is issued by the Controller and Auditor-General on the Financial Statements of the Government	Achieved	Achieved	Achieved
Budget documents are produced without material error, and in accordance with the statutory requirements in the Public Finance Act 1989	Achieved	Achieved	Achieved
Major fiscal models are quality assured (periodically) and, where appropriate, assumptions are tested with suitably qualified experts	Achieved	Achieved	Achieved

Financial Statements of the Government

We delivered the Financial Statements of the Government for the year ended 30 June 2023 with an unmodified audit opinion. The Financial Statements were completed and provided to the Office of the Auditor-General, as required by the Public Finance Act 1989, and received an unqualified audit opinion on 29 September 2023. Monthly Financial Statements from September 2023 to May 2024 were completed and published in line with the Public Finance Act 1989 requirements. The five-year forecasts were published in the Pre-Election Economic and Fiscal Update (PREFU) in September. We published the Half Year Economic and Fiscal Update (HYEFU) in December 2023, followed by the Budget Economic and Fiscal Update (BEFU) in May 2024.

Budget documents

During the production of the budget documents, one non material error was identified on the labelling of an axis in the Budget at a Glance document, through the QA process and corrected. No additional errors (material or not) have been identified up to 30 June 2024, or post 30 June to 20 September.

A material error is defined as measured by the number of corrections to published documents in the form of formal republication or errata. A material error would meet the following criteria:

- mistakes in Budget data presented (for example if published data does not match decisions made by Ministers, or is inconsistent between documents)
- factually inaccurate information
- statements inconsistent with Government policy and/or Ministerial feedback or direction
- documents are inconsistent with obligations under the PFA or other legislation.

"Material error" does not include typos or other minor errors that do not compromise the accuracy of the documents.

Major fiscal models

Each forecast round, economic and tax forecasts are presented to senior leaders in order to test the correctness of the forecasts, underlying judgement and assumptions. In addition, forecasts are presented to an external panel of experts to quality assure the forecasts before they are finalised. The external panel considered the preliminary HYEFU and BEFU and any feedback provided from the panel is considered alongside other relevant information before we finalise our forecasts.

The Treasury's main fiscal projection models, the Long-Term Fiscal Model (LTFM) and Fiscal Strategy Model (FSM), have several checks built into them to pick up errors. This means that, were they not to balance, this would be picked up by these checks. However, it is always possible that erroneous input data could be used or a mistake made in the modelling logic. Assuming these were picked up by either the modellers themselves or those charged with providing quality assurance on the models, they would be corrected if they affected a fiscal variable projected in billions of nominal dollars by more than one decimal point, which effectively means by $100 million or more.

In this year's BEFU document we published information on the uncertainty of tax revenue derived from past forecasts, and up/down scenarios are presented to highlight the impact of alternative assumptions and judgements on the economic and tax forecasts.

Work has begun to collect more detailed information about changes in our forecast during their production in order to better assess the accuracy of Budget forecasts and the sources of error. This information will be assessed later this year and in 2025 when outturns have been published and the accuracy of budget forecasts can be assessed. This is an ongoing programme of work.

Monthly tax outturn data are published on the Treasury's public website, usually by the end of the following month, shortly after they are reported to Ministers. This data includes the difference between actual and forecast figures.

INVESTMENT MANAGEMENT AND ASSET PERFORMANCE

MEASURE	STANDARD	2022/23	2023/24
The capability and performance of investment-intensive agencies are enhanced by the Treasury's stewardship of the investment management system	Achieved	Achieved	Achieved

The Investment Management System (IMS) is part of the broader public finance system and supports the Government's fiscal strategy. It provides for the investment and fiscal disciplines required by agencies to successfully plan and deliver capital investment, fully realise the benefits of this investment, and achieve value for money.

We are beginning to see initial improvements to changes implemented over the past two years. Agencies are much more engaged in investment management, and investment reporting is improving. This means we can provide higher quality and more complete advice to Ministers to support investment decision-making.

In 2023/24, the Treasury:

- provided quarterly investment reports to support the Government's decision-making, including in the Budget process, with enhanced visibility of and insights on medium and high-risk investments across the investment lifecycle. Public release of these quarterly investment reports will be forthcoming in 2024/25 following Cabinet agreement to publicly release them
- involved investment management system leaders (via the Investment Panel) in the development of Cabinet advice on new investment proposals. System leaders were also involved in the capital investment pipeline review as part of Budget 2024, to better match market, agency, and fiscal capacity
- supported the Government's implementation of the revised Cabinet Circular [CO (23) 9] to improve agencies' understanding of, and compliance with, their obligations. In particular, we commenced the first annual agency chief executive attestation process, for chief executives to confirm that their agencies have complied with the Circular's requirements
- implemented initial changes to the business case, assurance, and approval processes:
  - revised Risk Profile Assessment (RPA) and Strategic Assessment to strengthen advice to Ministers and support agency capability building
  - approval of new investment proposals through a quarterly Cabinet review, to enable an early stop/go decision for new investment proposals
  - sharing of Gateway reviews with Ministers and Cabinet as part of investment approvals.
- commenced an update to the Better Business Case (BBC) and Gateway Frameworks with Tranche 1 changes to be delivered by December 2024. The objective of this update is to produce fit-for-purpose frameworks that deliver value for Ministers and Cabinet, improved agency investment discipline, and value for money from investment planning and delivery
- regularly engaged with IMS stakeholders including the Office of the Auditor-General, Gateway Review Team Leads, the Government Finance Profession, System Leaders, consultant community, and agencies
- a total of 44 investment reviews (33 Gateway reviews and 11 other reviews) were completed in 2023/24
- we continue to develop local review capacity, capability, and diversity – including by way of the following:
  - 20 new reviewers and five new senior reviewers from New Zealand
  - 33 reviews (75%) had a New Zealander as a Review Team Lead
  - 62 female or non-binary reviewers (representing 39% of total review team members) participated in a Review team.

EXPORT CREDIT

MEASURE	STANDARD	2022/23	2023/24
The internationalisation of New Zealand exporters is promoted and supported through the provision of guarantees and insurances to support exporters when commercial markets cannot assist	Achieved	Achieved	Achieved
Collaboration with stakeholders to educate and increase the capability of exporters in terms of their understanding of trade finance	Achieved	Achieved	Achieved

The Treasury is 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 2023/24, in response to a challenging global environment, domestic economic conditions, and natural weather events, a total of $164 million in risk exposure was underwritten by New Zealand Export Credit (NZEC) via 129 policies. Claims were received and paid for exports to Sri Lanka, the United States of America, Australia, and South Africa. NZEC's Annual Overview of its 2023/24 performance is expected to be released in the final quarter of 2024.

Our support provided confidence and enabled financing for 75 exporters to deliver $476 million of goods and services into 70 countries. Our support enabled exporters to undertake export contracts that they would have been unable to enter into without our support, as well as diversify their sales into new markets whilst managing this risk. To achieve this we collaborated with both private sector and public sector stakeholders to deliver support to exporters.

During the year, as a result of economic and environmental challenges, NZEC experienced increased demand for its guarantees to support exporters' working capital requirements. In 2023/24, NZEC also:

- released publicly its annual overview, covering highlights of its financial and non-financial performance in the 2022/23 financial year
- obtained approval to streamline NZEC's due diligence process for its Loan Guarantee when supporting successful New Zealand Trade & Enterprise International Growth Fund recipients or when partnering on a 50:50 risk share basis with an exporter's bank
- assessed on a streamlined basis 74% of NZEC's trade credit insurance and letter of credit transactions as a part of an initiative to increase NZEC's effectiveness and support for exporters.

CROWN LENDING AND BANK ACCOUNTS

MEASURE	STANDARD	2022/23	2023/24
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 is maintained	Achieved	Achieved	Achieved

Centralising banking transactions for Crown Departments allows the Treasury to enhance control over public funds, ensuring efficient liquidity management and reducing the risk of unauthorised financial activities. Maintaining a clear view of the total cash position is crucial for accurate fiscal forecasting and the alignment of cash management with overall economic and budgetary objectives.

Crown departmental bank accounts with Westpac are monitored daily to ensure they net to nil (implies a complete set of accounts visible for combined cash management). CEOs provide clean sign off at year end (CFIS sign out) agreeing accounts operated within policy.

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 is maintained.

Administration of Guarantees and Indemnities Given by the Crown PLA

THE TREASURY BUDGETED

$1.270m

THE TREASURY SPENT

$0.479m

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	2022/23	2023/24
Validated and approved payments of claims under the Business Finance Guarantee scheme are made within agreed timeframes	Achieved	Achieved	Achieved
A register of Crown Guarantees and Indemnities is maintained as an accurate record throughout the financial year	Achieved	Achieved	Achieved

The Business Finance Guarantee Scheme (BFGS) helped banks, non-bank deposit takers and non-deposit-taking lenders to provide loans to businesses for cashflow, capital assets and projects related to, responding to, or recovering from the impacts of COVID-19.

By February and August each year, the Treasury Financial Accountant completes a Certification of Contingent Assets and Liabilities report for signoff by the Minister of Finance. The report includes information that is required by this performance measure. There is a classification grouping within the report for Guarantees and Indemnities which is used when recording agreements that are in place. A thorough description of each guarantee or indemnity is provided. Prior to submission of the report, the Treasury responsible person for each guarantee or indemnity is contacted and asked to confirm that the information provided is correct and that any new items have been included.

As at 30 June 2024, the total approved exposure was $1.537 billion (down from $1.968 billion as at 30 June 2023), supporting the loans of 2,744 businesses. This reflected a 21.9% reduction in total approved exposure since the scheme availability period concluded on 30 June 2021. Supported lending will continue to decrease gradually as supported loans are repaid.

Total claims paid amounted to $5.0 million as of 30 June 2024, compared with $1.6 million as of 30 June 2023.

TOTAL CLAIMS PAID

$5.0m

AS AT 30 JUNE 2024

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

THE TREASURY BUDGETED

$16.552m

THE TREASURY SPENT

$13.995m

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	STANDARD	2022/23	2023/24
The Crown's debt funding needs are met through execution of the Minister of Finance approved annual NZGB programme and associated funding strategy. The financing task is met in a cost effective manner with associated risks managed in accordance with the Portfolio Management Policy	Achieved	Achieved	Achieved

Crown borrowing occurs through issuance of New Zealand Government Securities (NZGS) throughout the year. New Zealand Government Bonds (NZGB) are the largest component of issuance and are generally issued via weekly tender – an online auction where Primary Dealers bid in multiples of NZ$1 million. Infrequent syndications also occur to issue a larger volume at a focused event. In 2023/24, a total of NZ$39.275 billion of NZGBs were issued across nominal bonds and IIBs. NZGBs on issue were NZ$178.6 billion. At the end of June 2024, we also had NZ$19 billion of Treasury Bills (T-Bills) and Euro Commercial Paper (ECP) on issue.

The Treasury also:

- published the first New Zealand Sovereign Green Bond Allocation Report
- issued NZ$8.5 billion of new bonds (2035 and 2054 nominal bonds) via syndication, re-extending the NZGB curve out to 30 years
- implemented a new nominal bond tender process, increasing the flexibility of our tender issuance
- supported all Crown cash flow requirements
- conducted almost 100 one-on-one investor engagements (split between in-person and virtual) across 32 cities and presented to investors at three industry conferences
- updated the 2003 'guidelines for the management of Crown and departmental foreign exchange exposure'
- updated our Primary Market Access Framework for NZGS, and maintained ongoing engagement with our seven Primary Dealers who participate in our tenders and support the NZGS market.

Credit ratings

Credit ratings provide 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. As well as timely information sharing throughout the year, we coordinated in-person and virtual engagements with the three major global rating agencies. New Zealand continues to be amongst the world's highest-rated sovereigns.

Domestic Currency Ratings:

- S&P Global Ratings: AAA
- Moody's Investor Service: Aaa
- Fitch Ratings: AA+.

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. Throughout 2023/24, we maintained compliance with all liquidity metrics and maintained our excess cash and liquid financial assets as required to maintain the minimum NZ$15 billion liquidity buffer level.

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. During the year, we also issued loans to Kāinga Ora to help meet their financing requirements, rather than Kāinga Ora borrowing in private markets. This lowered financing costs for the Crown.

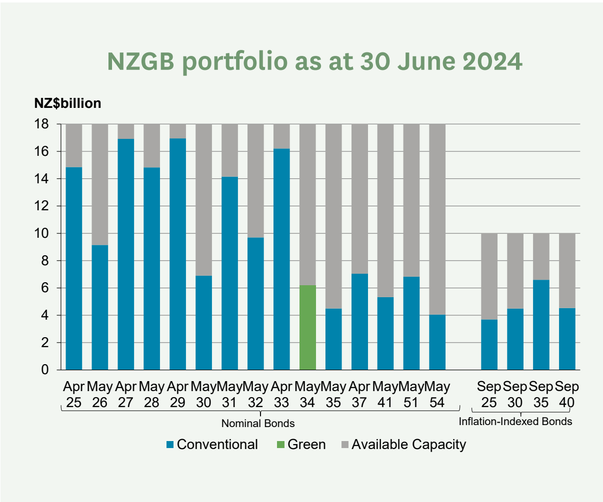
ASSURANCE AND OVERSIGHT

The Capital Markets Advisory Committee provides independent perspectives and advice to the Treasury. The committee provides challenge and feedback on decisions and initiatives that affect debt management and treasury services' outcomes. This includes:

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

The Green Bond Committee (GBC) has been established to support the Treasury and oversee the New Zealand Sovereign Green Bond Programme. The GBC's role includes:

- endorsement of eligible expenditures
- oversight of management of green bond proceeds
- oversight of allocation and impact reporting, and risk management.



The chart is of our New Zealand Government Bonds (NZGB) portfolio. Each bar represents an individual bond line that matures on the dates written under the bar (eg, April 2025 maturity, May 2026 maturity etc). There are two different types of NZGBs, Nominal Bonds and Inflation Indexed Bonds (IIBs).

Crown Company Monitoring

THE TREASURY BUDGETED

$7.035m

THE TREASURY SPENT

$6.240m

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	2022/23	2023/24
Crown Company Monitoring Advice to the Minister for State Owned Enterprises and Other Responsible Ministers	Papers with a score of 3 or more	80%	80%	90%
	Papers with a score of 4 or more	20%	40%	38%
	Average score of assessed papers	3.5	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%	100%
	Papers with a score of 4 or more	20%	100%	50%
	Average score of assessed papers	3.5	4.5	3.75

The Treasury regularly assesses the quality of its advice through two formal processes. One process focuses on its commercial advice, and the other on its policy advice. For commercial policy advice, we carry out a bi-annual exercise, scoring ten papers each time for advice covered by the Crown Company Monitoring appropriation. This represents approximately 5% of commercial papers produced, although the total number depends on current stakeholder requirements and can vary across the year. When selecting papers, the panel aims to cover a broad range of teams and topics. The quality metrics and scoring system we use have been developed by the DPMC Policy Project and are used across the public sector. Scoring panels include an independent (external) member with relevant commercial experience.

The Quality of Commercial Advice Results between 2022/23 and 2023/24 are relatively stable for the Crown Company Monitoring Advice to the Minister for State Owned Enterprises and Other Responsible Ministers Category, with a small improvement in papers that scored 3 or more. The Treasury has paid particular attention to improving the peer review process to lift the quality of our advice.

The decrease in the percentage of papers that received a score of 4 or more in the Treasury advice to the Minister of Research, Science and Innovation category from 100% to 50% can be attributed to the small sample size, noting that all standards were achieved.

Performance, ownership purposes, and accountability advice

During the 2023/24 period, we delivered two comprehensive performance reports (reflecting half-year and full-year results) to Ministers, detailing our performance evaluations and identifying avenues for enhancing the performance of entities. We also provided responsible Ministers with advice on Letters of Expectations and accountability documents such as the Statement of Performance Expectations.

During the reporting period, the Treasury did not directly provide the Minister of Research, Science and Innovation with advice on Crown Research Institutes. We did, however, make significant contributions to many reports developed by MBIE for the Minister. We also delivered advice to the Minister of Research, Science and Innovation – as well as other responsible Ministers – on a review of the weather forecasting system, with a particular focus on the roles and functions of the Meteorological Service of New Zealand Limited (MetService) and the National Institute of Water and Atmospheric Research Limited (NIWA).

KiwiRail performance and iReX funding advice

During 2023/24, we provided advice to shareholding Ministers on Project iReX – KiwiRail's project to acquire two new rail-enabled Cook Strait ferries and develop the corresponding landside infrastructure. A proactive release of documents related to Project iReX, from 20 September 2022 through to 15 December 2023, is publicly available on the Treasury's website.

NZ Post Capital Review

In the 2023/24 year, the Treasury engaged with NZ Post on carrying out the inaugural capital review assessment subsequent to NZ Post's decision to retain $400 million from the divestiture of its 53% stake in Kiwi Group Holdings Limited. As a result of this review, we provided shareholding Ministers with analysis and strategic advice on NZ Post's capital structure.

This work led to constructive discussions between shareholding Ministers and NZ Post, and in May 2024 the company paid a special dividend of $100 million to the shareholding Ministers.

Southern Response Earthquake Services Independent Oversight Committee

THE TREASURY BUDGETED	THE TREASURY SPENT
$0.150m	**$0.110m**

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	2022/23	2023/24
The Board's decisions on implementing the packages are informed by regular reports on progress and recommendations from the oversight committee	Achieved	Achieved	Achieved

The Treasury continues to manage the appropriation for the Independent Oversight Committee, as it provides independent oversight and advice on a specific Crown initiative involving Southern Response. The committee comprises three members of high standing in their fields. Together they have the specific breadth of experience and skills sought by Ministers for overseeing Southern Response's implementation and delivery of the Crown's proactive earthquake settlement package.

The Oversight Committee meets monthly and produces minutes (which may include, among other topics, information on progress), as well as reporting to ministers quarterly and producing a variety of other reporting publications.

This package was announced by the Government in December 2020. It is to provide eligible Allied Mutual Insurance (AMI) policyholders – who prior to October 2014 cash-settled their insurance claims for earthquake damage – with an additional payment. This is to address specific issues identified for those policyholders, relative to those who cash-settled later. Southern Response continues to manage the administration of the package. It has taken longer than originally anticipated to be implemented, due to ongoing litigation including the Ross class action. Following the discontinuance of the Ross class action in December 2021, Southern Response has been delivering the package in line with the principles on which it is based.

Shared Support Services

THE TREASURY BUDGETED	THE TREASURY SPENT
$13.749m	**$13.352m**

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

MEASURE	STANDARD	2022/23	2023/24
Services meet the standards and timeframes agreed with other agencies	Achieved	Achieved	Achieved

The Treasury provides shared services to Department of the Prime Minister and Cabinet (DPMC), Public Service Commission, Serious Fraud Office, Creative NZ, Climate Change Commission, Ministry for Culture & Heritage, Human Rights Commission, and the Ministry for Regulation. Services provided include information technology, business information management, human resources, payroll and finance to eight other agencies. Not all agencies use all services and some may use only part of a service (eg, financial systems but not full financial services).

To assess this measure, interviews were held with the lead relationship contact at each of the entities that shared services are provided to. This was performed by a person independent of the Treasury shared services relationship manager and referenced the service level agreements (SLAs) in place. Overall feedback was very positive about the delivery and quality of the services provided.

A range of our functions and teams have been purpose-built to meet the needs of the small agencies at the centre of government, solving problems and leveraging opportunities in corporate support services. We aim to provide services that are integrated, innovative and customer centric. During the year we:

- enabled access to shared services at or above expected service levels
- delivered quality finance, payroll, information management and information technology services in a timely manner
- enhanced IT infrastructure, tools and business processes to continue to successfully support the flexible and remote work practices of our customers
- supported structural change within DPMC that stemmed from a review of the National Security Group and the transition of the Child Wellbeing and Poverty Unit from DPMC to the Ministry of Social Development
- delivered up-to-date security capabilities to enhance protection of the agencies' digital environment. This is supported by a security awareness campaign to enable people to use technology safely
- successfully migrated the remaining websites to complete a multi-year project to implement a new version of the shared content management system
- delivered a subscription management tool to streamline renewals and provide improved transparency of subscriptions for budget holders
- supported the relocation of various teams within DPMC to their new office accommodation in Kate Sheppard Place
- have proactively engaged with suppliers to increase the use of eInvoices during the year
- supported the establishment of the Ministry for Regulation and onboarded the agency as a new customer for shared finance and payroll system and financial transaction processing services.

Productivity Commission – Disestablishment and Ongoing Liabilities

THE TREASURY BUDGETED	THE TREASURY SPENT
$0.550m	**$0.220m**

This appropriation is intended to provide funds for the expenses and management of ongoing liabilities associated with the disestablishment of the Productivity Commission.

MEASURE	STANDARD	2022/23	2023/24
Expenses are incurred to deliver final statutory documents within the required timeframes to a high standard, supported by an unmodified audit report	Achieved	Achieved	Achieved
Ongoing expenses meet legislative and contractual obligations	Achieved	Achieved	Achieved

The Productivity Commission was disestablished with effect from 29 February 2024. The Treasury was given responsibility for managing the residual assets, liabilities and obligations of the Commission. Since the Commission was disestablished, we have:

- prepared and published the final annual report for the Commission for the eight months to February 2024 with an unmodified audit opinion, by the statutory deadline of 31 May 2024
- transferred the information assets of the Commission to either Archives New Zealand or the Treasury so that key information can remain publicly available or be kept to comply with the Public Records Act 2005
- settled the liabilities of the Commission and closed its bank accounts, remitting the balance to the Crown
- transferred the remaining funding of the Commission for the 2023/24 financial year to the Ministry for Regulation.

SECTION THREE | WĀHANGA TUATORU

Reporting on Financial Information

He Pūrongo Pārongo Ahumoni

Appropriation Statements

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

for the year ended 30 June 2024

2023 Actual $000		2024 Actual $000	2024 Main Estimates Unaudited $000	2024 Supp. Estimates Unaudited $000	Location of End-of-year Performance Information
	Vote Finance				
	Departmental Output Expenses				
13,584	Administration of Crown Borrowing, Securities, Derivative Transactions and Investment PLA	13,995	16,552	16,552	Section Two
376	Administration of Guarantees and Indemnities Given by the Crown PLA	479	610	1,270	Section Two
-	Productivity Commission – Disestablishment and Ongoing Liabilities	220	-	550	Section Two
13,304	Shared Support Services	13,352	11,224	13,749	Section Two
106	Southern Response Earthquake Services Independent Oversight Committee	110	225	150	Section Two
27,370	**Total Departmental Output Expenses**	**28,156**	**28,611**	**32,271**	
	Departmental Capital Expenditure				
3,911	The Treasury – Capital Expenditure PLA	2,006	6,035	6,035	Section Three
3,911	**Total Departmental Capital Expenditure**	**2,006**	**6,035**	**6,035**	
	Non-Departmental Output Expenses				
13,875	Independent Infrastructure Advice and Oversight	13,875	13,875	13,875	New Zealand Infrastructure Commission Annual Report
5,930	Inquiries and Research into Productivity-Related Matters	3,953	5,930	3,953	New Zealand Productivity Commission Annual Report
14,237	Management of Anchor Projects by Ōtākaro Limited	5,466	6,000	5,782	Rau Paenga Limited Annual Report
548	Management of the New Zealand Superannuation Fund	615	728	728	Exempt
34,590	**Total Non-Departmental Output Expenses**	**23,909**	**26,533**	**24,338**	
	Non-Departmental Borrowing Expenses				
5,391,084	Debt Servicing PLA	6,478,929	5,799,183	6,412,221	Exempt
5,391,084	**Total Non-Departmental Borrowing Expenses**	**6,478,929**	**5,799,183**	**6,412,221**	
	Non-Departmental Other Expenses				
1,696	Carrying Value of Future Liabilities	2,192	3,000	3,000	Exempt
142,981	Christchurch Regeneration Acceleration Facility	13,388	13,388	13,388	Minister of Finance's Report on Non-Departmental Appropriations
-	Government Superannuation Appeals Board	1	50	50	Exempt
44,308	Government Superannuation Fund Authority – Crown's Share of Expenses PLA	62,636	42,958	52,102	Exempt
505,430	Government Superannuation Fund Unfunded Liability PLA	787,581	572,552	783,449	Exempt
12,931	National Provident Fund – Crown Liability for Scheme Deficiency PLA	377	-	12,855	Minister of Finance's Report on Non-Departmental Appropriations
23,700	National Provident Fund Schemes – Liability Under Crown Guarantee PLA	37,000	4,000	37,000	Exempt
-	Payment in Respect of Export Credit Office Guarantees and Indemnities PLA	717	-	-	Exempt

2023 Actual $000		2024 Actual $000	2024 Main Estimates Unaudited $000	2024 Supp. Estimates Unaudited $000	Location of End-of-year Performance Information
3,147,514	Payments and Expenses in Respect of Guarantees and Indemnities PLA	1,206,989	-	1,557,697	Minister of Finance's Report on Non-Departmental Appropriations
208	Stewardship of Residual Crown Obligations	129	500	500	Exempt
11	Unclaimed Money PLA	12	30	30	Exempt
-	Unwind of Discount Rate Used in the Present Value Calculation of Payment for Shares in International Financial Institutions PLA	-	11	11	Exempt
3,878,779	**Total Non-Departmental Other Expenses**	**2,111,022**	**636,489**	**2,460,082**	
	Non-Departmental Capital Expenditure				
-	Capital contribution to the Reserve Bank of New Zealand	500,000	-	500,000	Exempt
-	Capital Contribution to the Reserve Bank of New Zealand – Current and Future Risk Management	1,300,000	-	1,300,000	Exempt
-	Capital Injections to Airways New Zealand for Ground-Based Navigation Aids	-	10,000	20,000	Airways New Zealand Annual Report
13,000	COVID-19: Capital Injections to Airways New Zealand	-	5,000	-	Minister of Finance's Report on Non-Departmental Appropriations
10,128	International Financial Institutions PLA	10,175	-	-	Exempt
-	New Zealand Green Investment Finance Ltd – Equity Injections for Operating Expenditure	-	2,110	2,110	New Zealand Green Investment Finance Ltd Annual Report
2,558,000	New Zealand Superannuation Fund – Contributions	1,614,000	1,602,000	1,614,000	New Zealand Superannuation Fund Annual Report
190,648	Refinancing of Kāinga Ora – Homes and Communities and Housing New Zealand Limited Debt	423,103	425,187	425,187	Section Three
2,107,933	Subscription for Shares in Kiwi Group Capital Limited	-	-	-	Refer Note 1
128,600	Tāmaki Regeneration Company Limited – Equity Injection	-	1,900	-	Exempt
5,781	Transfer of European Bank of Reconstruction and Development (EBRD) Shares	-	-	-	Refer Note 1
5,014,090	**Total Non-Departmental Capital Expenditure**	**3,847,278**	**2,046,197**	**3,861,297**	
	Multi-Category Expenses and Capital Expenditure				
	Crown Company Monitoring Advice MCA				
	Departmental Output Expenses				
5,029	Crown Company Monitoring Advice to the Minister for State Owned Enterprises and Other Responsible Ministers	6,044	5,593	6,947	Section Two
170	Crown Company Monitoring Advice to the Minister of Research, Science and Innovation	196	88	88	Section Two
5,199	**Total Crown Company Monitoring Advice MCA**	**6,240**	**5,681**	**7,035**	
	Greater Christchurch Anchor Projects MCA				
	Non-Departmental Other Expenses				
-	Christchurch Bus Interchange and Associated Transport Infrastructure – Operating	-	100	-	Rau Paenga Limited Annual Report
2,415	Christchurch Convention Centre – Operating	-	20,088	11,587	Rau Paenga Limited Annual Report
-	Christchurch Stadium – Operating	-	165	-	Rau Paenga Limited Annual Report
-	Financial Impact of Valuations	-	100	-	Exempt
-	Leasing Anchor Project Land	-	100	-	Exempt
-	Metro Sports Facility – Operating	-	163,000	-	Rau Paenga Limited Annual Report

2023 Actual $000		2024 Actual $000	2024 Main Estimates Unaudited $000	2024 Supp. Estimates Unaudited $000	Location of End-of-year Performance Information
581	Pre-development Holding Costs – Operating	-	1,000	118	Rau Paenga Limited Annual Report
648	Procurement of Land and Assets – Operating	10,200	150	-	Rau Paenga Limited Annual Report
111	Public Space – Operating	1,582	2,000	807	Rau Paenga Limited Annual Report
-	Sale of Land	-	100	-	Exempt
	Non-Departmental Capital Expenditure				
-	Christchurch Bus Interchange and Associated Transport Infrastructure – Capital	-	100	-	Rau Paenga Limited Annual Report
-	Christchurch Convention Centre – Capital	-	3,877	8,553	Rau Paenga Limited Annual Report
30,230	Land and Asset Acquisition – Capital	-	100	-	Rau Paenga Limited Annual Report
34,852	Metro Sports Facility – Capital	88,716	10,285	100,664	Rau Paenga Limited Annual Report
1,648	Public Space – Capital	-	2,000	-	Rau Paenga Limited Annual Report
70,485	**Total Greater Christchurch Anchor Projects MCA**	**100,498**	**203,165**	**121,729**	
	Greater Christchurch Regeneration MCA				
	Non-Departmental Other Expenses				
-	Greater Christchurch Regeneration – Operating	-	2,000	-	Section Three
	Non-Departmental Capital Expenditure				
-	Greater Christchurch Regeneration – Capital	-	100	-	Section Three
-	**Total Greater Christchurch Regeneration MCA**	**-**	**2,100**	**-**	
	Management of Landcorp Protected Land Agreement MCA				
	Non-Departmental Other Expenses				
1,392	Operating Costs	1,674	2,000	2,000	Section Three
	Non-Departmental Capital Expenditure				
1,994	Capital Investments	1,121	1,500	1,500	Section Three
3,386	**Total Management of Landcorp Protected Land Agreement MCA**	**2,795**	**3,500**	**3,500**	
	Management of New Zealand House, London MCA				
	Non-Departmental Output Expenses				
3,484	Property Management	290	1,000	1,000	Section Three
	Non-Departmental Other Expenses				
-	Financial Impact of Lease Surrender	37,753	-	34,590	Section Three
2,900	Operational Costs	1,124	5,871	6,767	Section Three
383	Renegotiation of Lease Arrangements	-	-	-	Section Three
	Non-Departmental Capital Expenditure				
-	Capital Expenditure	-	750	3,000	Section Three
6,767	**Total Management of New Zealand House, London MCA**	**39,167**	**7,621**	**45,357**	
14,435,661	**Total Annual Appropriations and Permanent Appropriations**	**12,640,000**	**8,765,115**	**12,973,865**	
	Multi-Year Appropriations				
6,400	Central Crown Infrastructure Delivery Agency – Operating (MYA)	18,000	25,000	31,100	Rau Paenga Limited Annual Report
-	Central Crown Infrastructure Delivery Agency – Capital (MYA)	5,625	15,000	6,600	Rau Paenga Limited Annual Report
57,700	Crown Infrastructure Partners Limited – Equity Injection (MYA)	-	37,284	75,096	Exempt
-	KiwiRail – Project iReX Wind down Costs (MYA)	47,000	-	295,000	Exempt
170,000	New Zealand Green Investment Finance Ltd – Equity Injections for Capital Investments (MYA)	-	-	100,000	New Zealand Green Investment Finance Ltd Annual Report

2023 Actual $000		2024 Actual $000	2024 Main Estimates Unaudited $000	2024 Supp. Estimates Unaudited $000	Location of End-of-year Performance Information
8,530	New Zealand Green Investment Finance Ltd – Equity Injections for Operating Expenditure (MYA)	-	-	-	New Zealand Green Investment Finance Ltd Annual Report
-	North Island Severe Weather Events – Financing Support (MYA)	4,650	-	17,000	Exempt
36,067	Participation in Dividend Reinvestment Plans by the Mixed Ownership Model Companies (MYA)	36,597	70,000	103,933	Exempt
-	Shovel Ready Project Funding – Crown Infrastructure Partners (MYA)	325,981	15,000	325,981	Crown Infrastructure Partners Annual Report
3,000	Shovel Ready Project Funding – Ōtākaro Limited (MYA)	14,000	-	25,001	Rau Paenga Limited Annual Report
41,200	Venture Capital Fund (MYA)	32,225	163,510	32,226	Minister of Finance's Report on Non-Departmental Appropriations
-	Venture Capital Fund (MYA)	7,475	-	23,094	Minister of Finance's Report on Non-Departmental Appropriations
322,897	**Total Multi-Year Appropriations**	**491,553**	**325,794**	**1,035,031**	
14,758,558	**Total Annual Appropriations, Permanent Appropriations, and Multi-Year Appropriations**	**13,131,553**	**9,090,909**	**14,008,896**	
	Earthquake Commission – On-sold Canterbury Properties MY MCA Expense				
	Non-Departmental Output Expenses				
705	Claims Handling and Other Administrative Costs (MYA)	6,000	705	6,720	Earthquake Commission Annual Report
	Non-Departmental Other Expenses				
45,730	Repair of Canterbury Properties (MYA)	69,307	46,830	114,180	Earthquake Commission Annual Report
46,435	**Total Earthquake Commission – On-sold Canterbury Properties MY MCA**	**75,307**	**47,535**	**120,900**	
	Policy Advice and Financial Services MY MCA				
	Departmental Output Expenses				
184	Crown Lending and Bank Accounts (MYA)	169	449	449	Section Two
2,421	Export Credit (MYA)	2,315	2,076	2,076	Section Two
9,098	Fiscal Management and Reporting (MYA)	9,316	9,922	9,922	Section Two
7,301	Investment Management and Asset Performance (MYA)	6,183	7,188	8,838	Section Two
74,076	Policy Advice (MYA)	79,977	84,002	82,565	Section Two
93,080	**Total Policy Advice and Financial Services MY MCA**	**97,960**	**103,637**	**103,850**	
14,898,073	**Total Annual Appropriations, Permanent Appropriations, Multi-Year, and Multi-Year Multi-Category Appropriations**	**13,304,820**	**9,242,081**	**14,233,646**	

Note 1 – There was no expenditure forecast and there has been no expenditure against the appropriation in the 2023/24 financial year.

Reconciliation between Departmental Expenses and Non-Departmental Expenses to the Total Annual Appropriations, Permanent Appropriations, Multi-Year, and Multi-Year Multi-Category Appropriations

for the year ended 30 June 2024

2023 Actual $000		2024 Actual $000
125,649	Total expenses in Departmental Statement of Comprehensive Revenue and Expenses	132,356
9,084,606	Total expenses in Schedule of Non-Departmental Expenses	8,677,348
9,210,255	**Total expenses**	**8,809,704**
3,911	Total Departmental Capital Expenditure	2,006
5,396,311	Total Non-Departmental Capital Expenditure	4,019,037
287,596	Remeasurements	474,073
14,898,073	**Total Annual and Permanent Appropriations**	**13,304,820**

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

for the year ended 30 June 2024

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

North Island Severe Weather Events – Provision for Crown Payments to Local Authorities

To account for the Government's part of the cost-sharing agreements for flood-affected properties in the Hawke's Bay, Tairāwhiti, and Auckland regions, the Government created a Crown expense provision of $494.5 million in the Crown accounts.

The Government had anticipated incurring this expense at the end of the 2022/23 financial year and had an appropriation in place, authorised under Vote Finance. However, the event creating the recognition of a provision and expense, arose in the 2023/24 financial year.

The full amount of $494.5 million of the grants expense incurred without appropriation is unappropriated expenditure.

Additional authority for this and subsequently determined expenditure to be incurred was authorised under imprest supply and included in the Supplementary Estimates of Appropriations 2023/24 in Vote Prime Minister and Cabinet. (2023: Nil)

Expenses and capital expenditure incurred in excess of appropriation

Nil. (2023: Nil)

Statement of Capital Injections

for the year ended 30 June 2024

2023 Actual $000		2024 Actual $000	2024 Main Estimates Unaudited $000	2024 Supp. Estimates Unaudited $000
122	Capital contributions	1,539	50	2,550

Financial and Performance Reporting Against Appropriations

The Treasury is responsible for achieving measures relating to:

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

Performance information for the above appropriations is reported in either Section Two or Section Three of the Treasury Annual Report with all financial information reported in Section Three.

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 Two of the Treasury Annual Report.

Financial information

2023 Actual $000		2024 Actual $000	2024 Main Estimates Unaudited $000	2024 Supp. Estimates Unaudited $000	2025 Forecast Unaudited $000
13,584	Expenses	13,995	16,552	16,552	15,225
	Funded by:				
15,201	Revenue Crown	16,547	16,547	16,547	15,220
-	Other Revenue	-	5	5	5

Administration of Guarantees and Indemnities Given by the Crown PLA

What is intended to be achieved with this appropriation

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

Performance information for this appropriation is reported in Section Two of the Treasury Annual Report.

Financial information

2023 Actual $000		2024 Actual $000	2024 Main Estimates Unaudited $000	2024 Supp. Estimates Unaudited $000	2025 Forecast Unaudited $000
376	Expenses	479	610	1,270	920
	Funded by:				
2,109	Revenue Crown	1,269	609	1,269	919
-	Other Revenue	-	1	1	1

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 to help them ensure appropriate financial returns and long-term value, from improved performance of companies that the Crown has a shareholding in and some Crown entities, in order to improve the wellbeing of New Zealanders.

Performance information for this appropriation is reported in Section Two of the Treasury Annual Report.

Financial information

2023 Actual $000		2024 Actual $000	2024 Main Estimates Unaudited $000	2024 Supp. Estimates Unaudited $000	2025 Forecast Unaudited $000
5,199	**Total Appropriation**	**6,240**	**5,681**	**7,035**	**5,191**
	Departmental Output Expenses				
5,029	Crown Company Monitoring Advice to the Minster for State Owned Enterprises and Other Responsible Ministers	6,044	5,593	6,947	5,103
170	Crown Company Monitoring Advice to the Minster of Research, Science and Innovation	196	88	88	88
	Funded by:				
5,653	Revenue Crown	6,632	5,678	6,632	5,188
-	Other Revenue	-	3	403	3

Policy Advice and Financial Services MY MCA

What is intended to be achieved with this appropriation

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

Performance information for this appropriation is reported in Section Two of the Treasury Annual Report.

Financial information

2023 Actual $000		2024 Actual $000	2024 Main Estimates Unaudited $000	2024 Supp. Estimates Unaudited $000	2025 Forecast Unaudited $000*
	Departmental Output Expenses				
184	Crown Lending and Bank Accounts	169	449	449	-
2,421	Export Credit	2,315	2,076	2,076	-
9,098	Fiscal Management and Reporting	9,316	9,922	9,922	-
7,301	Investment Management and Asset Performance	6,183	7,188	8,838	-
74,076	Policy Advice	79,977	84,002	82,565	-
93,080	**Total**	**97,960**	**103,637**	**103,850**	**-**
	Funded by:				
87,204	Revenue Crown	96,877	99,939	96,877	-
3,707	Revenue Department	3,590	3,581	5,631	-
2,169	Other Revenue	888	117	1,342	-

* This appropriation has been replaced by a new Multi Category Appropriation for the 2024/25 financial year. The total forecast expenditure for 2024/25 is $93.401 million.

2023 Actual $000		2024 Actual $000
	Commenced: 1 July 2019	
	Expires: 30 June 2024	
347,949	Original Appropriation	347,949
93,745	Cumulative Adjustments	92,203
441,694	**Total Adjusted Appropriation**	**440,152**
243,222	Cumulative Actual Expenditure as at 1 July for All Categories	336,302
	Current year Actual Expenditure for All Categories	
184	Crown Lending and Bank Accounts	169
2,421	Export Credit	2,315
9,098	Fiscal Management and Reporting	9,316
7,301	Investment Management and Asset Performance	6,183
74,076	Policy Advice	79,977
93,080	**Total Current Year Actual Expenditure**	**97,960**
336,302	**Cumulative Actual Expenditure as at 30 June for All Categories**	**434,262**
105,392	Appropriation Remaining as at 30 June	5,890

Productivity Commission – Disestablishment and Ongoing Liabilities

What is intended to be achieved with this appropriation

This appropriation is intended to provide funds for the expenses and management of ongoing liabilities associated with the disestablishment of the Productivity Commission.

Performance information for this appropriation is reported in Section Two of the Treasury Annual Report.

Financial information

2023 Actual $000		2024 Actual $000	2024 Main Estimates Unaudited $000	2024 Supp. Estimates Unaudited $000	2025 Forecast Unaudited $000
-	Expenses	220	-	550	-
	Funded by:				
-	Revenue Crown	550	-	550	-
-	Other Revenue	9	-	-	-

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 Two of the Treasury Annual Report.

Financial information

2023 Actual $000		2024 Actual $000	2024 Main Estimates Unaudited $000	2024 Supp. Estimates Unaudited $000	2025 Forecast Unaudited $000
13,304	Expenses	13,352	11,224	13,749	11,297
	Funded by:				
13,022	Revenue Department	13,067	11,224	13,749	11,297
483	Other Revenue	283	-	-	-

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 Two of the Treasury Annual Report.

Financial information

2023 Actual $000		2024 Actual $000	2024 Main Estimates Unaudited $000	2024 Supp. Estimates Unaudited $000	2025 Forecast Unaudited $000
106	Expenses	110	225	150	169
	Funded by:				
200	Revenue Crown	150	225	150	169

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

2023 Actual $000		2024 Actual $000	2024 Main Estimates Unaudited $000	2024 Supp. Estimates Unaudited $000	2025 Forecast Unaudited $000
1,545	Property, Plant and Equipment	959	2,480	1,600	1,600
2,366	Intangibles	1,047	3,555	4,435	4,385
3,911	**Total Appropriation**	**2,006**	**6,035**	**6,035**	**5,985**

What was achieved in this appropriation

Performance measure	Standard for 2023/24	Performance for 2023/24
Expenditure is in accordance with the Treasury capital asset management plan	Achieved	Achieved

Non-Departmental Appropriations

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

2023 Actual $000		2024 Actual $000	2024 Main Estimates Unaudited $000	2024 Supp. Estimates Unaudited $000	2025 Forecast Unaudited $000
-	**Total Appropriation**	**-**	**2,100**	**-**	**-**
	Non-Departmental Other Expenses				
-	Greater Christchurch Regeneration – Operating	-	2,000	-	-
	Non-Departmental Capital Expenditure				
-	Greater Christchurch Regeneration – Capital	-	100	-	-

What was achieved in this appropriation

Performance measure	Standard for 2023/24	Performance for 2023/24
Payments are made in accordance with approved drawdown requests	Achieved	No activity in 2023/24

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

2023 Actual $000		2024 Actual $000	2024 Main Estimates Unaudited $000	2024 Supp. Estimates Unaudited $000	2025 Forecast Unaudited $000
3,386	**Total Appropriation**	**2,795**	**3,500**	**3,500**	**2,265**
	Non-Departmental Other Expenses				
1,392	Operating Costs	1,674	2,000	2,000	765
	Non-Departmental Capital Expenditure				
1,994	Capital Investment	1,121	1,500	1,500	1,500

What was achieved in this appropriation

Performance measure	Standard for 2023/24	Performance for 2023/24
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

2023 Actual $000		2024 Actual $000	2024 Main Estimates Unaudited $000	2024 Supp. Estimates Unaudited $000	2025 Forecast Unaudited $000
6,767	**Total Appropriation**	**39,167**	**7,621**	**45,357**	**1,750**
	Non-Departmental Output Expenses				
3,484	Property Management	290	1,000	1,000	1,000
	Non-Departmental Other Expenses				
-	Lease Surrender Costs	37,753	-	34,590	-
2,900	Operational Costs	1,124	5,871	6,767	-
383	Renegotiation of Lease Arrangements	-	-	-	-
	Non-Departmental Capital Expenditure				
-	Capital Expenditure	-	750	3,000	750

What was achieved in this appropriation

Performance measure	Standard for 2023/24	Performance for 2023/24
New Zealand House, London is well managed	Achieved	Achieved

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

2023 Actual $000		2024 Actual $000	2024 Main Estimates $000	2024 Supp. Estimates $000
190,648	Capital expenditure	423,103	425,187	425,187

What was achieved in this appropriation

Performance measure	Standard for 2023/24	Performance for 2023/24
Refinancing will be undertaken in accordance with the agreed appropriation limits	Achieved	Achieved

Other Financial Information for Non-Departmental Appropriations

Below is the financial information for ten non-departmental MYAs and one MY MCA for expenditure incurred by the Crown. The Treasury either has an exemption or is not responsible for the performance reporting for these appropriations.

Central Crown Infrastructure Delivery Agency – Capital (MYA)

What is intended to be achieved with this appropriation

This appropriation is intended to fund the working capital for a central Crown infrastructure delivery agency.

Performance information for this appropriation will be reported by Rau Paenga Limited in its 2023/24 Annual Report.

Financial information

2023 Actual $000		2024 Actual $000
	Commenced: 1 January 2023	
	Expires: 1 January 2026	
42,000	Original Appropriation	42,000
-	Cumulative Adjustments	-
42,000	**Total Adjusted Appropriation**	**42,000**
-	Cumulative Actual Expenditure as at 1 July	-
-	Current-year Actual Expenditure	5,625
-	**Cumulative Actual Expenditure as at 30 June**	**5,625**
42,000	Appropriation Remaining as at 30 June	36,375

Central Crown Infrastructure Delivery Agency – Operating (MYA)

What is intended to be achieved with this appropriation

This appropriation is intended to fund the operations of a central Crown infrastructure delivery agency.

Performance information for this appropriation will be reported by Rau Paenga Limited in its 2023/24 Annual Report.

Financial information

2023 Actual $000		2024 Actual $000
	Commenced: 1 January 2023	
	Expires: 1 January 2027	
100,000	Original Appropriation	100,000
-	Cumulative Adjustments	-
100,000	**Total Adjusted Appropriation**	**100,000**
-	Cumulative Actual Expenditure as at 1 July	6,400
6,400	Current-year Actual Expenditure	18,000
6,400	**Cumulative Actual Expenditure as at 30 June**	**24,400**
93,600	Appropriation Remaining as at 30 June	75,600

Crown Infrastructure Partners Limited – Equity Injection (MYA)

What is intended to be achieved with this appropriation

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.

Financial information

2023 Actual $000		2024 Actual $000
	Commenced: 1 July 2022	
	Expires: 30 June 2026	
258,883	Original Appropriation	258,883
-	Cumulative Adjustments	-
258,883	**Total Adjusted Appropriation**	**258,883**
-	Cumulative Actual Expenditure as at 1 July	57,700
57,700	Current-year Actual Expenditure	-
57,700	**Cumulative Actual Expenditure as at 30 June**	**57,700**
201,183	Appropriation Remaining as at 30 June	201,183

Crown Standby Loan Facility for Air New Zealand (MYA)

What is intended to be achieved with this appropriation

This appropriation is intended to facilitate the financing of a credit facility to Air New Zealand.

Performance information for this appropriation is exempt.

Financial information

2023 Actual $000		2024 Actual $000
	Commenced: 1 March 2022	
	Expires: 30 June 2026	
400,000	Original Appropriation	400,000
-	Cumulative Adjustments	(400,000)
400,000	**Total Adjusted Appropriation**	**-**
-	Cumulative Actual Expenditure as at 1 July	-
-	Current-year Actual Expenditure	-
-	**Cumulative Actual Expenditure as at 30 June**	**-**
400,000	Appropriation Remaining as at 30 June	-

Earthquake Commission – On-sold Canterbury Properties (MY MCA)

What is intended to be achieved with this appropriation

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

Performance information for this appropriation will be reported by the Earthquake Commission in its 2023/24 Annual Report.

Financial information

2023 Actual $000		2024 Actual $000
	Commenced: 1 September 2019	
	Expires: 30 June 2024	
300,000	Original Appropriation	300,000
280,000	Cumulative Adjustments	399,800
580,000	**Total Adjusted Appropriation**	**699,800**
532,465	Cumulative Actual Expenditure as at 1 July for All Categories	578,900
	Current-year Actual Expenditure for All Categories	
705	Claim Handling and Other Administrative Costs	6,000
45,730	Repair of Canterbury Properties	69,307
46,435	**Total Current-year Actual Expenditure**	**75,307**
578,900	**Cumulative Actual Expenditure as at 30 June for All Categories**	**654,207**
1,100	Appropriation Remaining as at 30 June	45,593

KiwiRail – Project iReX Wind down Costs (MYA)

What is intended to be achieved with this appropriation

This appropriation is intended to achieve operating funding of Project iReX wind down costs that cannot be met from KiwiRail's balance sheet.

Performance information for this appropriation is exempt.

Financial information

2023 Actual $000		2024 Actual $000
	Commenced: 20 April 2024	
	Expires: 30 June 2025	
-	Original Appropriation	300,000
-	Cumulative Adjustments	-
-	**Total Adjusted Appropriation**	**300,000**
-	Cumulative Actual Expenditure as at 1 July	-
-	Current-year Actual Expenditure	47,000
-	**Cumulative Actual Expenditure as at 30 June**	**47,000**
-	**Appropriation Remaining as at 30 June**	**253,000**

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

What is intended to be achieved with this appropriation

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

Performance information for this appropriation will be reported by New Zealand Green Investment Finance Limited in its Annual Report for 2023/24.

Financial information

2023 Actual $000		2024 Actual $000
	Commenced: 1 March 2024	
	Expires: 30 June 2028	
-	Original Appropriation	100,000
-	Cumulative Adjustments	-
-	**Total Adjusted Appropriation**	**100,000**
-	Cumulative Actual Expenditure as at 1 July	-
-	Current-year Actual Expenditure	-
-	**Cumulative Actual Expenditure as at 30 June**	**-**
-	Appropriation Remaining as at 30 June	100,000

North Island Severe Weather Events – Financing Support (MYA)

What is intended to be achieved with this appropriation

This appropriation is intended to fund payments to the Local Government Funding Authority to support managing the impacts of the 2023 North Island severe weather events.

Performance information for this appropriation is exempt.

Financial information

2023 Actual $000		2024 Actual $000
	Commenced: 27 September 2023	
	Expires: 30 June 2028	
-	Original Appropriation	17,000
-	Cumulative Adjustments	-
-	**Total Adjusted Appropriation**	**17,000**
-	Cumulative Actual Expenditure as at 1 July	-
-	Current-year Actual Expenditure	4,650
-	**Cumulative Actual Expenditure as at 30 June**	**4,650**
-	Appropriation Remaining as at 30 June	12,350

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

What is intended to be achieved with this appropriation

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.

Financial information

2023 Actual $000		2024 Actual $000
	Commenced: 1 July 2022	
	Expires: 30 June 2027	
350,000	Original Appropriation	350,000
-	Cumulative Adjustments	-
350,000	**Total Adjusted Appropriation**	**350,000**
-	Cumulative Actual Expenditure as at 1 July	36,067
36,067	Current-year Actual Expenditure	36,597
36,067	**Cumulative Actual Expenditure as at 30 June**	**72,664**
313,933	Appropriation Remaining as at 30 June	277,336

Shovel Ready Project Funding – Crown Infrastructure Partners Limited (MYA)

What is intended to be achieved with this appropriation

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 2023/24 Annual Report.

Financial information

2023 Actual $000		2024 Actual $000
	Commenced: 1 August 2020	
	Expires: 30 June 2025	
1,264,595	Original Appropriation	1,264,595
110,288	Cumulative Adjustments	96,278
1,374,883	**Total Adjusted Appropriation**	**1,360,873**
1,034,892	Cumulative Actual Expenditure as at 1 July	1,034,892
-	Current-year Actual Expenditure	325,981
1,034,892	**Cumulative Actual Expenditure as at 30 June**	**1,360,873**
339,991	Appropriation Remaining as at 30 June	-

Shovel Ready Project Funding – Ōtākaro Limited (MYA)

What is intended to be achieved with this appropriation

This appropriation is intended to provide grant funding to Rau Paenga Limited (formerly Ōtākaro Limited) to fund or deliver Shovel Ready Infrastructure Projects.

Performance information for this appropriation will be reported by Rau Paenga Limited in its 2023/24 Annual Report.

Financial information

2023 Actual $000		2024 Actual $000
	Commenced: 1 August 2020	
	Expires: 30 June 2025	
139,350	Original Appropriation	139,350
25,862	Cumulative Adjustments	25,862
165,212	**Total Adjusted Appropriation**	**165,212**
137,211	Cumulative Actual Expenditure as at 1 July	140,211
3,000	Current-year Actual Expenditure	14,000
140,211	**Cumulative Actual Expenditure as at 30 June**	**154,211**
25,001	Appropriation Remaining as at 30 June	11,001

Financial Statements

Departmental Financial Statements

for the year ended 30 June 2024

Statement of Comprehensive Revenue and Expenses

for the year ended 30 June 2024

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 2024.

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.

2023 Actual $000		Note	2024 Actual $000	2024 Main Estimates Unaudited $000	2025 Forecast Unaudited $000
	Income				
110,367	Revenue Crown	2	122,025	122,998	115,945
19,381	Other revenue	3	17,837	14,931	15,606
129,748	**Total income**		**139,862**	**137,929**	**131,551**
	Expenditure				
91,062	Personnel costs	4	100,185	101,833	99,968
4,310	Depreciation and amortisation expense	5, 6	3,719	4,536	3,813
1,198	Capital charge	8	1,204	1,247	1,204
29,079	Other operating expenses	9	27,248	30,313	26,566
125,649	**Total expenditure**		**132,356**	**137,929**	**131,551**
4,099	**Net surplus/(deficit)**	14	**7,506**	**-**	**-**
-	**Other comprehensive revenue and expense**		**-**	**-**	**-**
4,099	**Total comprehensive revenue and expenses**	14	**7,506**	**-**	**-**

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

Explanations of major variances from the original 2023/24 budget are provided in Note 18.

Statement of Changes in Equity

for the year ended 30 June 2024

2023 Actual $000		Note	2024 Actual $000	2024 Main Estimates Unaudited $000	2025 Forecast Unaudited $000
23,962	Balance as at 1 July		24,084	24,035	26,566
4,099	Total comprehensive revenue and expenses	14	7,506	-	-
	Owner transactions				
122	Capital contributions		1,539	-	-
-	Capital withdrawals		(1,729)	-	-
(4,099)	Return of operating surplus to the Crown	12, 14	(7,506)	-	-
24,084	**Balance as at 30 June**		**23,894**	**24,035**	**26,566**

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

Explanations of major variances from the original 2023/24 budget are provided in Note 18.

Statement of Financial Position

as at 30 June 2024

The Statement of Financial Position reports the total assets and liabilities of the Treasury as at 30 June 2024. Taxpayers' funds are represented by the difference between the assets and liabilities.

2023 Actual $000		Note	2024 Actual $000	2024 Main Estimates Unaudited $000	2025 Forecast Unaudited $000
	Assets				
	Current assets				
5,714	Cash and cash equivalents	15	6,389	2,907	3,000
1,404	Debtors and other receivables	10	1,129	2,603	1,405
1,486	Prepayments		1,345	400	1,485
21,919	Debtor Crown		28,149	19,205	21,552
30,523	***Total current assets***		**37,012**	**25,115**	**27,442**
	Non-current assets				
8,502	Property, plant and equipment	5	7,115	6,333	6,846
4,388	Intangible assets	6	4,063	2,773	7,413
12,890	***Total non-current assets***		**11,178**	**9,106**	**14,259**
43,413	***Total assets***		**48,190**	**34,221**	**41,701**
	Liabilities				
	Current liabilities				
6,089	Creditors and other payables	11	7,707	3,790	6,091
4,099	Repayment of surplus	12	7,506	-	-
8,528	Employee entitlement provision	13	8,806	5,663	8,431
18,716	***Total current liabilities***		**24,019**	**9,453**	**14,522**
	Non-current liabilities				
613	Employee entitlement provision	13	277	683	613
613	***Total non-current liabilities***		**277**	**683**	**613**
19,329	***Total liabilities***		**24,296**	**10,136**	**15,135**
24,084	***Net assets***		**23,894**	**24,085**	**26,566**
	Equity				
24,084	Taxpayers' funds	14	23,894	24,085	26,566
24,084	***Total equity***		**23,894**	**24,085**	**26,566**

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

Explanations of major variances from the original 2023/24 budget are provided in Note 18.

Statement of Cash Flows

for the year ended 30 June 2024

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.

2023 Actual $000		2024 Actual $000	2024 Main Estimates Unaudited $000	2025 Forecast Unaudited $000
	Cash flows from operating activities			
106,443	Receipts from Crown	115,795	122,998	118,117
20,893	Receipts from other revenue	18,113	14,931	15,606
(32,487)	Payments to suppliers	(28,694)	(32,299)	(27,138)
(87,853)	Payments to employees	(98,229)	(101,259)	(99,396)
(1,198)	Payments for capital charge	(1,204)	(1,247)	(1,204)
2,538	Goods and Services Tax (net)	1,189	-	-
8,336	**Net cash flows from operating activities**	**6,970**	**3,124**	**5,985**
	Cash flows from investing activities			
(1,545)	Purchases of property, plant and equipment	(959)	(1,482)	(1,600)
(2,366)	Purchases of intangible assets	(1,047)	(1,000)	(4,385)
(3,911)	**Net cash flows from investing activities**	**(2,006)**	**(2,482)**	**(5,985)**
	Cash flows from financing activities			
122	Capital contributions	1,539	50	68
-	Capital withdrawal	(1,729)	-	(68)
(2,377)	Repayment of surplus to the Crown	(4,099)	-	-
(2,255)	**Net cash flows from financing activities**	**(4,289)**	**50**	**-**
2,170	**Net increase in cash and cash equivalents**	**675**	**692**	**-**
3,544	Cash and cash equivalents at the beginning of the year	5,714	2,215	3,000
5,714	**Cash and cash equivalents at the end of the year**	**6,389**	**2,907**	**3,000**

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

Explanations of major variances from the original 2023/24 budget are provided in Note 18.

Reconciliation of Net Surplus to Net Cash Flows from Operating Activities

for the year ended 30 June 2024

2023 Actual $000		2024 Actual $000
4,099	**Net surplus/(deficit)**	**7,506**
	Add/(less) non-cash items	
4,310	Depreciation and amortisation	3,719
4,310	**Total non-cash items**	**3,719**
	Add/(less) movements in Statement of Financial Position items	
(3,925)	(Increase)/decrease in debtor Crown	(6,230)
1,514	(Increase)/decrease in debtors and other receivables	275
(303)	(Increase)/decrease in prepayments	141
(1,370)	Increase/(decrease) in creditors and other payables	428
2,537	Increase/(decrease) in GST	1,190
1,474	Increase/(decrease) in employee entitlement provision	(59)
(73)	**Net movement in Statement of Financial Position items**	**(4,255)**
8,336	**Net cash flows from operating activities**	**6,970**

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

Explanations of major variances from the original 2023/24 budget are provided in Note 18.

Statement of Commitments

as at 30 June 2024

Capital commitments

Capital commitments are the aggregate amount of capital expenditure contracted for acquiring property, plant and equipment and intangible assets that have not been paid for or not recognised as a liability at balance date.

Cancellable capital commitments that have penalty or exit costs on exercising that option to cancel explicit in the agreement are reported at the value of those penalty or exit costs (that is, the minimum future payments).

Non-cancellable operating lease commitments

The Treasury has property leases which have a non-cancellable leasing period ranging from three to 10 years.

The Treasury's non-cancellable operating leases have varying terms, escalation clauses, and renewal rights.

There are no restrictions placed on the Treasury by any of its leasing arrangements.

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

2023 Actual $000		2024 Actual $000
	Non-cancellable operating lease commitments	
3,838	Not later than 1 year	4,104
15,939	Later than 1 year and not later than 5 years	16,219
11,158	Later than 5 years	7,023
30,935	**Total non-cancellable operating lease commitments**	**27,346**

The Treasury has a lease agreement for Levels 1-4 of 1 The Terrace, Wellington. The start date of the lease was 23 February 2019 for a term of 12 years, with an additional three rights of renewal for 6 years each.

2023 Actual $000		2024 Actual $000
	Other commitments	
889	Not later than 1 year	926
3,847	Later than 1 year and not later than 5 years	1,441
4,736	**Total other operating commitments**	**2,367**

The Treasury entered into a five-year commitment in 2023 with a software provider.

Statement of Contingent Liabilities and Contingent Assets

as at 30 June 2024

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 carparks and premises.

Quantifiable contingent liabilities and assets

As at 30 June 2024, the Treasury had no quantifiable contingent assets or liabilities (30 June 2023: Nil).

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

for the year ended 30 June 2024

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 and the Public Service Act 2020. 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 fiscal 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 2024 were approved for issue by the Secretary to the Treasury on 30 September 2024.

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 2024.

Statement of compliance

The Financial Statements and unaudited Forecast Financial Statements of the Treasury, Statement of Service Performance, 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 these non-departmental statements and schedules are consistent with generally accepted accounting practice (Public Benefit Entity Accounting Standards) as appropriate for public benefit entities.

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 the Treasury's 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:

Amendments to PBE IPSAS 1 *Presentation of Financial Reports – Disclosure of Fees for Audit Firms' Services*

The amendments to PBE IPSAS 1 aim to address concerns about the quality and consistency of disclosures an entity provides about fees paid to its audit or review firm for different types of services.

The enhanced disclosures are expected to improve the transparency and consistency of disclosures about fees paid to an entity's audit or review firm.

Application of these amendments is required for accounting periods beginning on or after 1 January 2024.

The Treasury does not anticipate these amendments to have a significant impact on its financial statements.

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.

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.

Foreign currency transactions

Foreign currency transactions (including those that forward exchange contracts are held for) are translated into New Zealand dollars using the spot exchange rate at the date of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in surplus or deficit or the schedule of non-departmental revenue or expenses.

Cash and cash equivalents

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.

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.

Commitments

Commitments are future expenses and liabilities to be incurred on non-cancellable contracts at balance date.

Main Estimates and forecast figures

The 2024 Main Estimates figures are consistent with the Treasury's best estimate financial forecast information submitted to the Treasury for the 2023 Budget Economic and Fiscal Update (BEFU) for the year ending 30 June 2024.

The 2025 forecast figures are for the year ending 30 June 2025, and are consistent with the best estimate financial forecast information submitted to the Treasury for the 2024 BEFU for the year ending 30 June 2025.

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 2025 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 23 April 2024.

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 2025 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 2024/25 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 23 April 2024 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 2025 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 2024/25 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.

Some of the information presented in the departmental notes has been enhanced to provide more detail relevant to a reader's understanding of the schedules. Where the presentation has been changed from the prior year or additional information has been provided, comparative information has also been included.

Statement of cost accounting policies for the Treasury's Financial Statements

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.

Notes to the Departmental Financial Statements

2 Revenue Crown

Accounting Policy

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

Accounting Policy

Other revenue is recognised in the accounting period in which the service is provided.

Shared service recoveries relate to the provision of corporate services that are then reimbursed by other government departments and Crown entities.

Gateway reviews are independent peer reviews of major capital projects across the public sector, for which the entity is charged a fee for the service.

2023 Actual $000		2024 Actual $000
13,304	Cost recoveries from Government agencies for shared services	13,352
4,540	Cost recoveries from Gateway projects	2,944
1,537	Other	1,541
19,381	**Total other revenue**	**17,837**

4 Personnel Costs

Accounting Policy

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.

2023 Actual $000		2024 Actual $000
83,279	Salaries and wages	94,346
2,413	Superannuation contributions to defined contribution plans	2,691
719	Increase/(decrease) in employee entitlements	(72)
1,488	Training and development	1,195
3,163	Other	2,025
91,062	**Total personnel costs**	**100,185**

5 Property, Plant and Equipment

Accounting Policy

All assets are initially recognised at cost, less accumulated depreciation, and impairment losses, plus incidental costs directly attributable to acquisition if it is probable that future economic benefits or service potential associated with the item will flow to the Crown.

Individual assets or groups of assets are capitalised if their cost is greater than $2,000.

Where an asset is acquired at no or a nominal cost, it is recognised at fair value at the date of acquisition and is subsequently depreciated based on that book value.

Costs incurred subsequent to initial acquisition are capitalised only when it is probable that future economic benefits or service potential associated with the item will flow to the Treasury and the cost of the item can be measured reliably.

The costs of day-to-day servicing of property, plant and equipment are recognised in surplus or deficit as they are incurred.

Leasehold improvements are depreciated over the shorter of the unexpired period of the lease or the estimated remaining useful lives of the improvements.

The residual value and useful life of an asset is reviewed, and adjusted if applicable, at each balance date.

Depreciation is provided on a straight-line basis to allocate cost, net of any estimated residual value, over the estimated useful life. The useful lives of major classes of assets have been estimated as follows:

Asset	Useful Life	Depreciation 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%

De-recognition

An item of property, plant and equipment is de-recognised when it is disposed of, or when no future economic benefits are expected from its use. Any gain or loss on de-recognition is included in the surplus or deficit in the year the asset is de-recognised.

Impairment

At each reporting date, the carrying amounts of all tangible assets are assessed to determine whether there is any indication they have suffered an impairment loss. If such indications exist for an asset, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

An impairment loss is recognised if the carrying amount exceeds its recoverable amount. Impairment losses directly reduce the carrying amount of the asset and are recognised in the surplus or deficit.

The estimated recoverable amount of an asset is the greater of its fair value less costs to sell and its value in use. Value in use is determined as the depreciated replacement cost of the asset.

	Leasehold Improvements $000	Furniture, Fittings and Office Equipment $000	Computer Hardware $000	Total $000
Cost				
Balance at 1 July 2022	**9,452**	**2,156**	**8,285**	**19,893**
Additions	-	41	1,504	1,545
Disposals	-	(52)	(3,846)	(3,898)
Balance at 30 June 2023	**9,452**	**2,145**	**5,943**	**17,540**
Additions	-	-	959	959
Disposals	-	(292)	(1,678)	(1,970)
Balance at 30 June 2024	**9,452**	**1,853**	**5,224**	**16,529**
Accumulated depreciation and impairment losses				
Balance at 1 July 2022	**2,882**	**1,855**	**5,724**	**10,461**
Depreciation expense	788	201	1,486	2,475
Elimination on disposal	-	(52)	(3,846)	(3,898)
Balance at 30 June 2023	**3,670**	**2,004**	**3,364**	**9,038**
Depreciation expense	788	111	1,447	2,346
Elimination on disposal	-	(292)	(1,678)	(1,970)
Balance at 30 June 2024	**4,458**	**1,823**	**3,133**	**9,414**
Carrying amounts				
Balance at 1 July 2022	6,570	301	2,561	9,432
Balance at 30 June 2023	5,782	141	2,579	8,502
Balance at 30 June 2024	**4,994**	**30**	**2,091**	**7,115**

6 Intangible Assets

Accounting Policy

Software is capitalised on the basis of the costs incurred to acquire and bring to use the specific software. Software as a Service and associated costs are expensed unless control of the code transfers to the Treasury.

Direct costs include software acquisition and costs of customisation by consultants or staff. Staff training costs are recognised as an expense when incurred. Intangible assets with finite lives are subsequently recorded at cost, less any amortisation and impairment losses. The carrying value of an intangible asset with a finite life is amortised on a straight-line basis over its useful life.

Costs associated with maintaining computer software are recognised as an expense when incurred. Costs of software updates or upgrades are capitalised only when they increase the usefulness or value of the software. Costs associated with development and maintenance of the Treasury's website are recognised as an expense when incurred.

Amortisation begins when an asset is available for use and ceases at the date that an asset is de-recognised.

The amortisation charge for each period is recognised in the Statement of Comprehensive Revenue and Expenses.

Impairment

At each reporting date, the carrying amounts of all intangible assets are assessed to determine whether there is any indication they have suffered an impairment loss. If such indications exist for an asset, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

An impairment loss is recognised if the carrying amount exceeds its recoverable amount. Impairment losses directly reduce the carrying amount of the asset and are recognised in the surplus or deficit.

The estimated recoverable amount of an asset is the greater of its fair value less costs to sell and its value in use. Value in use is determined as the amortised replacement cost of the asset.

The useful life and associated amortisation rate of computer software is as follows:

Asset	Useful Life	Amortisation Rate
Computer software – acquired	3-5 years	20%-33.3%
Computer software – internally generated	3-5 years	20%-33.3%

	Acquired Software $000	Internally Generated Software $000	Total $000
Cost			
Balance at 1 July 2022	**6,685**	**12,353**	**19,038**
Additions	2,341	25	2,366
Disposals	(1,556)	(2,530)	(4,086)
Other asset movements	(4)	(5)	(9)
Balance at 30 June 2023	**7,466**	**9,843**	**17,309**
Additions	706	340	1,046
Disposals	(156)	(1,546)	(1,702)
Balance at 30 June 2024	**8,016**	**8,637**	**16,653**
Accumulated amortisation and impairment losses			
Balance at 1 July 2022	**4,846**	**10,338**	**15,184**
Amortisation expense	652	1,183	1,835
Elimination on disposal	(1,557)	(2,534)	(4,091)
Other asset movements	-	(7)	(7)
Balance at 30 June 2023	**3,941**	**8,980**	**12,921**
Amortisation expense	900	473	1,373
Elimination on disposal	(157)	(1,547)	(1,704)
Other asset movements	-	-	-
Balance at 30 June 2024	**4,684**	**7,906**	**12,590**
Carrying amounts			
Balance at 1 July 2022	1,839	2,015	3,854
Balance at 30 June 2023	3,525	863	4,388
Balance at 30 June 2024	**3,332**	**731**	**4,063**

7 Critical Assets Services and Measures of Asset Performance

The assets that the Treasury utilises comprise intangible assets, including acquired and internally generated software as well as property plant and equipment assets. The assets managed include both Treasury capitalised assets and software provided under an as-a-service arrangement.

Strong asset and investment management practices are critical to our long-term success as they are not only a key enabler for all Treasury services but are also vital in achieving value for money.

Whilst all assets are important, some service areas utilise assets that are service critical. These areas include:

- Fiscal reporting and budget management: Software is used by the Treasury to collect financial information from across Government. This enables analysis that supports the development of various Treasury products such as the Budget and the Financial Statements of the Government.
- New Zealand Debt Management: This service area relies on its software assets to manage the Government's borrowing requirements and associated financial market activities including cash and liquidity management, Crown lending and risk management.
- Shared Service provision: This service area relies on the use of the financial management information system to provide finance and payroll services to multiple agencies.

Asset performance indicators for these areas are set out in the table below:

Indicator Category	Service Area	Indicator	Result
Availability	Fiscal and budget management	No unexpected downtime that affected data collections or the production of key products	Achieved
Condition	New Zealand Debt Management	The Quantum application is in support	In support
Condition	Shared Services (Finance and Payroll)	The Technology One application is in support	In support

8 Capital Charge

Accounting Policy

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 2024 was 5% (2023: 5%).

9 Other Operating Expenses

Accounting Policy

Operating leases

An operating lease is a lease that does not transfer substantially all the risks and rewards incidental to ownership of an asset.

Lease payments for an operating lease that is adjusted annually for inflation are recognised as an expense over the lease term as they are incurred.

Other expenses

Other expenses are recognised as goods and services are received.

2023 Actual $000		2024 Actual $000	2024 Main Estimates Unaudited $000	2025 Forecast Unaudited $000
4,606	Rental of premises	4,955	4,906	5,073
278	Commissions, service charges and bank fees	331	342	410
	Fees to auditor:			
612	• Fees to KPMG for audit of the Treasury financial statements	7	-	-
441	• Fees to Audit New Zealand for the audit of the Financial Statements of the Government	465	420	465
-	• Fees to Audit New Zealand for audit of the Treasury financial statements	709	790	753
92	Fees for internal audit services	133	120	120
114	Fees for other audit services	209	190	190
10,135	Consultants	6,048	8,952	6,161
1,349	Legal fees	950	1,108	483
257	Process management services	155	532	414
1,013	Transport and travel	1,072	1,664	1,297
9,270	Information and communication costs	11,350	10,514	10,244
413	Office administration costs	350	472	302
499	Other operating costs	514	303	654
29,079	**Total operating expenses**	**27,248**	**30,313**	**26,566**

10 Debtors and Other Receivables

Accounting Policy

Short-term receivables are recorded at the amount due, less an allowance for credit losses. 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 have been assessed on a collective basis as they possess shared credit risk characteristics. They have been grouped based on the days past due.

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

Breakdown of receivables and further information.

2023 Actual $000		2024 Actual $000
697	Debtors and other receivables from exchange transactions	1,109
707	Accrued receivables from exchange transactions	20
1,404	**Total debtors and receivables**	**1,129**
	Receivables consist of	
1,109	Cost recoveries from Government agencies for shared services	572
259	Cost recoveries from Gateway projects	345
36	Other	212
1,404	**Total debtors and receivables**	**1,129**

Ageing of debtors and other receivables.

2023 Actual $000		2024 Actual $000
1,089	Current	846
86	Past Due 31-60 days	91
-	Past Due 61-90 days	190
229	Past due 91 days not impaired	2
1,404	**Total debtors and receivables**	**1,129**

11 Creditors and Other Payables

Accounting Policy

Short-term payables are recorded at the amount payable.

2023 Actual $000		2024 Actual $000
2,944	Payables	2,513
1,793	Accrued expenses	2,652
1,352	GST payable to Inland Revenue	2,542
6,089	**Total creditors and other payables**	**7,707**

With the exception of taxes, all payables are for exchange transactions.

12 Return of Operating Surplus

The return of operating surplus to the Crown is required to be paid by 31 October of each year.

2023 Actual $000		2024 Actual $000
4,099	Net surplus	7,506
4,099	**Total return of operating surplus**	**7,506**

13 Employment Entitlement Provisions

Accounting Policy

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

Employee entitlements that are not expected to be settled wholly before 12 months after the end of the reporting period that the employees provide the related service in, such as long service leave and retirement gratuities, have been calculated on an actuarial basis. The calculations are based on:

- likely future entitlements accruing to employees, based on years of service, years to entitlement, the likelihood that employees will reach the point of entitlement, and contractual entitlements information, and
- the present value of the estimated future cash flows.

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:

2023	Discount rate	2024
5.43%	Year 1	5.30%
4.85%	Year 2	4.49%
4.30%	Year 3	5.11%

2023	Salary inflation factor	2024
5.70%	Year 1	3.80%
5.00%	Year 2	3.10%
4.40%	Year 3	3.00%

Any changes in these assumptions will change the carrying amount of the liability.

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

Treasury staff members are now entitled to a managed sick leave arrangement. The cost of sick leave is recognised when the absences occur.

2023 Actual $000		2024 Actual $000
	Current employment entitlement provisions	
2,338	Accrued salaries	2,352
5,818	Annual leave	6,158
372	Retirement, resigning and long service leave	296
8,528	**Total current employment entitlement provisions**	**8,806**
	Non-current employment entitlement provisions	
613	Retirement, resigning and long service leave	277
613	**Total non-current employment entitlement provisions**	**277**
9,141	**Total employee entitlements**	**9,083**

14 Equity

Accounting Policy

Equity is the Crown's investment in the Treasury and is measured as the difference between total assets and total liabilities. Equity is classified as taxpayers' funds.

2023 Actual $000		2024 Actual $000
	Taxpayers' funds	
23,962	Balance as at 1 July	24,084
4,099	Surplus	7,506
122	Capital injections	1,539
-	Capital withdrawals	(1,729)
(4,099)	Return of operating surplus to the Crown	(7,506)
24,084	**Balance as at 30 June**	**23,894**

Capital Management

The Treasury's capital is its equity, which comprises taxpayers' funds. The Treasury's equity is largely managed as a by-product of prudently managing revenue, expenses, assets, liabilities, and compliance with the government budget processes, Treasury Instructions, and the Public Finance Act 1989. The objective of managing the Treasury's equity is to ensure that it effectively achieves its goals and the objectives that it has been established for while remaining a going concern.

15 Financial Instruments

Accounting Policy

Classification of financial instruments

Financial instruments are initially recognised at fair value and subsequently measured at amortised cost through surplus or deficit.

Cash and cash equivalents

Cash and cash equivalents are measured at amortised cost and include cash on hand, deposits held on call with banks. The Treasury is only permitted to spend its cash and cash equivalents within the scope and limits of its appropriations.

Allowances for expected losses

An expected credit loss model is used to recognise and calculate impairment losses for financial assets subsequently measured at amortised cost with the simplified approach to providing credit losses being applied to trade and other receivables. The provision is recognised at an amount equal to lifetime expected credit losses. The allowance for doubtful debts on individually significant trade and other receivables is determined on an individual basis, and those deemed to be not individually significant are assessed on a portfolio basis.

The carrying amounts of financial assets and liabilities in each of the PBE IPSAS 41 financial instrument categories are as follows:

2023 Actual $000		2024 Actual $000
	Financial assets measured at amortised cost	
5,714	Cash on hand and deposits with banks	6,389
1,404	Receivables (excluding taxes receivable)	1,129
7,118	**Total financial assets measured at amortised cost**	**7,518**
	Financial liabilities measured at amortised cost	
4,737	Payables (excluding income in advance and taxes payable)	5,165
4,737	**Total financial liabilities measured at amortised cost**	**5,165**

Financial instrument risks

The Treasury's activities expose it to a variety of financial instrument risks, including credit risk, and liquidity risk. The Treasury has policies to manage the risks associated with financial instruments and seeks to minimise exposure from financial instruments. These policies do not allow it to enter into any transactions that are speculative in nature.

Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates. Currency risk arises from future purchases and recognised liabilities that are denominated in a foreign currency.

The Treasury may contract for services internationally but has limited exposure to currency risk because such transactions are concluded on a short-term basis.

Fair value interest rate risk

Fair value interest rate risk is the risk that the value of a financial instrument or the cash flows from a financial instrument will fluctuate due to changes in market interest rates. The Treasury has no exposure to interest rate risk because it has no interest-bearing financial instruments.

Credit risk

Credit risk is the risk that a third party will default on its obligation to the Treasury, causing the Treasury to incur a loss.

In the normal course of its business, credit risk arises from debtors and other receivables and deposits with banks.

The Treasury's maximum credit exposure for each class of financial instrument is represented by the total carrying amount of cash and cash equivalents and receivables.

Although cash and cash equivalents as at 30 June 2024 are subject to the expected credit loss requirements of PBE IPSAS 41, no loss allowance has been recognised because the estimated loss allowance for credit losses is trivial.

The Treasury is permitted to deposit funds only with Westpac (Standard & Poor's credit rating of AA-), a registered bank, and enter into foreign exchange forward contracts with the New Zealand Debt Management function within Treasury (Standard & Poor's credit rating of AA).

Liquidity risk

Management of liquidity risk

Liquidity risk is the risk that the Treasury will encounter difficulty raising liquid funds to meet its commitments as they fall due. As part of meeting its liquidity requirements, the Treasury closely monitors its forecast cash requirements with expected cash drawdowns from the New Zealand Debt Management function within Treasury. The Treasury maintains a target level of available cash to meet liquidity requirements.

Contractual maturity analysis of financial liabilities, excluding derivatives

The table below analyses the Treasury's financial liabilities into relevant maturity groupings based on the remaining period at balance date to the contractual maturity date. The amounts disclosed are the contractual undiscounted cash flows:

2024	Carrying Amount $000	Total Contractual Cash Flows $000	Up to 1 Year	1 to 5 Years	Over 5 Years
Creditors and other payables	7,707	7,707	7,707	-	-
Total	**7,707**	**7,707**	**7,707**	**-**	**-**

2023	Carrying Amount $000	Total Contractual Cash Flows $000	Up to 1 Year	1 to 5 Years	Over 5 Years
Creditors and other payables	6,089	6,089	6,089	-	-
Total	**6,089**	**6,089**	**6,089**	**-**	**-**

16 Related Party Transactions

Accounting Policy

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 $122.025 million to provide services to the public in the year ended 30 June 2024 (2023: $110.470 million). The Government significantly influences the roles of the Treasury as well as being its major source of revenue.

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

The Treasury also 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

2023 Actual $000		2024 Actual $000
2,760	Remuneration	2,941
7.0	Full-time equivalent staff	7.0

Key management personnel of the Treasury as at 30 June 2024 comprised the Secretary and the members of 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 (2023: Nil).

17 Events After Balance Date

There were no events subsequent to the balance date that required adjustment to the Financial Statements or disclosure (2023: Nil).

18 Explanation of Major Variances Between Actual 2023/24 and Budget

Explanations for major variances from Treasurys original 2023/24 budget figures are as follows:

Statement of comprehensive revenue and expenses

Revenue Crown

Revenue Crown was less than budgeted by $0.973 million as Treasury returned funding provided in Budget 2022 for the Auckland Light Rail Project following the decision in January 2024 to cancel the project. Further, as part of the savings initiative, unused funds that were provided to Treasury to support the resolution of unresolved claims for infrastructure projects were also returned.

Other Revenue

Other Revenue was greater than budgeted by $2.906 million due to additional revenue received from shared services clients.

Personnel costs

Personnel costs were less than budgeted by $1.648 million due to vacancies within Treasury, less spent on training and development and a reduction in the retirement and long service leave accruals.

Depreciation and amortisation

Depreciation was less than budgeted by $0.817 million due to resource constraints delaying completion of capital projects.

Other operating expenses

Other operating expenses were less than budget by $3.065 million due to Treasury not requiring all of the budget for the support of the resolution of unresolved claims for infrastructure projects, delays in accessing expertise for the Stockton Acid Mine Drainage remediation project and consultant spend savings.

Statement of financial position

Debtors and other receivables

Debtors and other receivables were less than budgeted by $1.474 million due to assumed cost recovery for Gateway reviews. There were fewer reviews than anticipated and work planned with other departments did not go ahead.

Prepayments

Prepayments were greater than budgeted by $0.945 million due to some software previously capitalised as intangible assets being classified as prepaid software as a service.

Property, plant and equipment and Intangibles

Property, Plant and Equipment and Intangibles were greater than budgeted by $2.072 million due to an understatement in the forecast.

Creditors and other payables

Creditors and other payables were greater than budget by $3.917 million due to higher than anticipated expenditure and accruals in the month of June.

Employee entitlement provision (current and non-current)

Employee entitlement provision was greater than budgeted by $2.737 million due to an understatement of salary accruals in the budget partially offset by a reduction in the retirement and long service leave accruals.

Statement of cashflows

The balance of cash and cash equivalents was greater than budgeted by $3.482 million due to a mismatch between funds received and the timing of payments to suppliers in the month of June.

Non-Departmental Financial Schedules

for the year ended 30 June 2024

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), cashflow reporting or a net financial position.

Some of the information presented in the non-department schedules and notes has been enhanced to provide more detail relevant to a reader's understanding of the schedules. Where the presentation has been changed from the prior year or additional information has been provided, comparative information has also been included.

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). The terms 'departmental' and 'non-departmental' are defined in section 2 of the Public Finance Act 1989.

Non-departmental expense appropriations are for situations in which 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 borrowing requirements on behalf of the Crown, 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.
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 on behalf of the Crown, that promote and support New Zealand exports and the internationalisation of New Zealand businesses.
Rau Paenga Limited (formerly Ōtākaro Limited)	Rau Paenga 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. In late 2022, the Government decided to capitalise on the experience and capability that the company has developed, by repurposing it to meet a new mandate of supporting and delivering infrastructure around New Zealand for other Government agencies.
Government Superannuation Fund Authority	The Government Superannuation Fund Authority is an autonomous Crown entity, established in October 2001. Its functions are to manage and administer the Government Superannuation Fund (GSF) 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).
Earthquake Commission (EQC) – On-sold Canterbury Properties	The EQC administers, on behalf of the Crown, the On-sold support package which is aimed at eligible Canterbury homeowners who bought a house before 15 August 2019 with a settled under-cap EQC claim but who have since discovered missed earthquake damage that exceeds EQC's cap to repair.

Schedule of Revenue and Capital Receipts

for the year ended 30 June 2024

2023 Actual $000		Note	2024 Actual $000	2024 Main Estimates Unaudited $000
	Vote Finance			
	Non-departmental revenue			
2,363,203	Capital charge	1	2,705,373	2,468,623
1,325,031	Dividends from State Owned Enterprises and Crown Entities	2	870,253	654,644
1,398,714	Interest revenue – Vote Finance	3	1,789,858	1,591,678
141,232	Interest revenue – Non-Vote Finance*		364,299	447,185
961,639	Fair value, and foreign exchange gains/(losses)*	4 (a)	637,342	352,680
50,247	Other revenue	4 (b)	35,740	143,393
14,204	Change in other Crown assets and liabilities		(810)	-
3,614	Other income from associates		-	-
6,257,884	**Total non-departmental revenue and receipts**		**6,402,055**	**5,658,203**
	Non-departmental capital receipts			
31,494	Loan and other repayments		5,815	11,000
193,246	Kāinga Ora – Homes and Communities and Housing New Zealand Limited loan repayments		423,103	423,103
224,740	**Total non-departmental capital receipts**		**428,918**	**434,103**
6,482,624	**Total non-departmental revenue and capital receipts**		**6,830,973**	**6,092,306**

* Non-Vote interest relates to interest earned on Crown balances held on behalf of other Government departments. This was previously reported as part of other income, fair value, and foreign exchange gains/(losses). This has been reclassified and is now disclosed separately. The previous year's comparatives have been re-presented to reflect this change.

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 2024.

Explanations of major variances against the original 2023/24 budget are provided in Note 16.

Schedule of Expenses

for the year ended 30 June 2024

2023 Actual $000		Note	2024 Actual $000	2024 Main Estimates Unaudited $000
	Vote Finance			
41,695	Non-departmental output expenses		41,909	51,533
3,484	Non-departmental multi-category output expenses		6,000	1,705
5,391,084	Debt servicing	3	6,478,929	5,799,183
3,927,509	Non-departmental other expenses	5	2,571,960	698,319
8,430	Non-departmental multi-category other expenses		52,623	196,674
	Re-measurements:			
(353,800)	• Government Superannuation Fund revaluation: actuarial loss/(gain)	11	(455,220)	(27,752)
13,530	• Change in National Provident Fund Defined Benefit Plan (A) Scheme provision under Crown guarantee		769	-
40,359	• Change in EQC On-Solds provision		-	-
(1,093)	• Change in Business Finance Guarantee Provision		(20,619)	
13,408	• Other re-measurements		997	-
9,084,606	**Total non-departmental expenses**		**8,677,348**	**6,719,662**

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 2024.

Explanations of major variances from the original 2023/24 budget are provided in Note 16.

Schedule of Assets and Liabilities

as at 30 June 2024

2023 Actual $000 (Restated)		Note	2024 Actual $000	2024 Main Estimates Unaudited $000
	Current assets			
22,239,418	Cash and cash equivalents	14	30,761,265	13,997,057
674,994	Accounts receivable	6, 14	480,089	8,874
648,254	Advances	9, 14	647,388	399,267
260,112	Derivatives in gain*	14	337,148	1,490,054
3,206,812	Marketable securities and deposits**	14	1,904,496	6,879,992
27,029,590	**Total current assets**		**34,130,386**	**22,775,244**
	Non-current assets			
5,984,217	Advances	9, 14	12,009,418	14,644,221
2,064,044	Derivatives in gain*	14	1,495,899	-
1,074,565	Marketable securities	14	1,200,427	527,000
5,588,357	IMF Assets**	14	5,521,506	-
563,387	Share investments	7, 14	573,519	560,125
419,975	Equity-accounted investments	8, 14	461,362	352,322
39,690	Property, plant and equipment		5,172	38,764
15,734,235	**Total non-current assets**		**21,267,303**	**16,122,432**
42,763,825	**Total non-departmental assets**		**55,397,689**	**38,897,676**
	Current liabilities			
7,850,408	Crown balances with Westpac	14	9,297,052	7,131,046
41,995	Payables and accrued expenses	14	47,426	11,544
19,466,112	Borrowings	10, 14	34,670,324	24,647,923
197,109	Derivatives in loss*	10, 14	129,760	1,233,464
249,130	Government Superannuation Fund unfunded liability	11	319,947	398,000
7,922,528	Provisions	13	4,670,505	4,135,983
35,727,282	**Total current liabilities**		**49,135,014**	**37,557,960**
	Non-current liabilities			
154,870,252	Borrowings	10, 14	172,964,766	169,294,601
1,870,764	Derivatives in loss*	10, 14	1,387,566	-
7,788,778	Government Superannuation Fund unfunded liability	11	7,014,468	7,548,080
638,000	National Provident Fund Defined Benefit Plan (A) Scheme unfunded provision	12	610,000	582,170
352,442	Provisions	13	469,106	90,885
165,520,236	**Total non-current liabilities**		**182,445,906**	**177,515,736**
201,247,518	**Total non-departmental liabilities**		**231,580,920**	**215,073,696**

* All derivatives were previously classified as current. However, as these derivatives are not held primarily for the purposes of being traded, we have determined that these should instead be classified as current or non-current assets or liabilities based on the maturity date. The comparatives have been restated to correct this classification. The impact of this restatement is that $2,064 million of derivatives in gain and $1,871 million of derivatives in loss have been reclassified as non-current in the comparative financial statements.

** IMF assets with a balance of $5,521 million (2023: $5,588 million) that were previously classified as current assets have been reclassified to non-current assets. While these assets can be exchanged for freely useable currencies, there is no expectation that they will be realised in the next 12 months, and they do not meet the criteria set out in PBE accounting standards to be classified as current. Prior year comparators have also been restated to correct this classification

The accompanying notes form part of these financial schedules.

In addition, the Treasury monitors 12 State-Owned Enterprises, 5 mixed-ownership-model entities, 26 Crown entities, 3 Local Government Act companies and 2 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 2024.

Explanations of major variances from the original 2023/24 budget are provided in Note 16.

Schedule of Commitments

as at 30 June 2024

The Treasury, on behalf of the Crown, has no non-cancellable capital or lease commitments for the year ended 30 June 2024 (2023: $0.822 million).

Schedule of Non-Departmental Contingent Liabilities and Contingent Assets

as at 30 June 2024

Contingent liabilities are:

- costs that the Crown, through Vote Finance, will have to face if a particular event occurs, or
- present liabilities that are unable to be measured with sufficient reliability to be recorded in the financial statements (unquantifiable liabilities).

Typically, contingent liabilities consist of guarantees and indemnities, legal disputes and claims, and uncalled capital. The contingent liabilities facing the Crown are a mixture of operating and balance sheet risks. They can vary greatly in magnitude and likelihood of realisation.

Contingent liabilities involving amounts of over $5 million are separately disclosed. Some contingencies cannot be quantified. These unquantifiable contingent liabilities are disclosed as at 30 June 2024 if they are expected to be material but not remote. Where there is an obligation, amounts have been recognised in the financial statements.

2023 Actual $000		2024 Actual $000
	Quantifiable contingent liabilities	
1,130,122	Guarantees and indemnities	1,130,850
8,218,547	Uncalled capital	8,298,176
1,484,556	Borrowing arrangement	1,470,855
10,833,225	**Total quantifiable contingent liabilities**	**10,899,881**

Quantifiable Contingent Liabilities – With a 'Possible' chance of arising

Guarantees and Indemnities

Export Credit

New Zealand Export Credit provides a range of guarantee products to assist New Zealand exporters manage risk and capitalise on trade opportunities around the globe. The obligations to third parties are guaranteed by the Crown and are intended to extend the capacity of facilities in the private sector. A contingent liability of $176 million has been recognised for this indemnity.

New Zealand Transport Agency (NZTA)

An indemnity is provided to NZTA in respect of any failure to pay, additional payments such as a Māori Claim or a Natural Disaster Event, and compensation amounts on termination of the Project Agreement to the contractors of Transmission Gully. In the event of the indemnity being required it is expected that NZTA would repay the funds required for termination to the Crown from money that would otherwise have gone to regular Public Private Partnership liability payments. These payments would occur over time. A contingent liability of $950 million has been recognised for this indemnity.

Uncalled capital

Uncalled capital commitments exist for a number of domestic and international arrangements. The majority of these relate to New Zealand being a member country of the organisations listed below that, as part of the commitment to a multilateral approach, ensure global financial and economic stability. Capital is contributed by subscribing to shares in certain institutions. The capital (when called) is typically used to raise additional funding for loans to member countries, or in the case of the quota contributions, directly finance lending to members. For New Zealand and other donor countries, capital contributions comprise both paid-in capital and callable capital or promissory notes.

2023 Actual $000		2024 Actual $000
3,390,711	Asian Development Bank	3,349,826
2,009,459	International Bank for Reconstruction and Development	2,080,352
1,954,895	International Monetary Fund – promissory notes	2,037,447
606,588	Asian Infrastructure Investment Bank	608,789
201,183	Crown Infrastructure Partners	201,183
12,503	European Bank for Reconstruction and Development	12,341
8,208	Multilateral Investment Guarantee Agency (MIGA)	8,238
35,000	Airways New Zealand	-
8,218,547	**Total uncalled capital**	**8,298,176**

Asian Development Bank (ADB)

New Zealand was a founding regional member of the ADB, whose aim is to accelerate economic development in developing countries in Asia and the South Pacific as required. New Zealand is a regional member but as a donor is not entitled to borrow from the Bank. Accordingly, New Zealand is in a similar position to a non-regional member and contributes to the ADB's resources only as required by the ADB.

International Bank for Reconstruction and Development (IBRD)

New Zealand is a member of the IBRD, the main lending organisation of the World Bank Group. This uncalled capital is attached to New Zealand's IBRD shares and can be called by the IBRD if required.

International Monetary Fund (IMF)

New Zealand's subscription to the IMF is partly paid in cash and partly in promissory notes (being uncalled capital). The respective levels of called and uncalled capital change when calls are made by the IMF under the Financial Transactions plan to provide loan packages to borrowing countries. Even though promissory notes are technically "at call", they are treated as contingent liabilities, as there are significant restrictions on the actual ability to call them, and there is no realistic estimate of either the amount or the timeframe of any call.

Asian Infrastructure Investment Bank (AIIB)

New Zealand is a member of the AIIB. This uncalled capital is attached to New Zealand's AIIB shares and uncalled capital will only be provided as required by the AIIB. Funds are available to the AIIB, the occurrence and amount of which will depend upon uncertain trigger events and AIIB calling the funds.

Crown Infrastructure Partners Ltd

In 2018 an uncalled capital facility of $300 million was established for the funding of infrastructure investment consistent with the company's constitution. A portion of this remains undrawn.

European Bank for Reconstruction and Development (EBRD)

The European Bank for Reconstruction and Development's authorised share capital is EUR 30 billion divided into 3 million shares, having a face value of EUR 10,000 each. New Zealand has been allocated 1,050 shares, amounting to 0.04% of the Bank's capital. The authorised share capital is divided into paid-in and callable shares. The total par value of paid-in shares is EUR 3.500 million. The paid in shares have been valued at net current value of the Bank's shareholder funds.

Multilateral Investment Guarantee Agency (MIGA)

New Zealand is a member of the MIGA, the part of the World Bank Group that offers political risk insurance and credit enhancement guarantees. This uncalled capital is attached to New Zealand's MIGA shares and can be called on by the MIGA if required.

Borrowing Arrangements

International Monetary Fund (NAB)

The Crown has provided an additional arrangement to borrow with IMF (New Arrangement to Borrow). The Crown has agreed to make this available to the IMF to support the international financial systems in the event of a significant crisis. A contingent liability exists for $1,471 million (2023: $1,485 million) for the possible contribution obligation.

The current NAB period became effective on 1 January 2021 and is set to expire on 31 December 2025. Pursuant to paragraph 19(b) of the NAB Decision, the Executive Board is to take a decision on the renewal no later than twelve months before the end of the current NAB period, ie, by 31 December 2024. Once a decision on renewal is taken, the new NAB period would become effective on 1 January 2026. A proposal is being considered to extend the NAB for five years until the end of 2030.

Unquantified Contingent Liabilities – with a 'Possible' chance of arising

Bona Vacantia Property/New Zealand Aluminium Smelter and Comalco

The Minister of Finance signed indemnities in November 2003 and February 2004 in respect of aluminium dross currently stored at another a site in Invercargill. The indemnity relates to costs potentially to be incurred in removing the dross and disposing of it at another site if required to do so by an appropriate authority. No reliable estimation of the costs will be known until a decision is being made to proceed with the obligation.

Business Finance Guarantee Scheme

The Crown has established a Business Finance Guarantee Scheme with a number of lenders to support New Zealand businesses facing hardship as a consequence of COVID-19 or to help businesses recover from the impact of COVID-19. In April 2020, the Crown indemnified approved lenders for an amount equal to 80% of the shortfall that arises in relation to a supported loan in default. As these indemnities are financial guarantee contracts, the fair value of the contract, and the expense arising, has been quantified using an accepted methodology, and incorporated into the recognition of an expense provision of $36.742 million (2023: $60.790 million) on facilities of $1.537 billion (2023: $1.968 billion). The actual call on the indemnity is unquantifiable, as it will depend on the default rates actually incurred across the portfolio.

Contact Energy Limited

The Crown and Contact Energy settled in full Contact's outstanding land rights and geothermal asset rights at Wairakei. Included in the settlement were two linked reciprocal indemnities between the Crown and Contact Energy to address the risk of certain losses to the respective parties' assets arising from the negligence or fault of the other party. This contingent liability is unquantified as there are currently no claims against the indemnity.

Genesis Power Ltd

When Genesis acquired Tekapo A & B power stations, an indemnity was provided for any damage to the bed of lakes and rivers subject to operating easements. The current indemnity follows from the original indemnity granted by the Crown to ECNZ in 1993, and to Meridian, Mercury Energy and Contact Energy in 2004. This contingent liability is unquantified as there are currently no claims against the indemnity.

Maui Partners

An indemnity was provided for any losses arising from a breach of the deed and confidentiality agreements with the Maui Partners in relation to the provision of gas reserves information. This contingent liability is unquantified as there are currently no claims against the indemnity.

National Provident Fund (NPF)

Within the National Provident Fund Restructuring Act 1990, NPF has been indemnified for certain potential tax liabilities with no time limit. The Crown also guarantees:

- the benefits payable by all NPF schemes (section 60)
- investments and interest thereon deposited with the NPF Board prior to 1 April 1991 (section 61)
- payment to certain NPF defined contribution schemes where application of the 4% minimum earnings rate causes any deficiency or increased deficiencies in reserves to arise (section 72).

As the circumstances leading to any of these liabilities being incurred is dependent on other unpredictable factors, this liability is unquantifiable.

New Zealand Railways Corporation

An indemnity was provided on 1 September 2004 indemnifying the directors of NZ Railways Corporation against particular liabilities and guaranteeing all loan and swap obligations of the NZ Railways Corporation. This contingent liability is unquantified as there are currently no claims against the indemnity.

North Island Weather Events Loan Guarantee Scheme

The Crown established this Scheme in July 2023, with ten lenders to support businesses in specific regions affected by the North Island Weather Events, being the Auckland Anniversary Weekend floods and Cyclone Gabrielle. Under this Scheme, the Crown indemnified approved lenders for an amount equal to 80% of the shortfall that arises in relation to a supported loan in default. As these indemnities are financial guarantee contracts, the fair value of the contract, and the expense arising, has been quantified using an accepted methodology, and incorporated into an expense provision of $105.394 million (2023: $Nil) on facilities of $1.669 billion. The actual call on the indemnity is unquantifiable, as it will depend on the default rates actually incurred across the portfolio.

Rau Paenga (formerly Ōtākaro Limited)

The Crown has provided an indemnity to Ōtākaro for the reasonable cost of meeting contamination remediation liabilities on transferred land. The indemnity is only activated when the allocated and unallocated contamination budget for that Anchor Project has been exhausted. Contamination remediation liabilities include contaminations that arise under the Resource Management Act 1991 (RMA), the RMA Regulations 2011 and any other applicable legal obligation, law or regulations and that do not arise directly or indirectly from any contamination caused or created or worsened by Ōtākaro and amounts charged by an independent expert. This indemnity is unquantifiable as contamination remediation expenses have been managed within the expense budget of the Anchor Projects.

Synfuels-Waitara Outfall Indemnity

In the 1990 sale of the Synfuels plant and operations to New Zealand Liquid Fuels Investment Limited (NZLFI), the Crown transferred to NZLFI the benefit and obligation of a Deed of Indemnity between the Crown and Borthwick-CWS Limited (and subsequent owners) in respect of the Waitara effluent transfer line which was laid across the Waitara meat processing plant site. This contingent liability is unquantified as there are currently no claims against the indemnity.

Southern Response Earthquake Services Limited (SRES)

A Deed of Indemnity was established for current, former and future directors and appropriate senior management. The specific purpose for which SRES was established and the unique circumstances and risks facing its directors were key factors for the Minister of Finance to provide a targeted Crown indemnity. This ensures continued quality governance arrangements, should there be changes to board or management composition. This contingent liability is unquantified as there are currently no claims against the indemnity.

National Hazards Commission Toka Tū Ake (formerly the Earthquake Commission)

As set out in the Natural Hazards Insurance Act 2023, the Crown shall fund (by means of loan or grant) any deficiency in the Natural Hazards Commission Toka Tū Ake's assets held in the Natural Hazard Fund to cover its financial liabilities on such terms and conditions that the Minister determines.

Actual funding requirements could vary from the Natural Hazards Commission Toka Tū Ake's latest forecasts because of inherent uncertainties when estimating the outstanding claims liabilities. Estimates are adjusted as new information comes to light regarding the inflow of claims and other factors.

As the contingency has no end date, it is not possible to quantify the value of commitments that may arise from past or future hazard events.

Westpac NZ Ltd and Westpac Banking Corporation

The Crown Transactional Banking Services Agreement with Westpac New Zealand Limited (WNZL) and Westpac Banking Corporation (WBC) was entered into on 28 June 2023. The Crown has indemnified WNZL against certain costs, damages, and losses resulting from third party claims against WNZL or WBC regarding:

- unauthorised, forged, or fraudulent payment instructions
- unauthorised or incorrect direct debit instructions, or
- letters of credit issued by WNZL in favour of a third party as part of providing transactional banking services to the Crown.

This contingent liability is unquantified as there are currently no claims against the indemnity.

The Treasury, on behalf of the Crown, has no contingent assets (2023: Nil).

Statement of Trust Monies

as at 30 June 2024

2023 Actual $000		2024 Actual $000
26,683	Opening Balance	27,761
1,594	Funds deposited	180
450	Interest received	751
(112)	Interest on term investment remitted to the Crown	(219)
(854)	Distributions made from the Trust Account to beneficiaries	(316)
-	Unclaimed funds remitted to the Crown	(6,615)
27,761	**Total Trust Account monies closing balance**	**21,542**

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.

Explanatory Notes to Non-Departmental Financial Schedules

Explanatory notes provide details of significant Treasury non-departmental expenditure and revenue, assets and liabilities. All non-departmental balances are also included in the Financial Statements of the Government, with the exception of impairment of investments.

Significant estimates applicable to the preparation of Non-Departmental Financial Schedules

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

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

1 Capital Charge

Capital charge is a cost levied on the Crown's investment in each department. It reflects the cost to the Crown of investing in a department versus other uses of that money. Capital charge is calculated and invoiced by the Treasury twice a year; once on their previous year's audited 30 June net asset balances and then again on departments' 31 December net asset balances (taxpayer funds). The rate used for calculation of capital charge is the public sector discount rate.

The capital charge rate applicable for the year ended 30 June 2024 was 5% (2023: 5%).

The table below shows the summary of the sources of capital charge receipts:

2023 Actual $000		2024 Actual $000
2,353,048	Government Departments	2,690,012
10,155	Crown Entities	15,361
2,363,203	**Total capital charge receipts**	**2,705,373**

2 Dividends from State-Owned Enterprises and Crown Entities

Dividend revenue from investments is recognised when the Crown's rights as a shareholder to receive payment have been established.

2023 Actual $000		2024 Actual $000
231,021	Meridian Energy Limited	238,141
148,241	Mercury Energy Limited	160,415
-	Air New Zealand Limited	137,433
120,000	Trans Power Limited	116,000
717,052	New Zealand Post Limited	100,000
95,544	Genesis Energy Limited	86,566
12,523	Other State-Owned Enterprises	24,698
650	Other Crown Entities	7,000
1,325,031	**Total dividends from State-Owned Enterprises and Crown Entities**	**870,253**

3 Interest Revenue and Debt Servicing – New Zealand Debt Management (NZDM)

Interest revenue and expense on financial assets and financial liabilities, classified at amortised cost, is accrued using the effective interest method. The effective interest rate discounts estimated future cash receipts and payments through the expected life of the financial instrument's net carrying amount. The method applies this rate to the principal outstanding to determine interest revenue or expense each period. This means interest is allocated at a constant rate of return over the expected life of the financial instrument based on the estimated cash flows.

Interest revenue on financial assets classified as fair value through the operating balance is recognised as it accrues.

2023 Actual $000	Interest revenue	2024 Actual $000
	Interest income calculated using the effective interest method for financial assets measured at amortised cost:	
1,039,693	Interest on Crown Settlement Account	1,296,130
147,637	IMF interest	223,020
-	Interest on loans	4,745
1,187,330	**Total interest income calculated using the effective interest method for financial assets measured at amortised cost**	**1,523,895**
	Interest income arising from financial assets measured at fair value through operating balance:	
136,098	Interest from investments	170,476
73,410	Interest on loans	93,449
1,876	Interest: Other	2,038
211,384	**Total interest income arising from financial assets measured at fair value through operating balance**	**265,963**
1,398,714	**Total interest revenue**	**1,789,858**

The following table shows NZDM's interest expense by borrowing instrument type.

2023 Actual $000	Interest expense	2024 Actual $000
2,692,494	New Zealand Government Nominal Bonds	3,647,279
2,351,952	New Zealand Government Inflation-indexed Bonds	1,947,761
112,472	New Zealand Government Treasury Bills	264,029
234,166	Other	619,860
5,391,084	**Total interest expense**	**6,478,929**

The debt servicing interest cost has increased from the previous year because of increasing weighted average yields and increased average volume of Nominal Bonds and Inflation-indexed Bonds outstanding. The average interest rate paid was 3.28% (2023: 3.10%).

4 Other Income

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

The main component of fair value movements is realised gains from early repurchases of New Zealand Government Stock. Gains and losses on financial instruments are reported in the Schedule of Revenue and Capital Receipts when financial instruments are revalued in accordance with the accounting policies of these financial statements.

The table below shows the summary of fair value gains and losses by source:

2023 Actual $000	Fair value movements	2024 Actual $000
	Fair value movements arising from financial assets and liabilities held under the effective interest method:	
949,390	Gains/(losses) on Government Bonds	579,572
(57,328)	Advances fair value write downs	(44,111)
892,062	**Total**	**535,461**
	Fair value movements arising from financial assets and liabilities measured at fair value through operating balance:	
(116,075)	Gains/(losses) on derivative instruments	40,737
8,182	Other securities	3,020
118,999	Undrawn commitment liability	4,212
58,471	Net foreign currency gains/(losses)	53,912
69,577	**Total**	**101,881**
961,639	**Total net fair value movements**	**637,342**

(b) Other revenue

Included in Other Revenue are Employers' Superannuation contributions, the Earthquake Commission guarantee fee and unclaimed money.

5 Non-Departmental Other Expenses

Other operating expenses relate to those expenses incurred in the course of undertaking non-departmental functions and activities. If grants and subsidies are at the Crown's discretion until payment, the expense is recognised when the payment is made. Otherwise, the expense is recognised when the specified criteria for the grant or subsidy have been fulfilled and notice has been given to the Crown.

2023 Actual $000		2024 Actual $000
3,119,212	Large Scale Asset Purchases indemnity losses	1,044,875
505,430	Government Superannuation Fund unfunded liability	850,217
-	Shovel Ready grant funding to Crown Infrastructure Partners	325,981
-	North Island Weather Event Guarantee Scheme provision	105,394
142,981	Grant to Christchurch City Council	13,388
159,886	Other	232,105
3,927,509	**Total non-departmental other expenses**	**2,571,960**

6 Accounts Receivable

Short-term receivables are recorded at the amount due, less an allowance for expected credit losses (ECL). The Treasury applies the simplified ECL model of recognising lifetime ECLs for short-term receivables.

Bond issuance debtor balances represent amounts receivable at the reporting date in relation to unsettled issuances of government bonds. These receivables arise due to timing differences between the issuance of government bonds and the settlement of funds by counterparties. Given the low credit risk associated with these receivables and the fact that the counterparties are typically reputable financial institutions, the outstanding debtor balances related to government bond issuances are not subject to ECL provisioning.

Other receivables comprise mainly of overseas rental receivables from the New Zealand House property. In measuring the credit losses on these, a provision matrix has been established based on historical credit loss experience, adjusted for forward-looking factors specific to the debtors' circumstances.

Receivables are written off when there are no reasonable expectations of recovery. Indicators that there are no reasonable expectations of recovery include the debtor being in liquidation.

The breakdown of receivables is shown below:

2023 Actual $000		2024 Actual $000
670,545	Bond issuance receivables	477,617
4,449	Other receivables	2,472
674,994	**Total accounts receivable**	**480,089**

All receivables balances arose from exchange transactions.

7 Share Investments

The Crown has share investments in the following International Financial Institutions: the Asian Development Bank; the International Bank for Reconstruction and Development; the European Bank for Reconstruction and Development; the International Finance Corporation; the Multilateral Investment Guarantee Agency; and the Asian Infrastructure Investment Bank. The total share investment in International Financial Institutions is $573.519 million (2023: $563.387 million).

The investment in the International Bank for Reconstruction and Development increased by $10.119 million as a result of the Crown's subscription to additional capital in 2024 (2023: $10.127 million).

A gain of $0.015 million on the revaluation of the International Financial Institutions' investment was recorded as a result of New Zealand dollar foreign exchange rate movements (2023: a gain of $13.380 million). This revaluation gain is included in the Schedule of Revenue.

8 Equity Accounted Investments

The non-departmental schedules include the equity accounted results of entities over which the Crown is in a position to exercise significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies. This generally occurs when the Crown holds between 20% and 50% of the voting power of another entity. Investments in these entities are initially recognised at cost, including transaction costs. The investments are subsequently measured in the Schedule of Assets at cost as adjusted by post-acquisition changes in the Crown's share of the net assets. Losses of the entities in excess of the Crown's interest are not recognised.

The Crown holds shares, but not full ownership, in council-controlled trading organisations (CCTO's). CCTO's are set up by local authorities to undertake activities on their behalf. They are established by the Local Government Act 2002 and, as companies, are subject to the Companies Act 1993.

The breakdown of equity accounted interests in the CCTO's is shown below:

		Interest held	
Entity name	Nature of relationship	2023 %	2024 %
Christchurch International Airport Limited	Associate	25	25
Dunedin International Airport Limited	Associate	50	50
Hawke's Bay Airport Limited	Associate	50	50

All the companies mentioned above were incorporated in New Zealand and have a balance date of 30 June.

The following table summarises the financial information of the airport companies that the Treasury has included in the non-departmental schedules. The information has been combined because of commercial sensitivities and is for the period 1 April 2023 to 30 June 2024.

2023 Actual* $000		2024 Actual $000
33,301	Current assets	36,852
2,322,974	Non-current assets	2,531,918
77,411	Current liabilities	270,419
727,506	Non-current liabilities	587,165
1,551,358	Net assets (100%)	1,711,186
419,975	**Carrying amount of interest in associate entities**	**461,362**
173,061	Revenue	346,748
30,866	Surplus from continuing operations	78,263
144,460	Other comprehensive revenue and expense	131,080
175,326	**Total comprehensive revenue and expense**	**209,343**
49,221	**Crown's share of total comprehensive revenue and expense**	**54,541**

* Based on results to 31 March 2023. Previously, this was considered the most stable data point, and movements beyond this date were not material.

No financial or other support has been provided to the entities in the reporting period and there is currently no intention to provide such support in the future (2023: Nil).

There were no contingent liabilities or assets relating to the Crown's interest in the airports (2023: Nil). There were no capital commitments relating to the Crown's interest in the airports (2023: Nil).

9 Advances

Advances are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Advances also include loans provided on concessionary terms. The following section provides further information on advances.

2023 Actual $000		2024 Actual $000
	Current assets	
426,648	Kāinga Ora – Homes and Communities	199,790
125,723	New Zealand Transport Agency	363,258
83,883	Landcorp Redeemable Preference Shares	83,883
12,000	Other	457
648,254	**Total Advances – current assets**	**647,388**
	Non-current assets	
4,135,075	Kāinga Ora – Homes and Communities	8,570,104
1,567,546	New Zealand Transport Agency	3,079,694
187,344	Housing Infrastructure Fund Loans to Local Authorities	230,677
97,252	Other	128,943
5,984,217	**Total Advances – non-current assets**	**12,009,418**
6,632,471	**Total Advances**	**12,656,806**

Certain loans to Kāinga Ora – Homes and Communities included above, with a carrying value of $4,551.964 million (2023: Nil) are measured at amortised cost using the effective interest method. The fair value of these loans is $4,632.613 million (2023: Nil). This fair value is based on a discounted cash flow model with reference to market interest rates and estimated credit losses. In assessing the carrying value of advances to Kāinga Ora and NZTA it has been assessed that these have the same credit risk as the Crown.

Redeemable preference shares in Landcorp Farming Limited are reported at amortised cost. The shares were issued as a capital injection under the terms of the Protected Land Agreement and are redeemable on transfer of properties referred to in the Protected Land Agreement, at the Crown's request. As the redeemable preference shares are immediately redeemable at the holder's option, the nominal value of the shares is considered to best approximate their fair value, as this represents the amount payable upon immediate redemption.

Loans have been provided to selected local authorities under the Housing Infrastructure Fund which is administered by the Ministry of Housing and Urban Development. The loans are concessionary and are intended to aid the development of transport and water infrastructure required for new housing.

Other advances comprise of loans to certain Crown Entities, Primary Health Organisations and Tertiary Institutions. These loans are measured at fair value through profit and loss.

Concessionary loans

Concessionary loans arise when the Crown extends loans at interest rates that are below alternative funding sources available to an entity and when the Crown intends to transfer economic value in order to support policy objectives. The lending activities initiated by the Crown are generally bespoke and designed to achieve a range of different policy intents.

Concessionary loans are recognised at fair value upon initial recognition when parties have agreed to the contractual provisions of the lending facility. The fair value is determined by discounting the expected future cash flows using a market rate of interest for a similar loan that does not have any concessionary terms. A concessional loan discount expense is recorded when NZDM makes a loan at a discount to the prevailing market equivalent rates or terms. This expense is an upfront, non-cash charge that will unwind over the term of the underlying loan.

The loans are subsequently measured in accordance with the business model in which the assets are managed.

The following table details the nominal and fair values of concessionary loans.

2023 Actual $000		2024 Actual $000
526,498	Carrying value at the beginning of the year	607,359
192,999	New loans	244,302
(34,229)	Maturities and repayments	(8,136)
(81,005)	Initial Concession write-downs	(119,676)
7,799	Amortisation of concession interest	26,435
(4,703)	Other fair value adjustments	9,096
607,359	**Closing carrying value**	**759,380**
2,839	Current carrying value	111,961
604,520	Non-current carrying value	647,419
821,306	**Total nominal value**	**1,057,471**

10 Borrowings

The following sections cover explanations of NZDM's borrowing profile.

Outstanding borrowings have increased from the previous year following the issuance of a new May 2035 and a new May 2054 nominal bond. The maturing April 2025 nominal bond is now classified as current as it matures within 12 months. The increase in the issuance of short-term borrowing is primarily driven by realised short-term cash needs.

2023 Actual $000		2024 Actual $000
	Current liabilities	
13,952,412	New Zealand Government Nominal Bonds[1]	15,291,961
3,009,019	New Zealand Government Treasury Bills[2]	5,801,518
2,236,161	European Commercial Paper[2]	13,199,807
197,109	Derivatives in loss	129,760
124,839	KiwiBonds	130,582
84,504	Departmental Deposits	205,974
59,177	Other*	40,482
19,663,221	**Total Borrowing – current liabilities**	**34,800,084**
	Non-current liabilities	
123,766,582	New Zealand Government Nominal Bonds[1]	140,424,181
26,477,409	New Zealand Government Inflation-indexed Bonds[1]	27,958,751
1,870,764	Derivatives in loss	1,387,566
4,520,692	IMF Allocation[3]	4,480,451
32,618	KiwiBonds	27,895
72,951	Other*	73,488
156,741,016	**Total Borrowing – non-current liabilities**	**174,352,332**

* Mainly undrawn concessionary loan commitments which are measured at fair value.

1 Government bonds are measured at amortised cost. The fair value of Government bonds measured at amortised cost is $169,201 million (2023: $146,598 million). This valuation is based on observable market prices at 30 June 2024. The difference between fair value and carrying value is because of an increase in market rates, decreasing the fair value of the bonds.

2 Treasury bills and European Commercial Paper are reported at amortised cost. As these are short-term sovereign-issued instruments, the value would not be materially affected by changes in sovereign credit risk or interest rates and the carrying value approximates fair value.

3 The IMF allocation liability reflects the amortised cost adjusted for foreign currency translation in New Zealand dollars of the Government's liability to repay New Zealand's cumulative allocations of Special Drawing Rights. The liabilities are fixed commitments to the IMF, and as such, the nominal value is considered the most appropriate measurement basis.

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

2023 Actual $000	Movement in New Zealand Government Bonds	2024 Actual $000
159,757,741	**New Zealand Government Bonds opening balance**	**164,196,403**
17,977,000	New Zealand Government Nominal Bonds – issued via tender	22,000,000
210,000	New Zealand Government Inflation-indexed Bonds – issued via tender	275,000
7,000,000	New Zealand Government Nominal Bonds – issued via syndication	17,000,000
2,500,000	NZ Government Inflation-indexed Bonds – issued via syndication	-
350,000	Net – Non-market Bonds	1,950,000
(4,420,000)	NZ Government Nominal Bonds repurchased	(4,598,000)
(2,080,000)	NZ Government Inflation-indexed Bonds repurchased	(402,000)
(15,945,000)	New Zealand Government Nominal Bonds matured	(13,800,000)
(1,153,338)	Net premium/discount and accrued interest	(2,946,510)
4,438,662	**Net movement for the period**	**19,478,490**
164,196,403	**New Zealand Government Bonds closing balance**	**183,674,893**

11 Government Superannuation Fund Unfunded Liability

The Government Superannuation Fund (GSF) was established to provide a way for state sector employees to save for their retirement. The members' entitlements are defined in the Government Superannuation Fund Act 1956. Contributing members make regular payments to GSF and in return, on retirement, receive a defined level of income. The GSF has been closed to new members since 1 July 1992.

The GSF obligation has been calculated by GSF's actuary as at 30 June 2024 and involves projecting the benefits payable in future to members and their dependants. Benefits are payable on retirement, death, leaving service, ill health or on withdrawal from the GSF and are calculated using membership data at the valuation date.

The amount of the entitlement typically depends on the length of membership, the level of salary over time, age related factors and subsequent pension increases (in the case of the pension entitlements). There are 2,965 (2023: 3,273) contributors and 40,785 (2023: 41,710) pensioners in the scheme.

Amounts recognised in the Schedule of Assets and Liabilities in respect of the GSF are as follows:

2023 Actual $000		2024 Actual $000
	Net GSF obligation	
13,182,418	Present value of defined benefit obligation	12,829,686
5,144,510	Fair value of plan assets	5,495,271
8,037,908	**Present value of unfunded defined benefit obligation**	**7,334,415**
	Present value of defined benefit obligation	
13,722,672	Opening defined benefit obligation	13,182,418
30,601	Expected current service cost[3]	23,312
443,266	Expected unwind of discount rate[4]	689,605
(455,289)	Actuarial losses/(gains) arising from changes in financial assumptions	(210,252)
399,077	Actuarial losses/(gains) arising from changes in demographic assumptions and experience adjustments	151,524
(957,909)	Benefits paid	(1,006,921)
13,182,418	**Closing defined benefit obligation**	**12,829,686**
	Fair value of plan assets	
4,957,589	Opening fair value of plan assets	5,144,510
160,938	Expected interest on plan assets[1, 2, 4]	270,889
297,588	Actuarial gains/(losses)[2]	396,493
707,827	Funding of benefits paid by Government	735,888
8,830	Contributions from other entities[3]	6,110
13,955	Contributions from members[3]	10,938
(957,909)	Benefits paid	(1,006,921)
(44,308)	Expenses[3]	(62,636)
5,144,510	**Closing fair value of plan assets**	**5,495,271**

1 This is calculated at the risk-free rate of return.

2 The actual return on plan assets is made up of the sum of the expected interest on plan assets and the actuarial gains/(losses) on plan assets which is calculated at the risk-free rate of return.

3 These amounts are recorded as other expenses in the Schedule of Expenses.

4 These amounts are offset and recorded as other expenses in the Schedule of Expenses.

Amounts recognised in the Schedule of Expenses in respect of the GSF are as follows:

2023 Actual $000		2024 Actual $000
(455,289)	Actuarial losses/(gains) arising from changes in financial assumptions	(210,252)
399,077	Actuarial losses/(gains) arising from changes in demographic assumptions and experience adjustments	151,524
(297,588)	Experience (gain)/loss on plan assets	(396,492)
(353,800)	**Total revaluation of the defined benefit retirement plan scheme**	**(455,220)**

A contribution of $727 million (2023: $727 million) is expected to be made by the Crown to the GSF in the year to 30 June 2025.

The principal assumptions used to project the benefits payable in the future are financial assumptions (eg, inflation and salary growth) and demographic assumptions (eg, pensioner mortality). Pension increases are linked to expected increases in the Consumer Price Index (CPI). Projected benefit payments are discounted back to the valuation date using the market yield curve of New Zealand Government bonds as set out on the Treasury's central table of risk-free discount rates. The salary growth assumption adopted is a flat salary increase of 2.5% per annum (2023: 2.5% per annum).

The present value of the unfunded defined benefit obligation decreased in the year to 30 June 2024 by $703 million. This is driven by both a decrease in the defined benefit obligation, largely reflecting increasing discount rates, and an increase in the fair value of plan assets, mainly owing to strong investment returns.

The major categories of GSF plan assets at 30 June 2024 are as follows:

2023 Actual $000		2024 Actual $000
3,889,344	Equity instruments	4,106,793
561,022	Other debt instruments	699,735
476,990	Cash and short-term investments	449,669
322,042	Insurance linked securities	269,024
41,923	Derivatives	67,845
(146,811)	Other[1]	(97,795)
5,144,510	**Total revaluations on defined benefit retirement plan scheme**	**5,495,271**

1 This balance mainly reflects derivatives in loss, contributions receivables from the Crown and payables on investments.

The expected rate of return on the plan assets is 5.5% (2023: 5.3%) and is based on the expected long-term returns from each asset class, reduced by tax (using the current rates of tax).

The actual return on plan assets for the year ended 30 June 2024 was 14.1% (net of tax on investment income), or $667 million (2023: 9.5% or $459 million).

Sensitivity analysis

The present value of the GSF obligation is sensitive to underlying assumptions such as the discount rate, inflation rates and expected salary increases. The plan's assets are exposed to share price risks arising from its holding of equity instruments. The following sensitivity analysis has been determined based on whether the discount rate or inflation assumption were to change in isolation.

2023 Actual $000		2024 Actual $000
(1,124,553)	Using discount rates as at date of valuation plus 1%	1,055,894
1,324,140	Using discount rates as at date of valuation minus 1%	(1,236,867)
(1,253,542)	Using CPI rates as at date of valuation plus 1%	(1,188,380)
1,090,228	Using CPI rates as at date of valuation minus 1%	1,029,034
388,934	Using value of equities as at date of valuation plus 10%	410,679
(388,934)	Using value of equities as at date of valuation minus 10%	(410,679)

Undiscounted defined benefit obligation

The reported GSF defined benefit obligation of $12,830 million (2023: $13,182 million) represents the net present value of estimated cash flows associated with this obligation. The following table represents the timing of future undiscounted cash flows for entitlements after 30 June 2024. These estimated cash flows include the effects of assumed future inflation.

2023 Actual $000		2024 Actual $000
5,066,033	No later than 5 years	5,094,123
4,775,830	Later than 5 years and no later than 10 years	4,726,520
4,144,726	Later than 10 years and no later than 15 years	4,043,717
3,282,862	Later than 15 years and no later than 20 years	3,157,189
2,369,578	Later than 20 years and no later than 25 years	2,241,072
1,540,131	Later than 25 years and no later than 30 years	1,427,077
884,656	Later than 30 years and no later than 35 years	799,473
436,946	Later than 35 years and no later than 40 years	381,768
175,715	Later than 40 years and no later than 45 years	146,374
53,219	Later than 45 years and no later than 50 years	41,398
22,729,696	**Undiscounted defined benefit obligation**	**22,058,711**

After 50 years there is expected to be a reducing level of cash flow for a further 20 years totalling approximately $8 million (2023: $11 million).

12 National Provident Fund Defined Benefit Plan (A) Scheme Unfunded Provision

The Government guarantees the benefits payable by the National Provident Fund (NPF) superannuation schemes.

As at 30 June 2024, the only NPF scheme for which provision for a call under section 60 of the National Provident Fund Restructuring Act 1990 is required is the DBP Annuitants Scheme (DBPA). The DBPA was in a net deficit position of $610 million, represented by a gross estimated pension obligation of $646 million (2023: $681 million) and net investment assets valued at $36 million (2023: $43 million).

The DBPA liabilities have been calculated by the DBPA's Actuary as at 30 June 2024. A Projected Unit Credit Method, based on balance-date membership data, is used for the valuation. This method requires the benefits payable from the DBPA to be discounted back to the valuation date.

The movements in the provision are summarised below:

	2024 Actual $000
Opening Balance at the Beginning of the Year	638,000
Additional Provision Recognised	38,000
Reductions due to Contributions from the Government	(66,000)
Closing Balance at 30 June 2024	**610,000**

The principal assumptions used for the purposes of the DBPA actuarial valuations were as follows:

2023 Actual $000		2024 Actual $000
	For following year	
5.43%	Discount rate	5.30%
1.68%	Expected return on scheme assets	1.44%
3.36%	Expected rate of inflation	2.32%
	Beyond next year	
5.01% - 4.19%	Discount rate	5.36% - 4.25%
1.68%	Expected return on scheme assets	1.44%
2.66% - 1.93%	Expected rate of inflation	2.10% - 2.00%

13 Provisions

Summary of Provisions

	LSAP Indemnity Provision $000	EQC on-solds $000	NIWE Guarantee fee $000	Business Finance Guarantee fee $000	Southern Response $000	Stockton $000	Other Provisions* $000	Total Provisions $000
Balance at 1 July 2023	7,653,642	348,686	-	60,790	87,036	87,839	36,977	8,274,970
Additional provision	-	66,168	105,394	-	52,309	3,678	120	227,669
Provision used in the year	(1,742,451)	(102,394)	-	(3,370)	(59,100)	(3,810)	(14,203)	(1,925,328)
Reduction in provision	(1,427,882)	-	-	(22,835)	-	-	(472)	(1,451,189)
Release of net present value discounting	-	9,140	-	2,157	-	2,192	-	13,489
Balance at 30 June 2024	**4,483,309**	**321,600**	**105,394**	**36,742**	**80,245**	**89,899**	**22,422**	**5,139,611**
Current portion of the provision	4,483,309	114,179	46,765	15,540	-	6,496	4,216	4,670,505

* The main constituents of the other provisions balance include Rau Paenga vesting provision and Export Credit provision.

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 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 before 1 October 2014. The Package is designed to offer payments to customers in situations similar 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 before 1 October 2014 (the 'Ross Representative Action'). The Ross Representative Action was based on similar arguments and circumstances to the Dodds case. On 16 December 2021, the High Court granted Ross leave to discontinue their class action against SRESL. The subsequent settlement with SRESL enables eligible members of the Ross Representative Action to participate in the Package. The Crown's financial support to SRESL includes the liability for the Crown package.

For accounting and reporting purposes, the liability represented by the Package is regarded as an outstanding claims liability in respect of insurance contracts (NZ PBE IFRS 4: Insurance Contracts) 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 2024, the Crown has recognised a liability for the total balance of the Uncalled Ordinary Share facility of which Southern Response had called 974 million shares (2023: 951 million). A non-current provision of $80.245 million represents financial obligations to SRESL under the Uncalled Ordinary Share facility and DOI (2023: $87.036 million). 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 has been calculated based on estimated liabilities by an independent actuarial firm. In arriving at the central estimate used, 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 have been considered. The provision may fluctuate in future if new claims emerge, the proportion of claims that become subject to litigation increases, or the complexity of the remaining claims results in higher than allowed for costs.

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 responsible for carrying out AMD treatment on acid generated by both historic mining and their own mining activities. The Crown reimburses the mine owner in proportion to its share of the acid generating rock, which is recalculated each year to reflect new mining activity.

A current provision of $6.496 million (2023: $5.112 million) is calculated based on the expected value of claims by the mine operator BT Mining over the next 12 months. The non-current provision is calculated using a projection model that considers the key variables of projected acid volumes to be treated, the cost of the primary treatment agent (lime), operating and capital expenditure, and inflation rates. The model utilises a forecast that goes out to 2034 and then calculates an annuity value into the future. The generation and treatment of acid from the mined rock is expected to continue indefinitely. There exists a long-term obligation to repeat treatment using current treatment methods.

The non-current provision of $83.403 million (2023: $82.727 million) represents the discounted present value of the forecast cost of meeting the Crown's obligations for AMD remediation.

The provision will be sensitive to changes to experienced costs and revisions to economic estimates used in its preparation. The on-site operating costs for the treatment process are relatively stable. The biggest factors impacting the provision are the cost of lime and the inflation rate. The cost to treat a tonne of acid increased by 2.8% for 2025 and then the inflation rate is applied for future years. In 2023 the future modelling included a 22.2% cost increase. A 10% increase in acid treatment cost above the projection would increase the provision by $7.2 million. A 1% increase from 2% to 3% for the long-term inflation rate would increase the provision by $38.8 million. A 1% increase in the discount rate used for the net present value calculation, from 4.3% to 5.3% would decrease the provision by $19.9 million.

Business Finance Guarantee Scheme

In a response to the financial challenges brought about by COVID-19 restrictions on business activity the Minister of Finance announced in March 2020 that the Crown would provide an indemnity to qualifying financial institutions for 80% of the credit loss experienced from lending made under the terms of the Business Finance Guarantee Scheme. 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. At 30 June 2021, when the Scheme availability closed, lending facilities totalling $2.861 billion had been established. At 30 June 2024, lending facilities totalled $1.537 billion (2023: $1.968 billion).

The obligations under the Crown Deed of Indemnity are treated as a financial guarantee in accordance with PBE IPSAS 41 *Financial Instruments*. The product offers financial certainty to banks and modifies their lending risk management metrics and capital requirements. The provision of $36.742 million (2023: $60.790 million) represents an assessment of an appropriate fair value of the guarantee. This was determined by applying the expected loss methodology prescribed within PBE IPSAS 41. The provision relied on key inputs for the probability of default, exposure at default, loss given default and loan credit staging. Modelling of the sensitivity in these factors led to a range of outcomes, with the selected provision level assessed as a balanced view. Compared to the original term of 5 years, the Scheme now has just 2 years remaining until completion. This reduces the sensitivity of the provision to changes in variables. A 20% deterioration in the credit quality of the loans would increase the provision by $2.8 million. A better loss given default of 60% rather than the modelled 75%, would reduce the provision by $7.1 million.

North Island Weather Events Loan Guarantee Scheme

In early 2023, New Zealand experienced two separate extreme weather events. The Auckland Anniversary Weekend severe weather event and Cyclone Gabrielle caused widespread flooding across large parts of the North Island, devastating communities and businesses in affected regions. In a response to the financial challenges brought about by these weather events the Minister of Finance announced on 29 June 2023 that the Crown would provide an indemnity to qualifying financial institutions for 80% of the credit loss experienced from lending made under the terms of the North Island Weather Events Loan Guarantee Scheme (the Scheme). The Scheme was available for use by borrowers in specific regions, who met defined characteristics, until a closing date of 30 June 2024. Businesses could apply for loans of up to $10.0 million (with exceptions on a case-by-case basis) 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, passing interest rate savings, achieved through the credit guarantee, onto borrowers.

The obligations under the Scheme are treated as a financial guarantee in accordance with PBE IPSAS 41 *Financial Instruments*. The product offers financial certainty to participating financial institutions and modifies their lending risk management metrics and capital requirements. The provision of $105.394 million (2023: Nil) represents an assessment of an appropriate fair value of the guarantee. This was determined by applying the expected loss methodology prescribed within PBE IPSAS 41. At 30 June 2024, when the Scheme availability closed, lending facilities totalling $1.669 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. Modelling of the sensitivity in these factors led to a range of outcomes, with the selected provision level assessed as a balanced view. An increase in the loss given default setting from 75% to 80% would increase the provision by $7.0 million. An increase in the one-off degradation in the credit quality from 15% to 20% would increase the provision by $8.1 million. A decrease in the degradation from 3 credit steps to 2 would reduce the provision by $8.0 million.

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 1989 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 continues to be available for new asset purchases, with the ability for the Minister of Finance to give one day's notice of expiry. The indemnity will apply through to the maturity dates of the bonds held at the time that the indemnity qualification period ceases.

In July 2021 the RBNZ stopped purchasing further bonds for inclusion in the LSAP. In March 2023, the RBNZ announced that it would start a programme of selling a portion of the portfolio back to Treasury, at the rate of $5 billion a year. Bond maturities during coming years will also contribute to the reduction of the portfolio.

The indemnity is a financial derivative within the definitions of PBE IPSAS 41 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 2024, the RBNZ had bonds with a book value of $33.3 billion (2023: $45.4 billion) and a market value of $29.1 billion (2023: $38.1 billion). The market value loss of $4.2 billion (2023: $7.3 billion) is recognised as the indemnity liability provision by the Crown. The market value can be readily available from quoted market rates and fairly represents the value of the indemnity as at balance date. Market rates will fluctuate over time, impacting the carrying value of the indemnity.

Earthquake Commission (EQC) – 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. Assessment and payment experience has led to a revised forecast that the programme will continue until 2027. There is considerable uncertainty in evaluating the future cost of the policy as it depends on many factors. As a result, a number of significant judgements have been made to address this uncertainty. Within a range of $685 million to $746 million, the best estimate of the cost of the total on-sold programme is $715 million (inclusive of service fees of $50 million payable to EQC). After deducting payments made up to 30 June 2024 (inclusive of the $22.8 million invoiced for the three months ended 30 June 2024), the best estimate of net present value of the provision, inclusive of service fees, at 30 June 2024 is $321.6 million (2023: $348.7 million).

A number of factors generate considerable uncertainty in identifying the remaining costs. These include identification of additional damage during repairs, uncertainties in the future inflation for repair costs, the time assumed for repairs to be completed and other limitations in modelling potential outcomes. The main source of uncertainty lies in the actual settlement amounts as each claim is unique.

Sensitivity analysis was carried out to determine the impact of changes in key assumptions. Assumptions regarding ex gratia settlement amounts, and the variation amounts and the number of applications requiring a variation have a significant impact on the overall estimated cost. If 10% more properties than modelled require a variation the estimated cost increases $31.2 million to $746.2 million and the provision increases to $351.8 million. If the assumed settlement amount for remaining claims is increased by 20%, the estimated cost increases $19.3 million to $734.3 million and the provision increases to $340.9 million.

14 Financial Instruments Information and Risks

Non-derivative financial assets

Financial assets are initially recognised at fair value and subsequently measured in accordance with the business model in which assets are managed and their contractual cash flow characteristics. Financial assets are measured at:

- amortised cost if the business model is to hold the financial assets in order to collect contractual cash flows and those cash flows represent solely payments of principal and interest, or
- fair value through operating balance ("FVTOB") if the financial assets are held for trading or if the cash flows of the asset do not solely represent payments of principal and interest. Financial assets may also be designated into this category if this accounting treatment results in more relevant information because it either significantly reduces an accounting mismatch with related liabilities or is part of a group of financial assets that is managed and evaluated on a fair value basis.

The maximum loss due to default on any financial asset is the carrying value reported in the Schedule of Assets and Liabilities.

Financial asset type	Measurement
Cash and cash equivalents	Amortised cost
Trade and other receivables	Amortised cost
Long-term deposits	Amortised cost
Marketable securities	Fair value through the operating balance
IFI financial assets	Amortised cost
Share investments	Fair value through the operating balance
Advances	Both fair value through the operating balance and amortised cost

Financial assets measured at amortised cost are initially recognised at fair value plus transaction costs. They are subsequently measured at amortised cost using the effective interest method. If issued with a duration of less than 12 months they are recognised at their nominal value unless the effect of discounting is material. Interest, impairment losses and foreign exchange gains and losses are recognised in the Schedule of Revenue and Capital Receipts or Schedule of Expenses.

An expected credit loss (ECL) model is used to recognise and calculate impairment losses for financial assets subsequently measured at amortised cost. Financial assets are to be assessed at each reporting date for any significant increase in the credit risk since initial recognition.

The simplified approach to providing for expected credit losses is applied to trade and other receivables and lease receivables. The simplified approach involves making a provision at an amount equal to lifetime expected credit losses. The allowance is assessed on a portfolio basis based on the number of days overdue and taking into account the historical loss experience and incorporating any external and future information.

The general model prescribed is adopted for individual financial assets or groups of financial assets held at amortised cost, other than trade and other receivables and lease receivables. This model recognises impairment losses in line with the credit quality stage of the financial asset.

Impairment of financial assets that are individually significant are determined on an individual basis. Specific lifetime expected credit losses allowance is recognised for these assets under both the general and simplified impairment model.

Financial assets measured at FVTOB are recorded at fair value with any realised and unrealised gains or losses recognised in the Schedule of Revenue and Capital Receipts or Schedule of Expenses. Gains or losses from interest, foreign exchange and other fair value movements are reported in the Schedule of Revenue and Capital Receipts. Transaction costs are expensed as they are incurred.

Financial assets classified at FVTOB are not assessed for impairment as their fair value reflects the credit quality of the instruments and changes in fair value are recognised in the Schedule of Revenue and Capital Receipts or Schedule of Expenses.

Cash and cash equivalents include cash on hand, cash in transit, bank accounts and deposits with an original maturity of no more than three months.

Fair values of quoted investments are based on market prices. Purchases and sales of all financial assets are accounted for at trade date. If the market for a financial asset is not active, fair values for initial recognition and, where appropriate, subsequent measurement are established by using valuation techniques, as set out in the notes to the financial statements. At each balance date an assessment is made as to whether there is objective evidence that a financial asset or group of financial assets is impaired.

Non-derivative financial liabilities

Financial liabilities are initially recognised at fair value and subsequently measured at amortised cost except for those measured at FVTOB.

Financial liabilities measured at FVTOB comprise liabilities held-for- trading and financial liabilities irrevocably designated as FVTOB on initial recognition:

A financial liability is classified as held-for-trading if it is incurred principally for the purpose of trading in the short-term or forms a part of a portfolio of financial instruments that are managed together and for which there is evidence of recent short-term profit-taking, or it is a derivative.

Financial liabilities may be designated as FVTOB if this accounting treatment results in more relevant information because it either significantly reduces an accounting mismatch with a related asset or is part of a group of financial assets that is managed and evaluated on a fair value basis.

Financial liabilities type	Designation
Issued currency	Not designated: recognised at face value
Accounts payable	Amortised cost
Government bonds	Amortised cost
Settlement deposits	Amortised cost
Treasury bills	Amortised cost
Other borrowings	Amortised cost or fair value through operating balance

Financial liabilities held-for-trading and financial liabilities designated at FVTOB are recorded at fair value with any realised and unrealised gains or losses recognised in the Schedule of Revenue and Capital Receipts or Schedule of Expenses. Gains or losses from interest, foreign exchange and other fair value movements are reported in the Schedule of Revenue and Capital Receipts or Schedule of Expenses. For financial liabilities designated as measured at fair value, gains or losses relating to changes in the entity's own credit risk are included in Other comprehensive revenue and expense.

Financial liabilities are recognised from the trade date. Transaction costs are expensed as they are incurred.

Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Financial liabilities entered into with durations of less than 12 months are recognised at their nominal value. Amortisation and, in the case of monetary items, foreign exchange gains and losses, are recognised in the Schedule of Revenue and Capital Receipts or Schedule of Expenses as is any gain or loss when the liability is derecognised.

The carrying amounts of financial assets and financial liabilities in each of the financial instrument categories are as follows:

2023 Actual $000		Amortised cost	Fair value through the operating balance	2024 Actual $000
	Financial assets			
	By class			
22,239,418	Cash and cash equivalents	30,761,265	-	30,761,265
674,994	Debtors and other receivables	480,089	-	480,089
6,632,471	Advances	4,635,862	8,020,944	12,656,806
2,324,156	Derivatives in gain	-	1,833,047	1,833,047
4,281,376	Marketable securities and deposits	1,022,639	2,082,284	3,104,923
5,588,357	IMF assets	5,521,506	-	5,521,506
563,387	Other share investments	-	573,519	573,519
419,975	Other equity accounted investments	461,362	-	461,362
42,724,134	**Total financial assets**	**42,882,723**	**12,509,794**	**55,392,517**

2023 Actual $000		Amortised cost	Fair value through the operating balance	2024 Actual $000
	Financial liabilities			
	By class			
7,850,410	Crown balances with Westpac	9,297,052	-	9,297,052
41,994	Accounts Payable	47,426	-	47,426
542,391	Other Crown Financial Liabilities	495,960	-	495,960
	Borrowings:			
3,009,018	• Treasury bills	5,801,518	-	5,801,518
164,196,403	• Government bonds	183,674,893	-	183,674,893
2,236,161	• European Commercial Paper	13,199,807	-	13,199,807
2,067,873	• Derivatives in loss	-	1,517,326	1,517,326
157,457	• Government retail stock	158,477	-	158,477
4,737,323	• Other borrowings	4,704,972	95,423	4,800,395
7,714,373	Financial Guarantees	-	4,625,445	4,625,445
192,553,403	**Total financial liabilities**	**217,380,105**	**6,238,194**	**223,618,299**

Fair Value measurement

The following hierarchy details the basis for the valuation of financial assets and financial liabilities measured at fair value. This includes financial assets and financial liabilities measured at both fair value through the operating balance and fair value through other comprehensive revenue and expense. Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. Fair value may be determined using different methods depending on the type of asset or liability. Fair values are determined according to the following hierarchy:

- Quoted Market Price – Financial instruments with quoted prices for identical instruments in active markets (level 1).
- Valuation Technique Using Observable Inputs – Financial instruments with quoted prices for similar instruments in active markets or quoted prices for identical or similar instruments in inactive markets, and financial instruments valued using models where all significant inputs are observable (level 2).
- Valuation Technique with Significant Non-observable Inputs – Financial instruments valued using models where one or more significant inputs are not observable (level 3).

Fair Value Financial Instruments by measurement hierarchy

2023 Actual $000		2024 Actual $000
	Financial assets	
2,963,476	Quoted market price	2,082,284
8,747,617	Observable market inputs	9,766,276
688,500	Significant non-observable inputs	661,235
12,399,593	**Total financial assets**	**12,509,795**
	Financial liabilities	
-	Quoted market price	-
9,881,881	Observable market inputs	6,238,194
-	Significant non-observable inputs	-
9,881,881	**Total financial liabilities**	**6,238,194**

There were no transfers between the different levels of the fair value hierarchy.

The following table details movements in fair value of financial instruments measured using significant non-observable inputs.

2023 Actual $000		2024 Actual $000
598,057	Opening balance at the beginning of the year	688,499
10,127	Add purchases of additional shares	10,119
5,881	Add transfer of IFI shares from MFAT	-
124,958	Add placement of deposits and issues of advances	27,079
(50,000)	Less sales of deposits	(50,000)
(524)	Changes recorded through Other Comprehensive Revenue and Expense	(14,462)
688,499	**Total**	**661,235**

Derivatives

Derivatives are initially recognised in the Schedules of Assets and Liabilities at fair value on the date derivative contracts are entered into and are subsequently re-measured at their fair value. Fair values are obtained from valuation techniques that use models where all significant inputs are observable.

Derivative transactions, such as interest rate swaps, foreign currency swaps, and the payment and receipt of different currencies are stated in the Schedules of Assets and Liabilities at the net of the fair value of receipts less the fair value of payments, both expressed in New Zealand dollars. The net fair value of each derivative contract is determined individually and carried as an asset if the net fair value is positive, and as a liability if that value is negative. Derivatives with maturity dates within the next 12 months have been classified as current.

Gains and losses on all derivatives are recognised in the Schedule of Revenue and Capital Receipts within Other income, fair value, and foreign exchange gains/(losses).

Derivative financial instruments are used across the portfolios to manage exposure to interest rate and foreign currency risk. These transactions do not generally involve any principal exchange at commencement, they are an agreement to change the characteristics of the underlying transactions. The credit exposure is therefore limited to the net market value movement resulting from changes in relevant interest rates or currencies. The Treasury has not adopted hedge accounting.

2023 Actual $000	Carrying values of derivative instruments	2024 Actual $000
	Derivative financial assets	
128,183	Foreign exchange contracts	189,277
86,440	Cross currency swaps	64,924
2,109,533	Interest rate swaps	1,578,846
2,324,156	**Total derivative financial assets**	**1,833,047**
	Derivative financial liabilities	
106,855	Foreign exchange contracts	41,766
16,259	Cross currency swaps	18,119
1,944,758	Interest rate swaps	1,457,441
2,067,872	**Total derivative financial liabilities**	**1,517,326**

2023 Actual $000	Notional values of derivative instruments	2024 Actual $000
	Financial assets	
4,325,817	Foreign exchange contracts	12,279,231
1,423,019	Cross currency swaps	1,066,601
23,505,570	Interest rate swaps	25,794,495
29,254,406	**Total derivative financial assets**	**39,140,327**
	Financial liabilities	
5,575,073	Foreign exchange contracts	4,151,152
200,000	Cross currency swaps	320,284
22,045,467	Interest rate swaps	20,335,467
27,820,540	**Total derivative financial liabilities**	**24,806,903**

Derivatives liquidity analysis

Derivative financial instruments are initially recognised and subsequently measured at fair value. They are reported as either assets or liabilities depending on whether the derivative is in a net gain or net loss position respectively.

The following table shows the undiscounted cash flows of derivatives based on the earliest date on which the Treasury can be required to pay. Some derivatives are settled on a net basis and others on a gross basis. Information regarding the LSAP indemnity is presented in the relevant note.

	2024 Actual $000 Inflow	2024 Actual $000 Outflow	2024 Actual $000 Total/Net
Derivatives settled gross			
Less than 1 year	17,247,216	(17,072,718)	174,498
1-2 years	406,345	(420,568)	(14,223)
2-5 years	191,327	(179,108)	12,219
5-10 years	6,170	(5,290)	880
Total derivatives settled gross cash flows	**17,851,058**	**(17,677,684)**	**173,374**
Derivatives in loss settled net			
Less than 1 year			502,809
1-2 years			299,359
2-5 years			402,380
5-10 years			341,435
More than 10 years			149,882
Total derivatives in loss settled net cash flows			**1,695,865**

	2023 Actual $000 Inflow	2023 Actual $000 Outflow	2023 Actual $000 Total/Net
Derivatives settled gross			
Less than 1 year	8,626,106	(8,578,505)	47,601
1-2 years	2,537,207	(2,464,842)	72,365
2-5 years	470,466	(477,541)	(7,075)
5-10 years	35,217	(30,219)	4,998
Total derivatives settled gross cash flows	**11,668,996**	**(11,551,107)**	**117,889**
Derivatives in loss settled net			
Less than 1 year			689,157
1-2 years			463,282
2-5 years			561,548
5-10 years			362,900
More than 10 years			168,446
Total derivatives settled net cash flows			**2,245,333**

Risk management

Risk management disclosures primarily relate to the activities of NZDM, a unit within the Treasury. While these disclosures focus on risks specific to NZDM's activities, the department also applies certain risk management practices and principles to managing Crown assets and liabilities.

NZDM operates within a risk management framework with key limits approved by the Minister of Finance. The framework specifies NZDM's policies for managing market risk, credit risk, liquidity risk, funding risk and operational risk. The risk management framework is subject to continuous review as information technology and analytical techniques advance.

The risk management framework sets out the legislative and monitoring parameters governing NZDM's borrowing and investment activities. Internal operations are governed by an established risk culture, a body of policies, ethical guidelines, formal delegations and defined responsibilities, segregated duties, and reporting and performance management requirements.

Market risk

Market risk is defined as the impact of changes in underlying market rates on a portfolio's value. The objective of NZDM's market risk management is to limit this risk within organisational and government risk appetite.

Interest rate risk

NZDM is exposed to interest rate risk as it borrows and invest funds at both fixed and floating interest rates. Market risk management consists of value-at risk (VaR) limits and Basis Point (DV01) Sensitivity and Foreign Exchange Rate (FX) limits. Instruments used to hedge exposure against market risk includes foreign-exchange spot and forward contracts, interest-rate swaps and cross currency swaps. The VaR limit is expressed over daily time horizons at a 95% confidence level and is used to measure market risk under normal market conditions. NZDM monitors VaR daily against theoretical profit and loss to evaluate the performance of the VAR model, and stress-testing is carried out to estimate the impact on the portfolio under stress events.

Foreign currency risk

NZDM undertakes transactions denominated in foreign currencies, and therefore is exposed to exchange rate fluctuations. Exchange rate exposures are managed within approved policy parameters using derivatives such as forward exchange contracts and cross currency interest rate swaps. The carrying amounts of the NZDM's foreign currency denominated financial assets and financial liabilities translated to New Zealand dollars before and after the impact of derivatives are as follows:

2023 Actual $000		2024 Actual $000
	Financial assets (excluding derivatives)	
31,039,031	New Zealand Dollar	45,825,873
2,878,595	United States Dollar	1,639,851
230,970	Euro	21,774
401,513	Yen	210,615
5,849,869	Other	5,861,357
40,399,978	**Total financial assets (excluding derivatives)**	**53,559,470**
	Financial liabilities (excluding derivatives)	
183,724,851	New Zealand Dollar	204,432,378
4,174,954	United States Dollar	14,898,780
1,371,248	Euro	1,496,853
313,604	Yen	282,965
900,873	Other	989,997
190,485,530	**Total financial liabilities (excluding derivatives)**	**222,100,973**
	Derivatives	
2,143,062	New Zealand Dollar	(10,438,988)
(698,693)	United States Dollar	11,335,793
(522,086)	Euro	(145,784)
(474,278)	Yen	(275,430)
(191,722)	Other	(159,870)
256,283	**Total derivatives**	**315,721**
	Net financial assets/(liabilities)	
(152,240,498)	New Zealand Dollar	(169,786,434)
(626,684)	United States Dollar	(1,376,792)
(1,592,795)	Euro	(1,527,116)
(381,035)	Yen	(341,952)
5,011,744	Other	4,806,512
(149,829,268)	**Total net financial assets/(liabilities)**	**(168,225,782)**

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Crown as a result of the activities of NZDM. The carrying value of financial assets equates to the exposure to credit risk as at balance date. NZDM exposes the Crown to credit loss when the issuer of a debt instrument defaults on interest or principal payments or when a counterparty in a transaction, such as a swap agreement, defaults on an obligation. Credit-related losses can also occur when the market value of a debt instrument falls due to an increase in credit risk.

Financial instruments that subject Treasury/NZDM to credit risk include bank balances, advances, investments, interest-rate swaps, cross currency swaps and foreign-exchange forward contracts.

NZDM manages credit risk through credit approval of counterparties and sets credit limits for each institution and group based on their credit ratings, which are monitored daily and adjusted when necessary. In some cases, guarantees or credit support are also used upon approval by the Director of NZDM. NZDM also enter into credit support agreements (CSAs) with derivative counterparties.

Treasury/NZDM credit risk to government entities (eg, advances or derivatives transactions with departments, Crown entities, State-Owned Enterprises, and the Reserve Bank), or to entities to which it is exposed as a matter of government policy, is monitored but not subject to credit risk limits as defined in the portfolio management policy.

Concentrations of credit exposure are classified by credit rating (using the lower of Standard & Poor's and Moody's ratings) is provided below.

As at 30 June 2024	Total $000	AAA $000	AA $000	A $000	Other/NR $000
Cash and cash equivalents	30,761,265	-	429,148	5,572	30,326,545
Trade and other receivables	480,089	-	361,469	115,148	3,472
Marketable securities	2,082,284	1,319,298	427,471	335,515	-
Long-term deposits	1,022,639	-	969,582	53,057	-
Derivatives in gain	1,833,047	-	1,576,210	114,714	142,123
IFI assets	573,519	573,519	-	-	-
IMF financial assets	5,521,506	-	-	-	5,521,506
Investments in equity accounted entities	461,362	-	-	390,856	70,506
Advances to Crown Entities	12,307,123	-	-	-	12,307,123
Other advances	349,683	-	117,931	99,220	132,532
Total	**55,392,517**	**1,892,817**	**3,881,811**	**1,114,082**	**48,503,807**

As at 30 June 2023	Total $000	AAA $000	AA $000	A $000	Other/NR* $000
Cash and cash equivalents	22,239,418	-	571,763	72,067	21,595,588
Trade and other receivables	674,994	-	296,294	373,681	5,019
Marketable securities	2,963,476	1,998,709	518,708	446,059	-
Long-term deposits	1,317,900	-	1,206,055	111,845	-
Derivatives in gain	2,324,156	-	2,009,319	157,381	157,456
IFI assets	563,387	563,387	-	-	-
IMF financial assets	5,588,357	-	-	-	5,588,357
Investments in equity accounted entities	419,975	-	-	352,330	67,645
Advances to Crown Entities	6,336,248	-	-	-	6,336,248
Other advances	296,223	-	76,396	99,231	120,596
Total	**42,724,134**	**2,562,096**	**4,678,535**	**1,612,594**	**33,870,909**

* Balances with counterparties within the Crown, which are not rated, have been included in this category.

Concentrations of credit exposure classified by geographical region and industry is provided below.

2023 Actual $000		2024 Actual $000
	Concentration of credit exposure by geographical area	
32,336,812	New Zealand	46,772,779
493,536	USA	195,563
1,215,153	Europe	747,098
189,725	Australia	400,344
395,853	Japan	210,245
8,093,055	Other	7,066,488
42,724,134	**Total financial assets**	**55,392,517**
	Concentration of credit exposure by industry	
1,906,290	New Zealand banking	1,994,287
870,016	Sovereign issuers	405,800
2,447,602	Foreign banking	1,231,163
7,069,704	Supranational	6,982,774
30,430,522	Other*	44,778,493
42,724,134	**Total financial assets**	**55,392,517**

* Mainly lending to Crown Entities and balances held with the Reserve Bank of New Zealand.

Liquidity risk

Liquidity risk refers to the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities.

Liquidity cover requirements are calculated separately for each currency, and all instrument types are included in the calculations. Liquid assets are required to be held to cover cash flow obligations over periods ranging from one day to three months. For New Zealand-dollar liquidity risk, NZDM has established cash management arrangements with the Reserve Bank of New Zealand to support effective management of overall cash flows.

The following table details the remaining contractual maturity for financial liabilities. The table was compiled based on:

- the undiscounted cash flows of financial liabilities based on the earliest date on which the Treasury can be required to pay, and
- both interest and principal cash flows.

2023 Actual $000		2024 Actual $000
	Financial liabilities maturities (excluding derivatives)	
23,498,481	Less than 1 year	39,701,813
18,991,621	1-2 years	19,088,544
47,645,173	2-5 years	61,462,343
65,243,245	5-10 years	73,145,597
49,259,251	More than 10 years	59,241,827
204,637,771	**Total contractual cash flows**	**252,640,124**
184,296,639	**Total carrying value**	**218,496,894**

The above is primarily in relation to the NZDM bond programme – see Note 10. The Treasury expects to meet the Crown's obligations from operating cash flows, from the results of bond tenders, and proceeds of maturing financial assets.

The maturity analysis of financial assets held for managing liquidity risk is presented below:

2023 Actual $000		2024 Actual $000
22,220,393	On call	30,581,131
79,476	Not later than 3 months	10,241
244,309	Later than 3 months and not later than 1 year	194,432
22,544,178	**Total carrying value**	**30,785,804**

Sensitivity analysis

The sensitivity of the fair value of financial assets and liabilities to changes in interest rates and NZ exchange rates are shown below. Any change would impact the operating balance and net worth of these financial statements.

2023 Actual $000		2024 Actual $000
(53,639)	Increase in NZ interest rates by 1% (100 basis points)	(45,732)
55,514	Decrease in NZ interest rate by 1% (100 basis points)	46,906
218,857	NZ dollar exchange rate strengthens by 10%	140,313
(254,972)	NZ dollar exchange rate weakens by 10%	(158,748)

Interest rate sensitivity

The effect on the operating balance is primarily from changes in interest revenue and interest expense on floating rate instruments and changes in the value of instruments measured at fair value through the operating balance. There is no material exposure to foreign interest rates.

The sensitivity analysis has been determined based on the exposure to interest rates for both derivatives and non-derivative financial instruments at the balance sheet date. The effect of exposure to interest rates on the valuation of the GSF defined benefit plan, a non-financial instrument, is provided in Note 11.

Movements in interest rates affect the financial results in the following manner:

- the resulting valuation changes for fixed interest instruments that are measured at fair value through the operating balance will affect the operating balance, while the valuation changes of fixed interest instruments designated as measured at fair value through the Other comprehensive revenues and expenses will affect equity reserves
- the resulting changes in interest expense and interest revenue on floating rate instruments will affect the operating balance, and
- when derivatives are designated as cash flow hedges of floating rate instruments, equity reserves will be affected by the resulting changes in the fair value of these derivatives.

If interest rates had been 100 basis points higher/(lower) at balance date and all other variables were held constant, the effect on financial instruments would increase/(decrease) the financial results as outlined in the table above.

Exchange rate sensitivity

The sensitivity analysis above does not include the impact on prices of goods and services purchased or sold in foreign currencies.

15 Events After Balance Date

There are no events after the balance date requiring disclosure (2023: North Island Weather Events credit indemnity scheme establishment and RBNZ capital injections of $500 million and $1.3 billion).

16 Explanation of Major Variances Against Budget

Explanations for major variances from the Treasury's non-departmental budget figures are as follows:

Schedule of revenue and schedule of expenses

- Capital charge receipts were higher due to higher than forecast net asset balances across government departments and agencies.
- Dividend revenue was higher primarily due to Air New Zealand resuming dividend payments.
- Income from gains were higher due to realised gains from LSAP bond purchases being higher than forecast.
- Debt Servicing costs were higher than previously forecast due to a significant increase in short-term borrowing[6].

Schedule of capital receipts

- There are no significant variances against budget.

Schedule of assets and liabilities

- Cash and cash equivalent balances were higher in line with the increased level of short-term borrowing, aligning with policy parameters.
- Advances were higher due to increased lending to Kāinga Ora.
- GSF unfunded liability decreased mainly due to strong investment returns on fund assets, combined with a decrease in the liability due to increasing discount rate.
- Short-term balances with Westpac were higher to accommodate higher short-term funding needs of government agencies.
- Borrowing increased to address the Government's short-term liquidity requirements[6].

6 Refer to the Financial Statements of the Government for detailed analysis of the Government debt movements.

Independent Auditor's Report

AUDIT NEW ZEALAND
Mana Arotake Aotearoa

Independent Auditor's Report

To the readers of The Treasury's annual report for the year ended 30 June 2024

The Auditor-General is the auditor of The Treasury (the Department). The Auditor-General has appointed me, JR Smaill, using the staff and resources of Audit New Zealand, to carry out, on his behalf, the audit of:

- the financial statements of the Department on pages 70 to 88, that comprise the statement of financial position, statement of commitments, statement of contingent liabilities and contingent assets as at 30 June 2024, the statement of comprehensive revenue and expenses, 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 for the appropriations administered by the Department for the year ended 30 June 2024 on pages 32 to 47;
- the statements of expenses and capital expenditure of the Department for the year ended 30 June 2024 on pages 50 to 68;
- the schedules of non-departmental activities which are managed by the Department on behalf of the Crown on pages 89 to 123 that comprise:
    - the schedules of assets and liabilities; commitments; and contingent liabilities and assets as at 30 June 2024;
    - the schedules of expenses; and revenue and capital receipts for the year ended 30 June 2024;
    - the statement of trust monies for the year ended 30 June 2024; and
    - the explanatory notes to the non-departmental financial schedules that include accounting policies and other explanatory information.

Opinion

In our opinion:

- the financial statements of the Department:
  - present fairly, in all material respects:
    - its financial position as at 30 June 2024; 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 for the appropriations administered by the Department for the year ended 30 June 2024:
  - presents fairly, in all material respects:
    - what has been achieved with the appropriation; and
    - the actual expenses or capital expenditure incurred as compared with the expenses or capital expenditure that were appropriated or forecast to be incurred; and
  - complies with generally accepted accounting practice in New Zealand;
- the statements of expenses and capital expenditure of the Department are presented, in all material respects, in accordance with the requirements of section 45A of the Public Finance Act 1989; and
- the schedules of non-departmental activities which are managed by the Department on behalf of the Crown 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 2024;
  - expenses; and revenue for the year ended 30 June 2024; and
  - the statement of trust monies for the year ended 30 June 2024.

Our audit was completed on 30 September 2024. 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.

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.

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 for the appropriations administered by the Department.

- 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 31, 48 to 49, 69 and 128 to 133 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.

For the year ended 30 June 2024 and subsequently, a member of the Audit and Risk Committee and Capital Markets Advisory Committee of the Department is a member of the Auditor-General's Audit and Risk Committee. The Auditor-General's Audit and Risk Committee is regulated by a Charter that specifies that it should not assume any management functions. There are appropriate safeguards to reduce any threat to auditor independence, as a member of the Auditor-General's Audit and Risk Committee (when acting in this capacity) has no involvement in, or influence over, the audit of the Department.

In addition to the audit, and the relationship with the Auditor-General's Audit and Risk Committee, we have performed audit engagements related to the Financial Statements of the Government of New Zealand and the New Zealand Government Property Corporation. Other than these engagements, and the relationship with the Auditor-General's Audit and Risk Committee we have no relationship with, or interests in the Department.

JR Smaill
Audit New Zealand
On behalf of the Auditor-General
Auckland, New Zealand

MINISTER OF FINANCE'S REPORT
ON NON-DEPARTMENTAL APPROPRIATIONS

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 2024 (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 2023/24 Estimates or 2023/24 Supplementary Estimates, for information on certain non-departmental appropriations to be reported by the Minister of Finance:

- Christchurch Regeneration Acceleration Facility
- COVID-19: Capital Injections to Airways New Zealand
- National Provident Fund – Crown liability for Scheme Deficiency PLA
- Payments and Expenses in Respect of Guarantees and Indemnities PLA
- Venture Capital Fund MYA 2020 – 2024
- Venture Capital Fund MYA 2024 – 2028

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

2023 Actual $000		2024 Actual $000	2024 Main Estimates $000	2024 Supp. Estimates $000
142,981	Expenditure	13,388	13,388	13,388

What was achieved in this appropriation

Performance measure	Standard for 2023/24	Performance for 2023/24
Crown funding is transferred in a timely way	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

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

2023 Actual $000		2024 Actual $000	2024 Main Estimates $000	2024 Supp. Estimates $000
13,000	Expenditure	-	5,000	-

What was achieved in this appropriation

Performance measure	Standard for 2023/24	Performance for 2023/24
Payments are made in accordance with the terms of the agreement for notified claims	Achieved	No activity in 2023/24

National Provident Fund – Crown liability for Scheme Deficiency PLA

What is intended to be achieved with this appropriation

This appropriation is intended to provide payments to National Provident Fund to provide a guaranteed minimum earnings rate on particular National Provident Fund superannuation schemes.

Financial information

2023 Actual $000		2024 Actual $000	2024 Main Estimates $000	2024 Supp. Estimates $000
12,931	Expenditure	377	-	12,855

What was achieved in this appropriation

Performance measure	Standard for 2023/24	Performance for 2023/24
Payments are made in accordance with the terms of the agreement for notified claims	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 meet any payments that may be required, and any expenses incurred by the Crown in relation to, a guarantee or indemnity given under section 652D of the Public Finance Act 1989 as authorised by section 652G of the Act.

Financial information

2023 Actual $000		2024 Actual $000	2024 Main Estimates $000	2024 Supp. Estimates $000
3,147,514	Expenditure	1,206,989	-	1,557,697

Actual 2023/24 expenditure is lower than the Supplementary Estimates due to interest rates stabilising late in 2023, leading to lower revaluation losses than forecast for the indemnity in place with the Reserve Bank of New Zealand, relating to the Large Scale Asset Purchases programme.

What was achieved in this appropriation

Performance measure	Standard for 2023/24	Performance for 2023/24
Payments are made in accordance with the terms of the agreement for notified claims	Achieved	Achieved

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

2023 Actual $000		2024 Actual $000	2024 Main Estimates $000	2024 Supp. Estimates $000
41,200	**Total Appropriation**	**32,225**	**163,510**	**32,226**
	Non-Departmental Capital Expenditure			
41,200	Expenditure	32,225	163,510	32,226

2023 Actual $000		2024 Actual $000
	Commenced: 23 March 2020	
	Expires: 30 June 2024	
259,500	Original Appropriation	259,500
40,500	Cumulative Adjustments	40,500
300,000	**Total Adjusted Appropriation**	**300,000**
80,551	Cumulative Actual Expenditure as at 1 July	121,751
41,200	Current-year Actual Expenditure	32,225
121,751	**Cumulative Actual Expenditure as at 30 June**	**153,976**
178,249	Appropriation Remaining as at 30 June	146,024

What was achieved in this appropriation

Performance measure	Standard for 2023/24	Performance for 2023/24
Venture Capital Fund capital is committed to venture capital funds, which are further supported by matching private capital	Achieved	Achieved

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

2023 Actual $000		2024 Actual $000	2024 Main Estimates $000	2024 Supp. Estimates $000
-	**Total Appropriation**	**7,475**	**-**	**23,094**
	Non-Departmental Capital Expenditure			
-	Expenditure	7,475	-	146,023

2023 Actual $000		2024 Actual $000
	Commenced: 01 May 2024	
	Expires: 30 June 2028	
-	Original Appropriation	146,023
-	Cumulative Adjustments	-
-	**Total Adjusted Appropriation**	**146,023**
-	Cumulative Actual Expenditure as at 1 July	-
-	Current-year Actual Expenditure	7,475
-	**Cumulative Actual Expenditure as at 30 June**	**7,475**
-	Appropriation Remaining as at 30 June	138,548

What was achieved in this appropriation

Performance measure	Standard for 2023/24	Performance for 2023/24
Venture Capital Fund capital is committed to venture capital funds, which are further supported by matching private capital (see Note 1)	Achieved	Achieved

Note 1 - This performance indicator has been selected to provide reporting on the progress towards delivery of the primary outcome from this initiative.