

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.





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

Report on Non-Departmental Appropriations by the Minister of Finance presented to the House of Representatives pursuant to section 19B of the Public Finance Act 1989

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Secretary's introduction

I am pleased to present the 2022/23 annual report of Te Tai Ōhanga – the Treasury.

2022/23 was another eventful year during which the challenge of adjusting to the ongoing repercussions of COVID-19 was complicated by the severe weather that battered the top half of the North Island in January and February. The Auckland Anniversary Weekend floods and Cyclone Gabrielle occurred as we were putting the Budget together. To address the urgent funding needs that arose and provide targeted support to those who needed it we ran a bespoke Budget process alongside the main Budget that enabled Ministers to assess both packages together and make necessary trade-offs.

Strong demand and supply pressures meant 2023 was also challenging for many New Zealanders. We have a solid balance sheet with low levels of debt relative to our international peers, unemployment at historically low levels and a business sector that, for the most part, was able to weather the worst effects of COVID-19. However, until inflation is brought back under control it will continue to impact on peoples' earnings and savings.

At the Treasury our focus has shifted from shielding New Zealanders from the worst effects of COVID-19 to balancing the impact of high inflation on public service delivery and living standards against the impact that Government spending itself has on inflation. We are currently working with other agencies to implement the Fiscal Sustainability and Effectiveness Programme announced in the Budget. The objective of the Programme is to ensure New Zealand's public finances remain robust and to rebuild the safeguards necessary to provide resilience against future economic shocks.

Within the Treasury, our people are our core strength. I am extremely proud of the work done by the Treasury to help New Zealand adapt in the last few years. Key achievements during the year included the provision of high-quality analysis on New Zealand's tax settings and macro-economic and regulatory frameworks, the provision of significant advice on a wide range of matters including the response to severe weather events and long-term infrastructure investments and the delivery of our latest stewardship document, Te Tai Waiora, the first Wellbeing Report.

In recognition of our responsibilities as a public service agency, we are continuing to build our knowledge of te reo Māori and Te Tiriti o Waitangi. Our Maōri staff capability survey conducted in February found scores had improved in every category and staff engagement scores remained high. Work is also continuing to further close the gender pay gap which has narrowed to a record low of 8.4 per cent, encourage the development of women through our leadership pipeline, strengthen our recruitment practices, and ongoing capability development.

Finally, I would like to thank our partners in other public service agencies and the many people outside the public service who have helped us to make a difference to the lives of New Zealanders during the year.

Dr Caralee McLiesh

Secretary to Te Tai Ōhanga – The Treasury 29 September 2023

He kupu whakataki nā te Hekeretahi

Kua hari koa ahau ki te hora i tēnei pūrongo ā-tau, hei Hēkeretari ki Te Tai Ōhanga.

He tau kino whakaharahara tonu te tau 2022/23 i a tātou e aro ana ki ngā āhuatanga o te noho i te ao i muri i te KOWHEORI-19, ā, ka āki mai ngā pāpono huarere nui ki te Ika-a-Māui ki te raki i te Kohitātea me te Huitanguru. I puta mai ngā waipuke i te Mutunga Wiki o Tāmaki Makaurau me te Huripara Gabrielle i a mātou e whakarite ana i te Tahua. Hei urupare ki ngā hiahia pūtea kōhukihuki i puta, ā, ki te tautoko i te hunga kua pāngia, i whakahaere mātou i te Tahua tūtahi, i whakahaerehia ki te taha o te Tahua matua, kia āhei ai ngā Minita ki te arotake i ngā Tahua e rua, ki te whakatau hoki i ngā kōwhiringa.

Nā te kaha o ngā pēhanga whakarato, popono hoki, he uaua anō hoki te tau 2023 mō te tokomaha o ngā tāngata o Aotearoa. He pakari tō tātou ripanga kaute, he āhua ngāwari iho tō tātou taumata noho nama i ō ngā whenua aropā ki a tātou, ā, kua heke te koremahi ki te pāpātanga āhua tokoiti i roto i ngā tau maha, ā, i ora tonu ai te nuinga o te rāngai pakihi i ngā whiunga kino rawa o te KOWHEORI-19. Heoi anō, ka haere tonu ngā pānga ki ngā utu mahi me ngā pūtea penapena a te marea, tae rawa ki te wā ka whakatinahia anōtia te pikinga utu.

Kei Te Tai Ōhanga kua neke tō mātou arotahi i te ārai pānga taumaha rawa o te KOWHEORI-19 ki ngā tāngata o Aotearoa, kia aro kē mātou ki te whakatautika i ngā pānga o te pikinga utu ki ngā ratonga tūmatanui, ngā paerewa oranga hoki, me te pānga o te whakapaunga utu a te Kāwanatanga tonu ki te pikinga utu whānui. I tēnei wā, kei te mahi tahi mātou ko ngā tari kē ki te whakatinana i te Fiscal Sustainability and Effectiveness Programme i whakapuakitia i te Tahua. Ko te whāinga o taua hōtaka ko te whakaū kia tūturu te kaha o ngā ahumoni tūmatanui o Aotearoa, ki te hanga anō hoki i ngā whakamaru e hiahiatia kia piki te kaha ātete i ngā raru ōhanga o anamata.

Kei roto i te Tai Ōhanga ko ō mātou tāngata tō mātou puna kaha. Kua poho kererū ahau i ngā mahi kua mahia e Te Tai Ōhanga hei āwhina i a Aotearoa ki te urutau ki te wā i muri mai i te KOWHEORI-19. Ko ētahi o ngā tino tutukitanga i te tau, ko te tuku i te tātaritanga kounga mō ngā whakaritenga tāke, mō ngā anga ōhanga whārahi, anga ā-ture hoki o Aotearoa, te tohutohu mō ngā take whānui, tae ana ki ngā urupare ki ngā pāpono huarere nui, me ngā haumitanga tūāhanga wā roa me te tuku i tō tātou pūrongo tiakitanga, Te Tai Waiora – te Wellbeing Report tuatahi.

I runga i ō mātou kawenga hei tari ratonga tūmatanui, kei te ngana tonu mātou ki te whakatipu i ō mātou mōhio ki te reo Māori me Te Tiriti o Waitangi. I tō mātou uiui kaimahi mō te āheinga Māori i tū i te Huitanguru, i kitea te piki o ngā tapeke kei ngā wāhanga katoa o te uiui ā, kei te teitei tonu ngā inenga whakapāpātanga a ngā kaimahi. Kei te kōkiri tonu te mahi ki te whakawhāiti tonu i te āputa whiwhi moni i waenga i ngā ira, kua heke ki te tokoiti rawa, ki te 8.4 ōrau, ki te whakahau hoki i te whanaketanga o ngā wāhine kei tō mātou kōrere hautūtanga, ki te whakakaha hoki i ā mātou tukanga whakauru kaimahi, me te whakawhanake tonu i tō mātou āheitanga.

Hei whakakapi, ka mihi ahau ki ō mātou hoa haere i ngā tari ratonga tūmatanui kē, ki ngā tāngata tokomaha kei waho i ngā ratonga kāwanatanga, nā rātou mātou i āwhina kia whai hua ā mātou mahi mō te marea o Aotearoa i te tau nei.

Tākuta Caralee McLiesh

Hekeretari mō Te Tai Ōhanga - The Treasury 29 Mahuru 2023

Statement of Responsibility

I am responsible, as the 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, and
- 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 2023 and its operations for the year ended on that date.
- The Forecast Financial Statements fairly reflect the forecast financial position of Te Tai Ōhanga – The Treasury as at 30 June 2023 and its operations for the year ending on that date.

Dr Caralee McLiesh

Secretary to Te Tai Ōhanga – The Treasury 29 September 2023

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.



Caralee McLieshSecretary and Chief Executive



Struan Little

Deputy Chief Executive and Deputy Secretary

Budget and Public Services



Chief Operating Officer and Deputy Secretary Strategy, Performance and Engagement

Cath Atkins



Leilani FrewDeputy Secretary
Financial and Commercial



James Beard

Deputy Secretary

Macroeconomics and Growth



Dominick StephensChief Economic Adviser
and Deputy Secretary



Andrew Rutledge
Director, Office of the Secretary

Our highlights in 2022/23



A strong, growing, resilient economy for all

Providing fiscal strategy advice to help the Government navigate difficult trade-offs, balancing the impacts of high inflation on public service delivery and the aggregate impact of Government spending on inflation.

Supporting the Government with delivering its Economic Plan to build a high-wage, low-emissions economy that provides economic security in good times and bad and integrating this plan into the strategy and design of Budget 2023.

Publishing New Zealand's first Wellbeing Report – Te Tai Waiora, providing an overview of wellbeing in Aotearoa New Zealand, how it has changed over decades and how we are positioned to sustain our wellbeing over time.

Working with international partners on **economic** security issues and **enhancing the resilience of** New Zealand's supply chain.

Providing leadership of a cross-Government work programme on access to capital for 'the Māori economy' and advising on the options to address the challenges.

Strengthening our analytical and research programme, by publishing 19 analytical papers, including papers on New Zealand's income growth, the distribution of wealth and climate change.

Working with the Reserve Bank of New Zealand on the passage of the Deposit Takers Act 2023, a major piece of legislation that reforms the regulatory framework for financial stability in New Zealand.



Sustainable public finances that deliver intergenerational wellbeing

Producing the Half Year Economic and Fiscal Update 2022, the Budget 2023, the Budget Economic and Fiscal Update and the 2021/22 Financial Statements of Government.

Developing a bespoke Budget process to support the immediate response to The Auckland Anniversary Weekend floods and Cyclone Gabrielle, and our long-term recovery, including two funding packages with a combined total of \$1.82 billion operating expenditure and \$196.5 million capital expenditure.

Reviewing the Fiscal Management Approach, that links the Government's overall fiscal strategy to the annual Budget process.

Advising on the development of the **Fiscal Sustainability and Effectiveness Programme,**aimed at supporting the Government's fiscal strategy.

Undertaking **64 Gateway reviews** and **producing an overview of Gateway themes from reviews** undertaken since 2008, to better communicate the drivers of planning and delivery challenges in investment assurance.

Developing a **bespoke arrangement to meet Kāinga Ora's future borrowing requirements**, resulting in lower overall borrowing costs for both the Crown and Kāinga

Ora, and greater financing certainty for Kāinga Ora.

Delivering a **NZ\$28** billion **New Zealand Government Bond** issuance programme, compared to a
NZ\$20 billion programme in 2022.

Supporting and enabling 71 businesses to deliver \$502 million of export sales in 55 countries.

Securing and maintaining some of the world's highest sovereign credit ratings, including AAA from S&P Global Ratings, Aaa from Moody's Investors Service and AA+ from Fitch Ratings.



Compelling advice on New Zealand's biggest issues

Supporting the Government's response to the Auckland Anniversary Weekend floods and Cyclone Gabrielle through establishing cyclone-response workstreams.

Delivering the framework setting out how the Government plans to finance or refinance climate and environmental expenditure through the issuance of the first New Zealand Sovereign Green Bond with the subsequent NZ\$3 billion syndication of the first 2034 maturity bond.

Publishing the first Climate Economic and Fiscal Assessment, Ngā Kōrero Āhuarangi Me Te Ōhanga, jointly with the Ministry for the Environment, to help decision-makers identify and manage the risks and opportunities of physical climate change and New Zealand's transition to a low-emissions and climate-resilient future.

Advising on the Government's **National Adaptation Plan** to support adaptation to the impacts of climate change and the transition to a low-emissions economy.

Publishing a joint report issued by the **Housing Technical Working Group** on the key drivers of the housing market in the past 20 years.

Working closely with lead Government agencies on **Resource Management reforms**, with a focus on legislation that collectively enables development and assists housing affordability alongside environmental objectives.

Supporting the Government response to the first **New Zealand Infrastructure Strategy**, recognising the importance of planning, delivering and maintaining infrastructure.

Advising on the launch of three new health agencies to implement major reforms: Te Whatu Ora – Health New Zealand, Te Aka Whai Ora – the Māori Health Authority, and Whaikaha – the Ministry of Disabled People.

Advising on funding the initial stage of a National Resilience Plan to support significant medium and long-term investments in resilient infrastructure and costs associated with adaptation challenges.

Co-leading the Future of Severely Affected Locations from the North Island Weather Events work programme with the Ministry for the Environment to support local Government to identify, categorise and implement solutions for affected properties.



System leadership that supports a high-performing public service

Publishing comprehensive reporting on the COVID-19 Response and Recovery Fund (CRRF), Climate Emergency and Response Fund (CERF), and North Island Weather Events Fund.

Publishing enhanced performance-reporting guidance, encouraging transparency and visibility across the public sector.

Delivering 60 events through the Finance
Development Programme to more than 4,000
Government finance professionals to inform, influence and lift the performance of finance functions within and across agencies.

Publishing a cross-agency **regulatory stewardship resource** in conjunction with the Government Regulatory Practice Initiative.

Hosting 18 Treasury Guest Lecture Series seminars featuring 14 high-profile international speakers and nine domestic experts during the year, on themes such as wellbeing and productivity.

Completing **Project Korimako** – a major project to simplify the ownership arrangements for Kiwibank Limited and the New Zealand Home Loan Company.

Making 137 board appointments in commercial and financial entities: 46 new appointments, 82 reappointments and nine elevations to the boards of state-owned enterprises, Crown entity companies, Public Finance Act 1989 Schedule 4A companies and Crown entities.



Focusing on strengthening the Treasury

Embedding improved governance practices, stronger links to our strategic direction in our planning and reporting, more secure information and systems, and maturing risk management and compliance practices.

Delivering a workforce plan for 2023-2025 focused on lifting our priority capabilities, including financial, economic, leadership, cultural and digital capabilities.

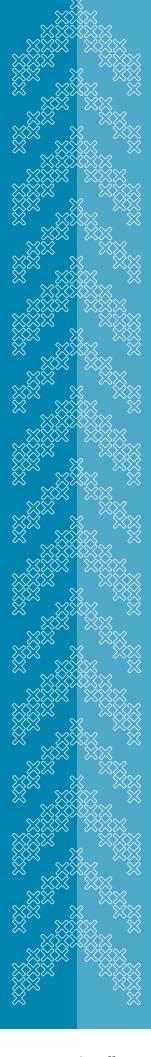
Delivering the **Kia Toipoto Action Plan** to ensure we continue to reduce our **gender pay gap, currently at a record low of 8.4%**.

Scoring 73% on our Korero Mai survey

(organisational employee survey), up from 67% in March 2021, reflecting the satisfaction of our people with our workplace, purpose, and flexible working practices.

SECTION ONE | WĀHANGA TUATAHI

Who the Treasury is and what we do Ko mātou nei, ko ā mātou mahi hoki



Strategic intentions



WHO WE ARE

WE SUPPORT THE PUBLIC SERVICE VALUES

Impartial • Accountable • Trustworthy • Respectful • Responsive



A strong, growing, resilient economy for all

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 sustainable growth and increase the resilience of the economy to protect it from future shocks.

Sustainable public finances that support intergenerational wellbeing

We work hard to ensure our fiscal system is agile, responsive and able to sustain future shocks. We seek to further improve the performance of our public institutions and deliver government investments that maximise value for money and contribute to lifting living standards.

System leadership that supports a high performing public service

We carry out our central agency role, providing leadership and support across the public service, harnessing the collaboration of all of government to lift living standards for all New Zealanders.

Compelling advice on New Zealand's biggest issues

We help the public service navigate current big issues and those that lie ahead. We drive the collective impacts across the system to tackle the most critical challenges and opportunities New Zealand faces.



- · Developing and embedding the Living Standards Framework and He Ara Wairoa in our policy advice (eg, child wellbeing, Māori, Pacific community and cultural elements).
- · Delivering the reforms for a sustainable public finance system.
- · Accelerating economic recovery.
- · Navigating big issues and Government priorities:
 - Climate change
 - Health
 - Housing
- · Strengthening the Treasury through clear direction, supporting people and operational excellence.

Strategic indicators

In February 2021, when we published our 2021-2025 Strategic Intentions, the Treasury was operating in a dynamic and evolving environment. In the midst of responding to and recovering from the worst of COVID-19, we considered the economic and social disruptions resulting from the pandemic alongside longstanding, multi-generational challenges for New Zealanders.

Since then, New Zealand has experienced further shocks and significant events, including the impacts of the Russian invasion of Ukraine in 2022, the severe Auckland Anniversary floods and Cyclone Gabrielle in early 2023. Rising inflation has affected New Zealanders in recent years but is now gradually receding. A slower pace of economic growth has been necessary to rebalance the economy and reduce inflation, and we are starting to see this reflected in the strategic indicators.

Throughout these unprecedented events, our focus has been on providing the Government with high-quality economic, financial, commercial and policy advice and services to address existing and anticipated challenges. This work has been informed by the Living Standards Framework and He Ara Waiora, which prompt a broad and rigorous analysis of policy. We regularly report on a comprehensive set of indicators in our Living Standards Dashboard, of which many were reported in Te Tai Waiora: Wellbeing in Aotearoa New Zealand, published in 2022.

The indicators in this report reflect elements of our strategic outcomes, and areas we seek to influence through our work.

A strong, growing and resilient economy for all

Growth in annual Gross Domestic Product (GDP)

JUNE 2022 JUNE 2023 **3.2**%

Inflation-adjusted measure that reflects the value of all goods and services produced in New Zealand, after deducting the costs of goods and services used in production processes.

Inflation

JUNE 2022 JUNE 2023 **7.3**% **6.0**%

Annual inflation rate, as measured by the consumers price index.

Global Competitiveness Index

2022 2023 31ST 31ST

New Zealand's ranking in the World Economic Forum's Global Competitiveness Index.

Sustainable public finances that deliver intergenerational wellbeing

Structural balance as a % of GDP

JUNE 2021 JUNE 2022 -0.38% 0.37%

The structural balance, which reflects New Zealand's underlying fiscal position, has improved in 2021/22 relative to 2020/21.

Net debt as a % of GDP

JUNE 2021 JUNE 2022 10.5% 17.0%

Net debt provides information on the sustainability of the Government's accounts. It represents core Crown and Crown entity borrowings (excluding Kiwi Group) less core Crown financial assets (including advances). It includes the financial assets and borrowings of the NZ Super Fund.

Net worth as a % of GDP

JUNE 2021 JUNE 2022 45.8% 48.0%

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

¹ The Living Standards Framework Dashboard - https://lsfdashboard.treasury.govt.nz/wellbeing/

² For a view of all wellbeing indicators reported on in Te Tai Waiora refer to Pages 10 and 11 of https://www.treasury.govt.nz/publications/wellbeing-report/te-tai-waiora-2022

System leadership that supports a high-performing public service

Corruption perception

2021 2022 88/100 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

JUNE 2022 JUNE 2023 62% 58%

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

2021 2022 88% 88.4%

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

Climate change³

2020

2021

54.1 mtCO, e

55.7 mtCO, e

New Zealand's net greenhouse gas (GHG) emissions in metric tonnes of CO₂ equivalent.

Housing

DEPOSIT AFFORDABILITY

JUNE 2022 JUNE 2023 60.1 70.2

Deposit affordability measures house prices relative to incomes.

Housing

MORTGAGE AFFORDABILITY

56.6

JUNE 2022 JUNE 2023 60.7

Mortgage affordability measures mortgage repayments relative to incomes.

Housing

RENT AFFORDABILITY

JUNE 2022 103

JUNE 2023 103.4

Rental affordability measures tenancy rental prices relative to median incomes.

All three affordability measures are indexes, set to equal 100 in 2013. An increase in an index indicates an improvement in affordability.

New Zealand's Greenhouse Gas Inventory 1990-2022 will be published by 15 April 2024.

A strong, growing and resilient economy for all

Our ambition is that New Zealand has a highly productive economy that is sustainable and responsive to the needs of all New Zealanders. Te Tai Ōhanga – the Treasury works to support sustainable growth and increase the resilience of the economy, to protect it from future shocks.

Navigating a constrained macroeconomic and fiscal environment

As Aotearoa New Zealand shifted from the acute phase of managing COVID-19, fiscal and monetary policy turned to managing the consequences of strong demand and constrained supply in the global and domestic economy. Throughout 2022/23 the Treasury played a key role in advising the Government on responding to inflation which rose to a 30-year high while unemployment hit record lows.

Through the Budget 2023 process, we provided fiscal strategy advice that helped the Government to navigate difficult trade-offs. A focus of this advice was on striking the right balance in addressing the impacts of high inflation on public service delivery and the aggregate impacts that Government spending itself can have on inflation. Budget 2023 also signalled a strengthened focus on medium-term fiscal sustainability. We helped the Government to implement a Fiscal Sustainability and Effectiveness Programme that will support New Zealand's public finances to remain robust.

Responding to the current impacts of long-term challenges

The severe weather events in early 2023 and the ongoing uncertainty in the geopolitical environment are adding to the pressures on the economy. These pressures highlight our vulnerability to climate change and global trading volatility. In response, we have advised the Government on ways to address the immediate issues while tackling underlying economic challenges.

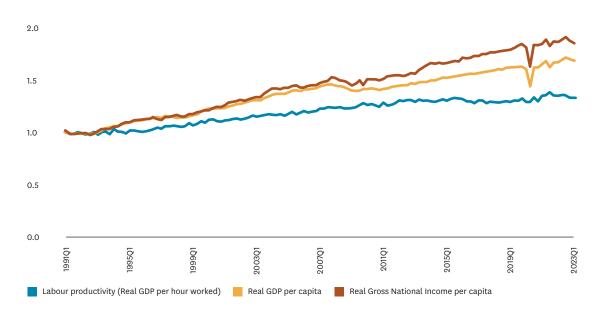
Our fiscal, economic and commercial advice on the Auckland Anniversary floods and Cyclone Gabrielle⁴ enabled targeted measures such as loan and grant support packages to be provided to affected businesses, organisations and sectors. We also provided advice on the establishment of the National Resilience Plan to facilitate investment in resilient infrastructure, specifically road, rail, local infrastructure, telecommunications and electricity transmission.

Throughout the year we advised on policies to progress the Government's Economic Plan, which aims for a high-wage, low-emissions economy that provides economic security in good times and bad. This included integrating the Economic Plan with the strategy and design of Budget 2023 to improve the alignment of new spending initiatives with the Government's productivity goals. We also developed advice on ensuring that industry policy interventions were aligned with medium-term economic objectives.

We worked with the Department of the Prime Minister and Cabinet (DPMC) on the economic aspects of New Zealand's first National Security Strategy. The Treasury also took a leadership role in progressing advice on Māori access to capital, which has been identified as a constraint on the growth and productivity of the Māori economy.

⁴ Refer to 'Case Study: Advising the Government in response to severe weather events' for further information.





Stewardship for a productive and resilient New Zealand economy

One of New Zealand's long-term economic performance challenges has been slow productivity growth, which has contributed to a relative decline in real incomes over a number of decades. Productivity performance is a critical determinant of living standards of New Zealanders. The Treasury has been assessing the policy tools that can be used to address supply constraints and support productivity and resilience. These include infrastructure investment, tax policy, strengthening trade connections, innovation policy and improving our human capital. Some of this work has been published as formal papers and analytical notes during the year, enabling public debate and discussion on these critical issues. For example, our analysis⁵ shows that while some measures of New Zealand's national income have grown strongly over the past 30 years relative to our international peers, core productivity has not (see graph above).

New Zealand's productivity challenge, alongside other drivers of longer-term change, such as climate change and changing demographics, underscores the importance of the Treasury's continued stewardship of the economic and regulatory frameworks that are needed for long-term economic performance and resilience. Addressing these challenges has continued to be a focus of our advice on the Government's Economic Plan. The publication of the first statutory Wellbeing report – Te Tai Waiora: Wellbeing in

Aotearoa New Zealand report 2022 was also a major milestone. This document demonstrates the Treasury's commitment to taking a broad and rigorous approach to the drivers of economic performance in New Zealand.

In 2022/23, we worked on a number of significant Reserve Bank of New Zealand (RBNZ) related issues. We completed the establishment phase of a new RBNZ monitoring role. We provided advice on the Monetary Policy Committee's remit and charter, which resulted in the June 2023 publication of both, as well as advice on the appropriate level of financial backing for the Bank. We also worked with the RBNZ on the passage of the Deposit Takers Act 2023 – a major piece of legislation that reforms the regulatory framework for financial stability in New Zealand.

Other work has included the Secretary to the Treasury's leadership of the Regulatory Stewardship Chief Executives Group, our joint leadership of the Economic Chief Executives Group, our oversight of the regulatory management system, and the continued operation of the regulatory impact-assessment regime analysis system. During the 2022/23 year, the Treasury was involved in the quality assurance process for eight significant regulatory impact statements and discussion documents. The quality assurance process helps to ensure Ministers have confidence in the quality of impact analysis when they make decisions on proposals that could require changes to legislation.

⁵ https://www.treasury.govt.nz/publications/an/an-23-04

⁶ https://www.treasury.govt.nz/publications/wellbeing-report/te-tai-waiora-2022

Case study



Te Tai Waiora – Wellbeing in Aotearoa New Zealand 2022

A significant milestone was reached in November 2022 with the publication of the Treasury's first Wellbeing Report – Te Tai Waiora: Wellbeing in Aotearoa New Zealand 2022. The report fulfills a new statutory requirement for an independent assessment of the state of wellbeing in New Zealand at least every four years. The Wellbeing Report provides a 'big picture' overview of wellbeing in New Zealand, how it has changed in past decades and how well we are positioned to sustain our wellbeing over time. It is grounded in extensive qualitative and quantitative analysis. The report and its accompanying background papers draw on the Living Standards Framework and He Ara Waiora to consider a broad range of wellbeing impacts in the analysis.

Overview findings

The report highlights that we are healthier and better educated than previous generations. We also have higher incomes and are less affected by crime. However, there are many areas in which we are facing wellbeing challenges and there are significant disparities in wellbeing in Aotearoa New Zealand. On average, our younger people fare less well on many measures than older people, particularly in three priority areas: mental health, educational achievement and housing quality and affordability – in many areas the intergenerational gap is growing.

The wellbeing of Māori and Pacific people is improving in many ways, but gaps remain with the rest of the population. Our analysis of Māori wellbeing in the Wellbeing Report, and a supporting background report, used He Ara Waiora as a frame, drawing on both quantitative and qualitative evidence. The report drew on proxy indicators for Māori wellbeing, but work is ongoing with Te Puni Kōkiri on developing an indicator set that better captures the concepts of He Ara Waiora.

The analysis was complemented by qualitative insights in the form of excerpts from interviews with Māori across academia, government, iwi and business.

Wealth indicators

The Wellbeing Report also explores the sustainability of wellbeing through an analysis of the four aspects of our national wealth identified in the Living Standards Framework. Future New Zealanders will benefit from our high physical capital, human capability and social cohesion. However, while New Zealand has high natural capital, aspects of the natural environment are deteriorating and pose risks to future wellbeing.

Risks

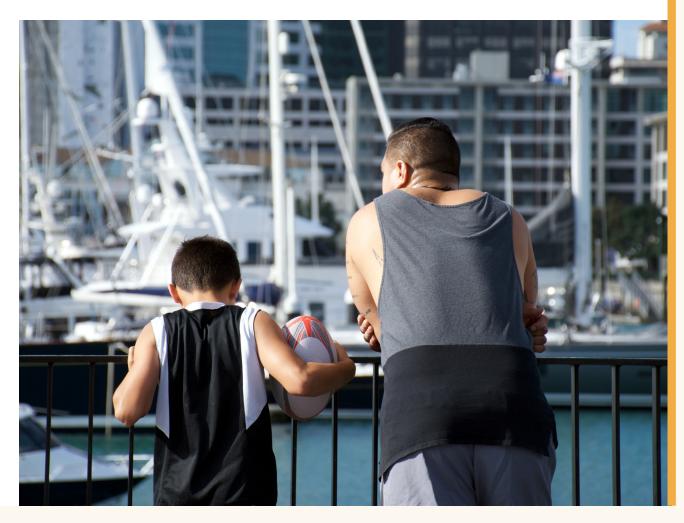
Perhaps the most significant risk to the sustainability of our wellbeing is climate change. The report also identifies a range of other risks to future wellbeing, including significant natural hazards such as earthquakes, volcanic eruptions, floods and fires, and increasing geopolitical destabilisation. The large impact and unpredictable nature of many of these risks highlights the importance of being flexible, building our resilience and managing our resources in ways that provide buffers to future shocks.

Outcomes

The research and analysis in the Wellbeing
Report has been used to support Treasury policy
advice, such as the high-level advice it provides
to the Government on its economic strategy and
spending and investment priorities, including
through the Budget. The Government revised its
wellbeing objectives in Budget 2023 to reflect an
increased emphasis on improving our young people's
foundational literacy and numeracy skills, educational
experience and mental health outcomes.

The future

The range and complexity of the opportunities and challenges highlighted in the report warrant further discussion and investigation. Addressing these issues will require broad action by many individuals and organisations, across multiple levels. We hope the report's findings, collated with the contribution of wider expertise, will stimulate robust public debates on our shared future and the priorities for improving wellbeing in Aotearoa New Zealand.





The Treasury works to ensure that our fiscal system is agile, responsive and able to sustain shocks. We seek to continue to improve the performance of our public institutions, deliver Government investments that maximise value for money, and contribute to lifting living standards.

We undertake a range of measures to ensure that the management of our public finances benefit both current and future generations of New Zealanders.

We advise on the Government's fiscal strategy, the implementation of the new fiscal rules introduced last year and the sustainability of fiscal policy settings. The goal of fiscal sustainability is to ensure the Government's fiscal position does not lead to

a deteriorating debt or net worth trajectory that could, at some future point, force a fiscal correction to the detriment of future generations. The new fiscal rules enable borrowing for high-quality capital investments that benefit current and future generations and support intergenerational wellbeing by spreading the costs and benefits across generations.



In 2022/23, we further strengthened our emphasis on ensuring a sustainable fiscal position by advancing our work on fiscal frameworks and by refreshing our tools and processes to assist the Government in meeting its fiscal goals.

We continue to review key features of the Fiscal Management Approach (FMA), which is the set of budgetary practices that support the Government in implementing its fiscal strategy and allocating funding among its spending priorities. The FMA review focuses on whether:

- the current balance of objectives remains fit for purpose, and
- · new challenges, such as climate change, could mean the FMA's rules need to be updated.

In 2022/23, we further strengthened the value-formoney focus of our advice. Value for money can be defined in multiple ways. We focus on three dimensions:

- the value ensuring proposals deliver the best value and achieve the intended outcomes, capturing both monetary and wider social and environmental impacts
- strategic alignment how proposals fit with the Government's strategies, for example the economic plan, and
- delivery assurance of effective and efficient delivery, ensuring robust governance, monitoring, evaluation, and reporting arrangements.

We also consider a range of outcomes and values, including perspectives specific to Aotearoa New Zealand. Our work includes assessments of past advice to find out where we did well and where better guidance, training and internal systems are needed.

To support sustainable public finances, we initiated a review of our cost-benefit analysis methodologies and guidance, which considers placing a higher weighting on the long-term costs and benefits of non-commercial proposals. This work will inform the Budget 2024 update of guidance on cost-benefit analysis, including the public sector discount rate and the Cost Benefit Analysis tool.

The Treasury manages the Crown's borrowing programme through New Zealand Debt Management (NZDM). Centralised debt funding minimises the Crown's borrowing costs, enables a strategic approach to be taken to borrowing and risk management and ensures ongoing access to debt funding markets.

During 2022/23, we worked with Kainga Ora and the Ministry of Housing and Urban Development to centralise Kāinga Ora's future borrowing requirements. This resulted in lower overall borrowing costs for both Kāinga Ora and the Crown and provides greater financing certainty to Kāinga Ora.

Case study



Funding the response to the severe weather events through Budget 20237

The Budget process had to be agile in 2023. Work was well underway in assessing budget proposals, developing priority packages, and at the request of the Minister of Finance, running a reprioritisation exercise to support fiscal sustainability when the North Island was hit with two separate extreme weather events - the Auckland Anniversary floods and Cyclone Gabrielle.

The devastation caused to regions across the North Island - from Northland to Wairarapa - included damage to private homes, businesses, agriculture, schools and infrastructure. It immediately became clear that the clean-up, repair and recovery costs would be significant. While some emergency funding arrangements were automatically activated, it was decided that a second Budget process was also needed to meet urgent, non-discretionary needs in the affected communities, as well as support the medium to long-term repair and recovery process.

A clear and transparent approach

We worked with the Minister of Finance to establish a bespoke Budget process for costs associated with the floods and cyclone. Government agencies were invited to submit bids in a manner similar to the normal Budget process. We assessed the bids and used them to build a weather events package following a phased approach that included:

- · Providing funding for immediate, urgent and non-discretionary work in the weeks immediately after the events. This included supporting businesses with immediate clean-up costs, undertaking urgent repairs to roads to restore regional connectivity, and providing food security and temporary accommodation for displaced households.
- Providing funding in Budget 2023 for the next 12 months of recovery work, including mental health support for affected communities, further repairs to road and rail infrastructure, and investments in job training and employment.
- · Undertaking medium to long-term spending to boost the resilience of infrastructure in the face of the increasing threat of climate change and extreme weather events.

Using this process, we were able to assess the wellbeing impacts of the severe weather events using the Living Standards Framework. We included these impacts in our advice, as well as an analysis of the impact on human capability, the natural environment, social cohesion and financial and physical capital.

The timelines for the severe weather events Budget process were aligned with key decision points for Budget 2023 to allow Ministers to assess both packages together and make the trade-offs required. Building on the savings and reprioritisation exercise that had already been undertaken, some broader Budget 2023 initiatives were not progressed to make room for recovery initiatives.

Further information on the delivery of Budget 2023 can be found in 'Section two - Our key achievements'.

Future planning

In addition to the immediate response, the Government also established a National Resilience Plan (NRP) to support the planning for and investment in significant medium and long-term infrastructure, focusing on the resilience of New Zealand's critical infrastructure. Some of that work predated the extreme weather events but culminated in the establishment of the NRP and a \$6 billion tagged contingency for NRP strategic investments with an initial focus on projects that supported recovery and 'building back better' after the weather events.





The Treasury carries out a central agency role, providing leadership and support across the public service, harnessing the collaboration of 'all of Government' to lift living standards for New Zealanders.

As one of three central agencies jointly responsible for providing leadership, coordination and monitoring across government, Te Tai Ōhanga has specific responsibilities as a steward of the public finance and regulatory systems and as the Government's lead economic advisor.

Public finance system leadership8

We look to build our capabilities and provide leadership to the public service. We do this by regularly releasing guidance material on fiscal, public sector performance and regulatory matters, engaging with and presenting to key networks (in particular the Government Finance Professionals Network and the Planning and Performance Network), and supporting agencies on specific requests. Our work this year included the publication of detailed guidance for agencies on the analysis required for Budget initiatives and webinar presentations through the Government Finance Profession network on the Budget process and requirements.

The Government Finance Profession team has three key focus areas: people, common practices and issues management. Through the Finance Development Programme, the team provides regular forums and training and networking opportunities for Government finance professionals. In 2022/23 the team:

- developed a Finance Capability Framework for the profession that included a template for financial operational policies, and finance training resources for sharing across agencies
- initiated work on attracting more Māori and Pacific people to the profession, and
- delivered 60 events to more than 4,000 Government finance professionals.

Reporting and monitoring

The performance reporting system supports trust and confidence in the use of public funds. In 2022/23, the Treasury commenced a longer-term programme of work focused on improving performance reporting.



⁸ For more information on the achievements in this section refer to 'Section two - our key achievements'.

Given the significance of reforming the performance reporting system, the Treasury is working on the scope and approach to potential broader reform, alongside initiatives to achieve short-term improvements. We have also published data on initiative-level expenditure in areas such as the COVID-19 Response and Recovery Fund, the Climate Emergency Response Fund, and the severe weather events of 2023.

Additionally this year, we focused on improving the traceability of significant new Budget initiatives. We supported the Minister of Finance to communicate the importance of this initiative and the need for agencies to focus on traceability in their Estimates development process; incorporating changes in the Budget templates and guidance; and setting out a new expectation in the 2022/23 annual reporting guidance.

Better-informed decision-making on capital initiatives

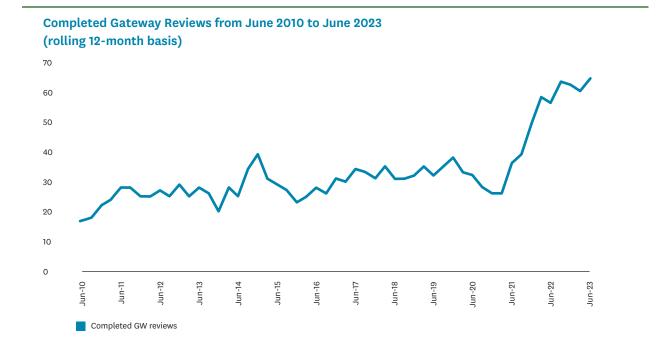
To support Government decision-making, the Treasury has required agencies to provide better information on the capital-investment pipeline, and we have reported quarterly on the Government's investment portfolio. We have also conducted analysis to support Budget decisions and identified key themes affecting planning and delivery, such as market constraints and inflation pressures. We have also undertaken

64 Gateway reviews (see graph below). Gateway is an investment assurance process for ensuring the Government's riskiest projects receive high-quality, independent peer reviews at critical stages in the investments' lifecycles. To better communicate the drivers of planning and delivery challenges we produced an overview of Gateway themes from reviews undertaken from 2008.

Economic capability leadership

The Treasury Guest Lecture Series has maintained its reputation as a forum for sharing quality expertise and research, and we have been able to grow its audience by going online. In the past year, the online webinars have attracted a mix of people from inside and outside government. Being online has also allowed us to attract leading academics and thought leaders from Aotearoa and global locations to present at the webinars.

During the year we hosted 23 speakers, comprising 14 high-profile international speakers and nine domestic experts. Survey feedback showed the seminars were highly regarded, with more than 3,000 attendees during the year and many more watching the published recordings after the events. A new theme of 'Productivity in a Changing World' started in May 2023. Nobel Prize winner Joseph Stiglitz attracted our biggest online audience of more than 530, and we consistently reached triple-digit audience numbers.



Case study



Further building our research programme

The publication of the Treasury's analytical work contributes to the evidence base for policy, encourages public debate and supports our relationships with the research community. It also develops the Treasury's human and organisational capability to provide high-quality advice for the long term.

Publishing analytical papers

The Treasury's publications rate has increased substantially in 2022/23, with 19 analytical papers released. The publications covered a broad range of topics, including the long-run consequences of the Ukraine-Russian war, child poverty, climate change, New Zealand's income growth and productivity performance, the progressivity of our tax and transfer system and the distribution of wealth in New Zealand. Our analytical publications also continued to support our stewardship reporting, including the publication of the more detailed analysis underpinning the Wellbeing Report. This included papers on aspects of the wealth of Aotearoa New Zealand, Māori and Pacific wellbeing, and the differences in subjective wellbeing (or life satisfaction) within the New Zealand population. Treasury staff also guest-edited a wellbeing-themed edition of Policy Quarterly in August 2022 and contributed five papers to the edition.

Collaborating with academic and research communities

We strengthened our involvement with the academic and research communities, through sponsorship of the Motu Public Policy Seminar, the Government Economic Network and the New Zealand Association of Economists Conference at which 11 Treasury papers were presented. We piloted the Te Au Rangapū award in partnership with Te Kura Whai Pakihi (Massey Business School) to provide Māori economic students an opportunity to work on real-world problems and gain hands-on training in areas of relevance to Māori. We also established a project to make the Tax and Welfare Analysis (TAWA) model more easily available to Integrated Data Infrastructure (IDI) researchers from other agencies and universities. The model is now helping inform work at the Ministry of Social Development and the Department of Public Health at the University of Otago.

We also worked closely with the academic community through the development of the Wellbeing Report, establishing an External Advisory Panel and participating in several roundtables hosted by the Victoria University of Wellington.

Regulatory system leadership

The Treasury is the system lead of regulatory stewardship across the public service, and this year, among other work, we focused on delivering two key initiatives aimed at building regulatory stewardship capability.

The first was the preparation and publication of the practical guide Starting out with Regulatory Stewardship. It provides a framework for structured assessment of nine areas where agencies can improve the stewardship and performance of the regulatory systems to which they contribute. The guide is intended to be a living resource and is kept up to date and developed by the regulatory stewardship community.

The second initiative was the establishment of the Regulatory Stewardship Community of Practice in close partnership with the Government Regulatory Practice Initiative. The community supports the professional development of staff who are focused on improving regulatory stewardship practices within their agencies. It provides a forum in which agencies that are less advanced with regulatory stewardship can learn from those who have more experience.

As stewards of the Regulatory Management System, the Treasury has also undertaken a review of the Regulatory Impact Analysis system, with the aim of aligning it better with OECD best practice.

⁹ For more information on the 'Starting out with regulatory stewardship' guide refer to https://www.treasury.govt.nz/information-and-services/regulation/regulatory-stewardship





Compelling advice on New Zealand's biggest issues

The Treasury supports the Government to navigate the current big issues and those that lie ahead. We help drive collective impacts across the system to tackle the most critical challenges and opportunities New Zealand faces.

Our vision to lift living standards underpins the advice we give. Current areas of focus are the core components of human capability (health) and physical and financial capital (housing). Climate change presents another significant challenge that we are devoting significant attention to. Our advice on these and all emerging big issues is developed through a lens of economic performance, the Living Standards Framework, He Ara Waiora and the Crown's medium-term fiscal position. Distributional

causes and consequences also feature in our advice. We influence policy effectiveness in the wider system through our critical role in Budget decision-making, value for money and financial management.

As new events and shocks occur, we have a core role in supporting the Government to respond. In the past year, this has included providing analysis and advice to help with the response to Cyclone Gabrielle and the Auckland Anniversary floods.



Case study



Advising the Government in response to the severe weather events

In response to severe weather events in early 2023, we mobilised a Cyclone Coordination Team to ensure the provision of high-quality coordinated advice on the Government's response.

Establishing process

The Cyclone Coordination Team oversaw the policy work led by line teams. This work included identifying potential gaps, overlaps and opportunities. The need to request and share information quickly required processes to ensure the right people and organisations were able to contribute. This happened across the Treasury as well as with centralised Government response structures such as DPMC's new Cyclone Recovery Unit and the Cyclone Recovery Taskforce.

Key achievements

The Treasury's cyclone response work was structured around a number of workstreams and involved several working in partnership with other agencies. Key achievements included:

· Working at pace to develop policy advice on the Government's support packages for growers, farmers and businesses. This included support for removing silt and sediment as well as co-designing, with MPI, the North Island weather events Loan Guarantee Scheme and North Island weather events Primary Producer Finance Scheme, which were delivered by Kānoa, the Regional Economic Development & Investment Unit. These programmes ensured support was delivered swiftly to those who needed it, enabling the recovery and rebuild to proceed quickly.

- · Co-leading with the Ministry for the Environment (MfE) the Future of Severely Affected Locations work programme, which included addressing the complex issue of buying-out Auckland Anniversary Weekend floods and Cyclone Gabrielle affected properties. This work involved advising on the overarching policy settings and, within the context of a locally led recovery, supporting local authorities to design their responses. It provided certainty for affected families and communities and will help property owners avoid significant financial hardship.
- Advising on the establishment of the National Resilience Plan, including a \$6 billion fund to promote future resilience and protect New Zealanders from increasingly severe and unpredictable weather events.

Supporting others

We worked with a range of Government agencies to support the early stages of the recovery. These included the Cyclone Response Unit, the Department of Internal Affairs (DIA), the National Emergency Management Agency and the Ministries of Social Development, Business, Innovation and Employment, Housing and Urban Development, and Transport.

Adapting to and mitigating the impacts of climate change¹⁰

New Zealand needs to adapt to climate change as we are vulnerable to the increasing impacts of climaterelated events such as droughts, floods and sea-level rise. We are also at the beginning of a transition to net-zero carbon emissions. We currently have low per-capita carbon emissions but high total emissions per capita relative to other economies due to methane from agriculture making up almost half of our total emissions. Climate change work in 2022/23 focused on:

- · adapting to the physical impacts of climate change
- · transitioning to a low-emissions economy
- strengthening the consideration of climate outcomes in Government decisions, and
- incorporating climate change considerations when we delivered core operational processes, and monitoring and reporting on these, including for Green Bonds and the Budget.

Significant achievements during the year included:

- · the issuance of New Zealand's first Sovereign Green Bond
- the publication, with MfE, of Ngā Kōrero Āhuarangi me te Ōhanga – Climate and Economic Fiscal Assessment, 11 a report that brought together, for the first time, our best current understanding of the potential economic and fiscal impacts of climate change
- · the implementation of regular public reporting on initiatives funded through the Climate Emergency Response Fund (CERF)
- · the passing of the Natural Hazards Insurance Act, which received Royal Assent in February 2023
- · the monitoring of trends in the pricing and availability of insurance, and
- our work on the future of locations severely affected by the severe weather events in early 2023.

¹⁰ For more information on the achievements in this section refer to 'Section two - our key achievements'.

¹¹ For more information on the Climate and Economic Fiscal Assessment refer to https://www.treasury.govt.nz/publications/ climate-economic-fiscal-assessment/nga-korero-ahuarangi-me-te-ohanga-2023

Case study



New Zealand's first Sovereign Green Bond

In November 2021, the Minister of Finance and the Minister for Climate Change announced that work had begun on supporting New Zealand's first Sovereign Green Bond issuance, and in September 2022 the Sovereign Green Bond Programme was issued. Accompanying this, NZDM published New Zealand's Sovereign Green Bond Framework and a 'second party opinion' on the framework's credibility and potential impacts. Extensive investor engagement on the framework was then undertaken domestically and internationally.

Market response

The inaugural issuance of the Sovereign Green Bonds was executed in November 2022 and attracted NZ\$7.5 billion in bids from a diverse range of investors. Ultimately, NZ\$3 billion in bonds was issued, and since then additional nominal Green Bonds have been issued as part of NZDM's regular weekly tender-issuance process.

Collaborative success

The development of the framework required substantial collaboration with multiple stakeholders in the Treasury and the Government sector. The result was an award-winning, world-class Green Bond Framework. The issuance of the Sovereign Green Bonds contributes to the Government's climate strategy, as it is a key action in the funding and financing chapter of the Emissions Reduction Plan.

Framework categories

New Zealand's Sovereign Green Bond Framework incorporates an unusually broad range of eligible green categories in comparison with sovereign peers, including a large amount of expenditure

in the biodiversity category, which is becoming increasingly important in financial markets.

Pool of eligible expenditures in Green Bond Programme at launch in September 2022

	2022/23-			
Green Categories	2021/22 \$m	2024/25 \$m	Total \$m	Share %
Clean Transport	\$750	\$2,339	\$3,089	45.4%
Energy Efficiency and Renewable Energy	\$172	\$775	\$947	13.9%
Green Buildings ¹²	TBC	TBC	TBC	TBC
Living and Natural Resources and Land Use	\$17	\$74	\$91	1.3%
Terrestrial and Aquatic Biodiversity	\$410	\$1,410	\$1,820	26.8%
Climate Change Adaption	\$72	\$116	\$188	2.8%
Sustainable Water and Wastewater Management	\$322	\$150	\$472	6.9%
Pollution Prevention and Control	\$36	\$157	\$193	2.8%
Total	\$1,779	\$5,021	\$6,800	100.0%

The future

Early in 2023, we transitioned the Green Bond Establishment Team to a new and permanent Green Bond Team. It is continuing to work with the Government sector to deliver on the undertakings embedded in the programme and develop financial, output and outcome reporting. The team will continue to expand the pool of eligible expenditures to ensure the ongoing success of New Zealand Sovereign Green Bonds.

¹² At the time of programme launch there was no approved eligible expenditure in the Green Buildings category. Expenditure in this category has since been added.

Case study



Infrastructure funding and financing model

The Infrastructure Funding and Financing Act 2020 (IFF Act), developed with advice from the Treasury, introduced a new funding and financing model to support the provision of new and upgraded infrastructure for urban development. It enables infrastructure projects to be delivered without being constrained by the financing issues often faced by local authorities or imposing high upfront costs on developers.

First levy

Once the IFF Act was passed, we worked with Crown Infrastructure Partners Limited and the Ministry of Housing and Urban Development to develop a commercially feasible IFF model and implement the IFF levy.

In December 2022, the first levy under the IFF Act was applied in Tauranga, enabling Tauranga City Council to raise approximately \$175 million towards the construction costs of up to 13 transport projects in the region. The use of the IFF levy also provided the council with more balance-sheet headroom to progress other vital infrastructure and community facility investments.

The Treasury advised Ministers on and helped to manage a range of risks identified in the development of the first IFF levy. We also played a pivotal role in driving the transaction to financial close and establishing precedent-setting parameters for the IFF model.

Housing and Infrastructure¹³

Housing supply and affordability remains a priority for the Treasury. Budget 2023 provided a targeted investment to deliver more public homes by June 2025. We have been working with Kāinga Ora to ensure the targets can be met effectively.

The Treasury is a partner in the Housing Technical Working Group, which published Assessment of the Housing System: with insights from the Hamilton-Waikato Area. The Group's insights have aided policy advice and led to process improvements in house-price forecasting at the Treasury, with greater weighting now assigned to interest rates.

Resource Management Act reform

The Treasury worked closely with lead Government agencies on the Natural and Built Environment and Spatial Planning Bills, which will have farreaching impacts. As well as contributing in our role as system steward and economic and fiscal advisor, we focused on ensuring that the primary and secondary legislation collectively enabled development and assisted in housing affordability alongside environmental objectives.

Infrastructure Strategy and Action Plan

The Government published its response to the first New Zealand Infrastructure Strategy by Te Waihanga, Rautaki Hanganga o Aotearoa. We advised on the Government's response to the Infrastructure Strategy and Action Plan, which recognises the importance of improving the way New Zealand plans, delivers, maintains and uses infrastructure.

¹³ For further information on the achievements in this section refer to 'Section two - our key achievements'.

Health¹⁴

Since the final report on the Health and Disability System Review was released in early 2020, the Treasury has prioritised supporting Ministers and health entities on the path to critical health system reform. The focus in previous years has been on providing advice to Ministers on the opportunities for improved financial sustainability offered by the reform and engaging with the Transition Unit as it established its work programme. We have also provided advice on key areas of reform design, including the new health system operational model and funding arrangements, and the first transitional multi-year financial settlement for Vote Health through Budget 2022.

Building on this work, in 2022/23 we worked closely with Manatū Hauora and the newly established health entities to advise them on health system financial performance and reforms to health Budget settings. This included working with health entities to advise on Te Whatu Ora's 2022/23 budget, financial performance and risk, health workforce issues, infrastructure investments and COVID-19 funding. We also led advice with Manatū Hauora on the approach to Budget 2024 for Vote Health, including the design of a multi-year funding arrangement, preconditions to shifting to multi-year funding, and a health cost-pressure funding track for 2024/25 to 2026/27.

¹⁴ For further information on the achievements in this section refer to 'Section two - our key achievements'.

Our workforce

Our workforce is highly engaged, and we maintain this through strong leadership and enabling an inclusive, positive, and high performing workplace.

The factors that have challenged Aotearoa as a whole in the past few years have also challenged the Treasury. Since the peak of COVID-19 there has been a change in how we work, and increased movement of people across the public sector and internationally, creating challenges in retaining our people. In 2022/23 we saw an increase in our headcount as we focussed on attracting and retaining talented staff by successfully recruiting into our existing vacancies, as well as receiving new funding to focus on new programmes of work such as Green Bonds, Climate Change, and additional RBNZ monitoring. We also implemented operating model changes in legal services to reduce reliance on external providers.

Korero Mai survey and the satisfaction of our people

Kōrero Mai, our organisational employee survey, is sent out every 18 to 24 months, and was last run in September 2022. Eighty-three percent of our employees responded to the survey and our overall satisfaction score increased to 73%, up from 67% in March 2021.

Headcount 2022 2023 550 639 Full-time equivalents 2022 2023 623 534 Average age 2022 2023 40.9 40.6 Full time 2022 2023 92% 92% Permanent 2022 2023 96% 94% Length of service 2022 2023 5.4 4.5

The highest overall scores in response to the 30 questions were around inclusion and recognition. Our people said they enjoyed the people, the work, our purpose and our flexible working practices. The areas for improvement were remuneration, diversity, operational processes, how we work together and workload. Action is underway at team and organisational levels to address the feedback in the survey.

Wellbeing, health and safety in our workplace

Keeping our people mentally and physically healthy is a priority for the Treasury. We support our people with a range of initiatives and resources to help them manage wellbeing. Initiatives include health checks, frequent wellbeing pulse surveys, weekly health and wellbeing tips and tricks, intranet bulletins and webinars featuring senior leaders and guest speakers. We continue to progress our people-centred approach through supporting flexible working and emphasising the importance of wellbeing through all our health and safety practices.

We have an active Health and Safety Committee that meets monthly to consider health and safety issues that matter to our people, including wellbeing and mental health. We continue to invest in the wellbeing and health and safety training of our people.

	Female		
	2022 49%	2023 49%	
000 -	Female people leaders		
	2022	2023	
(000)	49%	48%	
0 -	Male		
(\bigcap)	2022	2023	
U	51%	51%	
000 -	Male people leaders		
$(\tilde{\Omega})$	2022	2023	
(000)	51%	52 %	



Investing in our people and building capability

During 2022/23, we invested in further developing the capabilities of our people.

Positioning our people for the future and supporting their development

We know that our work is becoming increasingly complex, with disruptions caused by technological advances and social, demographic, economic, political and environmental changes. With this in mind, we are planning for our future workforce to navigate these challenges and opportunities.

This year we developed a workforce plan that will be implemented in 2023-2025, which focusses on strengthening priority capabilities. Our priority areas include:

- strengthening economic and financial capabilities
- growing leadership, cultural and cognitive capabilities
- · developing our internal and external talent pipeline, and
- · using technology to reduce transactional and low-value activities, allowing more time on complex matters.

In 2022/23, we developed our economic capability through deep dives, internal seminars and external training opportunities. Our focus on economic and financial skills will increase both the number of our people completing training and development in these areas, and our targeted recruitment efforts to attract and build external talent pools. To ensure we are on track with capability development, we will also assess and quantify our economic and financial capabilities. We have developed a Vote capability framework that supports development in core areas of Vote work.

We continued to focus on building leadership capability, through our regular people leader forums and providing opportunities for leadership development.

We have continued to build our value proposition to attract and recruit passionate, high-achieving people who bring collaborative and team qualities as well as deep technical expertise. Our people also contributed to the development of a refreshed set of values and behaviours, which will support the ways of working for us to be our best.

We pride ourselves on being an organisation in which our people can develop and grow their careers. In 2022/23 we launched e-Tipu, our online Learning Management System through which our people can access a portal library of over 100 learning options and facilitated courses. e-Tipu also enables our people to complete required annual learning that supports compliance with key policies and statutory obligations.

Lifting our understanding and application of He Ara Waiora¹⁵ and the Living Standards Framework¹⁶

One of the Treasury's strategic priorities is to develop and implement the Living Standards Framework and He Ara Waiora, a framework we use alongside the Living Standards Framework to inform our efforts to lift living standards for all New Zealanders through a te ao Māori lens. Ngā Pūkenga, a group of Māori thought leaders who developed the framework, continue to work alongside Te Tai Ōhanga to help us apply it authentically.

In the past year we have used these frameworks to contribute to our thinking on major policy challenges. This has helped us to examine the nature of impacts on the environment and people and how institutions need to engage with affected iwi, hapū, whānau and communities. To help us grow the use and best practice of He Ara Waiora, we have started collecting and sharing case studies with our people, as well as developing an initial set of policy tools alongside Ngā Pūkenga.

¹⁵ https://www.treasury.govt.nz/information-and-services/nz-economy/higher-living-standards/he-ara-waiora

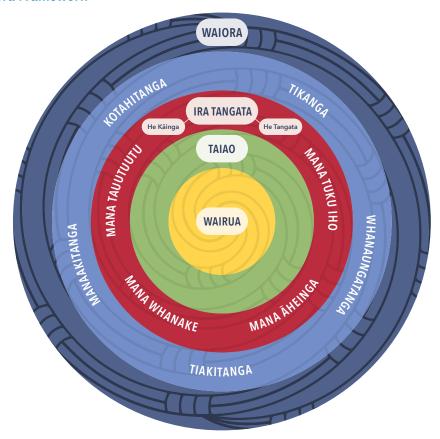
¹⁶ https://www.treasury.govt.nz/information-and-services/nz-economy/higher-living-standards/our-living-standards-framework

We see the Living Standards Framework and He Ara Waiora as supporting robust policy advice by providing frameworks to consider the broader impacts of our policy advice in a systematic and evidenced way. As an economics framework, the Living Standards Framework complements more traditional approaches to analysis with more contemporary strands of economics, such as wellbeing economics, institutional economics and environmental economics. Similarly, He Ara Waiora helps us interweave and embed te ao Māori perspectives in our policy advice with integrity. Together, the frameworks provide a deeper understanding of lifting living standards that is grounded in Aotearoa New Zealand.

Building capability and understanding of Pacific perspectives

The Treasury's refreshed Pacific Strategy was launched in May 2022, with a continuing focus on building our internal capability and understanding of Pacific perspectives to inform our advice and organisational systems, and external engagement. We are taking a phased approach to the implementation of the Pacific Strategy priorities over the course of the strategy's 2022-2025 timeframe. During 2022/23 we focused on incorporating Pacific perspectives into Te Tai Waiora, including publishing a Pacific Wellbeing background paper in April 2023 that provided information on how Pacific people in New Zealand are faring in a range of wellbeing domains. We are also building the first phase of an online training and development module for strengthening our policy capabilities in the Pacific Operating Module.

He Ara Waiora Framework

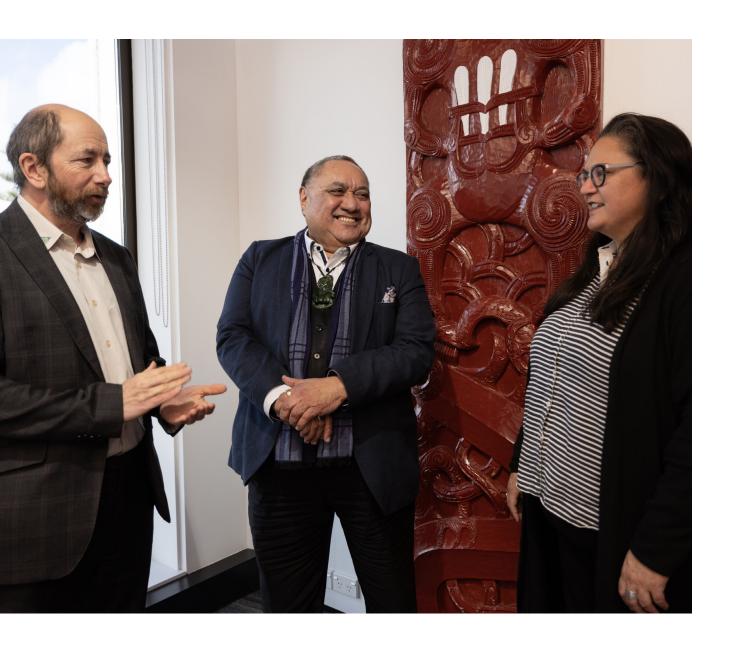


Māori-Crown relations capability

Te Tai Ōhanga has further progressed its implementation of Whāinga Amorangi, the multi-year cross-agency work programme created by Te Arawhiti to help public service chief executives meet their responsibilities under the Public Service Act to lift and maintain the capability of their people to engage with Māori. Phase One: Empowering People includes a requirement to build the capability of our people in te reo Māori and New Zealand history/Tiriti o Waitangi/Treaty of Waitangi literacy. In February 2023, we repeated our Māori capability staff survey to help us understand and track our progress in developing our Māori capability. Since the baseline survey in 2022, we have improved our scores in every question category. We use the survey results to plan actions that will lift our capability further.

The initiatives we are now focussing on:

- providing a range of development opportunities, including: te reo Māori (across 3 levels); Crown-Māori Relations; The Wall Walk (New Zealand histories); and marae-based learning through our Te Aronuku programme
- developing a Māori Capability framework and other tools and resources, including our Puna Ako app, to support and develop te reo Māori beyond the guidance offered by the formal courses, and
- running a pōwhiri for new staff and support teams to learn their own mihi whakatau to welcome new team members.



Case study



The Ivan Kwok Memorial Award 2022

Ivan Kwok ONZM gave 41 years of service to the Treasury, becoming one of our most senior and respected public servants. Ivan was greatly respected by Māori, having built trust and confidence with iwi and been a key individual in some of the most complex issues in the Te Tiriti settlement process, most notably the ground-breaking Central North Island forestry settlement (the largest Te Tiriti settlement in Aotearoa New Zealand's history) in 2007/08. The first Ivan Kwok Memorial Award was presented in 2016. It is presented to teams that have demonstrated, and achieved, significant growth and leadership in the Māori-Crown space.

The 2022 winning team

The 2022 Ivan Kwok Memorial Award was awarded to the International Team for the mana-to-mana approach that was developed to engage with Māori on the Overseas Investment Act Forestry Review.

The team was recognised for proactively identifying an opportunity to seek Ministerial agreement to undertake Māori engagement, while still supporting Ministers' priority for timely legislative change.

The statutory review assessed the impacts of significant changes to the forestry components of the overseas investment screening regime that were made in 2018. In 2022, the Government agreed to a change of focus in the Forestry Review to explore legislative change to remove forestry conversions from the streamlined special forestry test under the Act and improve the operation and effectiveness of the Act's forestry provisions.

Engagement with Māori

In January 2022, the Associate Minister of Finance (Hon David Parker) and the Forestry Review team, with support from Te Tai Ōhanga and agency colleagues, engaged with key Māori leaders and representatives in the forestry sector. The engagement focused on a policy proposal to change the way overseas investments in forestry were screened under the Overseas Investment Act 2005. Māori have a strong interest in the forestry sector and therefore Māori economic interests have increased exposure to regulatory change.

The engagement provided an opportunity for Māori to influence policy outcomes, supported the Cabinet in making informed decisions on the policy proposals, supported the Crown in acting as a good Te Tiriti partner and managed risks to Māori-Crown relations.

Outcomes for a better process

The Forestry Review team continued its proactive engagement with key Māori leaders and representatives over the course of the Forestry Review, including through various engagements following the Cabinet's decisions. We heard from several participants that they welcomed the opportunity to engage on the policy proposals, particularly the opportunity to directly shape advice to Ministers, and that Te Tai Ōhanga's approach supported Māori leaders and representatives to align themselves with and engage throughout the regulatory process. This approach ultimately supported an effective policy process and was an example of the importance of Te Tiriti obligations to Te Tai Ōhanga.

Inclusion and diversity

We aim for Te Tai Ohanga to be an inclusive organisation, and one that attracts and retains the best talent, draws on our diverse skills and experiences and is informed by diverse perspectives.

Te Urupare i te Mariu - Addressing bias

We provide new starters with an e-learning module as part of their induction pathway. This sets out our expectations and educates new people on understanding bias, how it manifests and how we can act to mitigate it in the workplace. We have also started developing a Pacific Operating Model e-learning module and have been piloting the public sector's Mana Āki cultural competence module.

Te āheinga ā-ahurea - Cultural competence

In 2022/23, we continued to build the cultural competence of our staff and progress our Whainga Amorangi plan. Further information on this can be found in our Māori-Crown relations capability section.

Hautūtanga Ngākau Tuwhera - Inclusive leadership and Te Whakawhanaungatanga -**Building relationships**

We continued to have representation at Te Kawa Mataaho's Emerging Leader Programme in 2022/23. We also provided opportunities for three women to join the Accentuated leadership programme, a leadership development course for women of colour in the public sector.

Ngā tūhononga e kōkiritia ana e ngā kaimahi -Employee-led networks

Supporting our Employee-led Networks ensures that our people feel they belong. Having a variety of people from different backgrounds and cultures provides us with the balance of voices and diversity of thought that we need to support all New Zealanders. Our Employee-led Networks are a great way for colleagues from a variety of backgrounds to connect with and gain a deep understanding of each other. This year we have seen the emergence of two new networks: a Pan-Asian Network and a Neurodiversity Network.

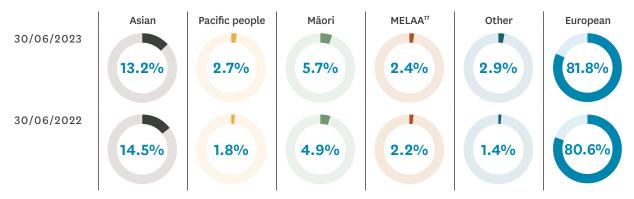
Gender pay gap

The Kia Toipoto Action Plan, published at the end of 2022, takes steps to understand and address gender and ethnic pay gaps, and recognises the importance of increased ethnic representation in Te Tai Ōhanga. The areas of focus include strengthening our recruitment practices, monitoring relevant data and reporting regularly to leadership, encouraging the development of women through our leadership pipeline, and strengthening our inclusive working environment. In June 2023, we achieved our lowest gender pay gap on record (8.4%), with continued action underway.

Gender pay gap



Ethnic diversity



¹⁷ Middle Eastern, Latin American, African.

Our workplace and systems

Our success as a high-performing Treasury requires great people and excellent systems. We are committed to building an environment in which our people flourish and are supported by effective systems and processes.

In 2019, we implemented a 'Strengthening the Treasury' work programme with the aim of improving our systems and practices within three specific workstreams: setting a clear direction; supporting our people to succeed; and building strong systems and processes.

Significant progress has been made in all three workstreams. We have embedded improved governance practices, stronger links to our strategic direction in our planning and reporting, more secure information and systems, and maturing risk management and compliance practices.

We undertook a review of our external advisory body, the Risk and Audit Committee. The review signaled the great progress we are seeing in the engagement and advice received by this committee. The Treasury will continue to drive improvements in these areas as part of good-practice leadership.

As a result of the success of the three workstreams, in 2022/23 we reset the focus of the Strengthening the Treasury work programme. We are now actioning capability development through four workstreams that will further strengthen the Treasury: Leadership, Culture and behaviours, Quality of advice, and Digital future.

Treasury governance in action

The Treasury's Governance Framework supports ELT to deliver on our purpose and priorities. The framework comprises three subcommittees and three advisory bodies. The advisory bodies provide independent external advice to the Treasury.

Subcommittees of ELT

Risk and Assurance Subcommittee	Oversees the Treasury's risks and internal controls and champions a risk and assurance culture.
People, Culture and Capability Subcommittee	Oversees the Treasury's people, culture and capability strategies, as well as its policies and practices.
Finance and Prioritisation Subcommittee	Oversees the Treasury's finances, business plan prioritisation, resource deployment and investment decisions.

Advisory bodies with external members

Risk and Audit Committee	Provision of insights to the Chief Executive on critical issues that underpin organisational capability and delivery. It has a specific focus on strategic, financial, operational and reputational risks.
Financial Statements of Government Audit Committee	Provision of advice to the Chief Executive on the quality of the management and production of the Financial Statements of the Government, including advice on the effectiveness and adequacy of internal control systems within the Treasury and across the public service.
Capital Markets Advisory Committee	Provision of independent advice to the Deputy Secretary Financial and Commercial to support well informed decision-making for the Treasury's debt management, export credit and Crown corporate Treasury responsibilities.
Ngā Pūkenga	Ngā Pūkenga is a hoa haere partnership group of Māori thought leaders that provides appropriate stewardship in our use of He Ara Waiora. The concept of 'hoa haere' means that the group are valued travelling companions on a journey to embed He Ara Waiora in our work.

Supporting an open and transparent public sector

In 2022/23, we received 553 Official Information Act (OIA) requests and provided information to support responses to 560 Written Parliamentary Questions (WPQs). While the number of OIA requests increased compared to 2021/22, there was a small decrease in WPQs and Ministerial Correspondence. In 2022/23, we continued to support an open and transparent public sector successfully by:

- providing 99.8% of Treasury OIAs to requestors within the statutory timeframe
- · improving our administration of Ministers' OIAs, with 99% of responses being provided in a timely way, and
- · responding to both WPQs and Treasury OIAs, with a 99% success rate for timeliness.

In 2022/23 we also published 34 proactive releases of documents. Each proactive release was comprised of key documents highlighting significant public policy advice that the Treasury has provided. This included advice on Project Karimako, Loan facilitation to Air New Zealand, COVID-19 tranche 2 and tranche 3, and the Budget 22 release which included 246 documents comprised of over 1,000 pages.

Reducing our emissions and embedding sustainable practices

In 2022/23 we emitted 340.41 tCO₂-e (tonnes of carbon dioxide equivalent), a 69.85% reduction on our 2018/19 baseline year (1,129.21 tCO₂-e). Most of our emissions have come from air travel and electricity consumed in our Wellington office. In August 2023, we received Toitu 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 year 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 1: Emissions profile broken down by scope and total annual emissions (tCO₂-e) for financial years 2018-2023

Category	Scope	2018/19	2019/20	2020/21	2021/22	2022/23
Direct emissions	Scope 1	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
Indirect emissions from transportation ¹⁸		1,062.04	667.38	103.25	77.52	258.94
Indirect emissions from products used by organisation	Scope 3	48.04	32.94	38.73	23.97	33.22
Indirect emissions from other sources		0.00	0.00	0.00	0.00	0.00
Total gross emissions		1,129.21	734.23	177.47	135.38	340.41
Change in gross emissions (all categories) from previous financial year (%)		-34.98	-75.8291	-23.71	151.4416	
Change in gross emissions (all categories) since base year (%)		-34.98	-84.2837	-88.01	-69.85	

Table 2: Total emissions breakdown by source, 2022/23

Accommodation	2023(%)	2023(tCO ₂ -e)
Accommodation	0.14%	0.48
Air travel		
	64.85%	220.90
Taxis (regular)		
	1.25%	4.26
Freight		
	0.02%	0.05
Paper use	0.000/	0.00
	2.66%	9.06
Emissions from the use of services not included elsewhere	0.26%	0.89
Rental cars	0.26%	0.69
Rental Cars	0.2%	0.67
Electricity	0.2 /0	0.07
Electricity	15.47 %	52.68
Waste		
	2.16%	7.37
Working from home ¹⁹		
	9.63%	32.80
Wastewater services		
	3.36%	11.46

¹⁸ In 2022/23, following the relaxation of COVID-19 travel restrictions, there was a return to regular 'in-person' international engagements.

¹⁹ Excluded business units The waste, water and electricity emissions created by employees who are not based in Wellington have been included in the 'working from home' emissions source.

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 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 degrees, 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: Gross emissions (all categories) of 787.11 tCO₂-e or a 25% reduction in gross emissions (all categories) compared to the baseline year.
- **2030 target:** 556.22 tCO₂-e or a 47% reduction in gross emissions (all categories) compared to the baseline year.

We have achieved a 69.85% reduction in emissions on our baseline year, and we are tracking well to achieve our emission goals. This has been accomplished through the development of a new travel policy which elevates emissions considerations, increasing organisational understanding of our waste profile through annual audits, and the implementation of the NABERSNZ energy efficiency assessment.

As we move forwards, we will focus on embedding behavioural shifts and continue to improve emission awareness across the Treasury. In 2022/23 we worked with suppliers to action the recommendations of the National Australian Built Environment Rating System - New Zealand report, published in 2021.

We are committed to reviewing and improving our targets and are working towards including other, specific, targets in the years ahead.

Table 3: Emission intensity by FTE and expenditure

КРІ	Unit	2018/19	2019/20	2020/21	2021/22	2022/23
Total gross GHG emissions per FTE	Per FTE per annum	2.20	1.26	0.31	0.25	0.58
Total gross GHG emissions per operating revenue	\$millions	11.07	6.77	1.70	1.29	2.59

SECTION TWO | WĀHANGA TUARUA

Our key achievements Ko ā mātou Whakatutukitanga

Policy Advice and Financial Services (MCA)

THE TREASURY FORECAST TO SPEND

\$94.835m

THE TREASURY SPENT

\$93.080m

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

OVERARCHING MEASURE

MEASURE	STANDARD	RESULT
The satisfaction of the Minister of Finance with the provision of our advice and financial services	Achieved	Achieved

The Ministerial Satisfaction Survey is based on the DPMC-led Policy Quality Framework. The Minister of Finance gave the Treasury a score of 4 out of 5 across the survey.

POLICY ADVICE

MEASURE ²⁰	STANDARD	RESULT
Papers with a score of 3 or more	80%	90%
Papers with a score of 4 or more	20%	13%
Average score of assessed papers	3.5	3.3

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.

We measure the quality of our policy advice through a quarterly internal Quality of Policy Advice Panel. The internal panel assesses papers against the DPMCled Policy Quality Framework based on a common set of standards that define good quality. In 2022/23, 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 our policy advice. We deliver regular policy forums to test and further develop emergent advice and address issues of policy capability through our in-house learning and development programmes.

In 2022/23, we reset the focus of the Strengthening the Treasury organisational improvement programme, which includes a plan of work through 2023/24 on the quality of advice.

Navigating New Zealand's biggest issues and Government priorities

Advising on adapting to and mitigating climate change

Adapting to climate change

In 2022/23, we contributed to, and participated in, a range of work across Government on adapting to climate change. This included:

- the interagency development of the first National Adaptation Plan, published in August 2022
- · considering what longer-term settings were needed, including a proposed Climate Adaptation Act
- · leading, jointly with the DPMC and MfE, work on the future of locations severely affected by the severe weather events in early 2023.

²⁰ Papers are scored on a scale of 1 to 5.

Mitigating the extent of climate change

In 2022/23, we contributed to work on mitigating the extent of climate change. This included giving advice on the approach to pricing agricultural emissions, and the review of the Emissions Trading Scheme that is currently underway.

Climate funding and financing

We delivered the first-ever Sovereign Green Bond issuance in New Zealand. We also implemented regular public reporting on initiatives funded through the Climate Emergency Response Fund (CERF). We provided advice to and supported Ministers in delivering a second round of investment decisions for the CERF as part of Budget 2023.

Ngā Kōrero Āhuarangi me te Ōhanga: Climate Economic and Fiscal Assessment 2023

In April 2023, we published Ngā Kōrero Āhuarangi me te Ōhanga: Climate Economic and Fiscal Assessment 2023, which was jointly produced with MfE. The purpose of this report was to help decision-makers across the public and private sectors to identify and manage the risks and opportunities of physical climate change, as well as New Zealand's transition to a low-emissions and climate-resilient future.

Natural Hazards Insurance Act

We reached a significant milestone in our work on the Natural Hazards Insurance Act, which received Royal Assent in February 2023. We are working closely with EQC to monitor trends in the pricing and availability of insurance following the increase in the EQC building cap in October 2022. Work on residential flood insurance issues continues, in particular on monitoring in the context of increasing risk-based pricing and underlying risks being exacerbated by climate change.

Reforming the New Zealand health system

On 1 July 2022, the biggest reforms of the health and disability system in a generation were enacted, with the disestablishment of 20 District Health Boards and other associated health entities and the creation of three new entities: Te Whatu Ora - Health New Zealand, Te Aka Whai Ora - the Māori Health Authority, and Whaikaha - the Ministry of Disabled People.

The Treasury has continued to provide advice on these reforms, with a focus on funding and performance frameworks for health. In 2022/23, we supported health entities in implementing the first year of a two-year transitional funding settlement. This included providing Ministers with advice on drawing down the 2022/23 tranche of cost-pressure funding, monitoring financial performance and risks throughout the year, and progressing detailed design work for a health-cost-pressure funding track for the years 2024-2027. We also continued to look ahead to Budget 2024, providing early advice to Ministers on whether entities were progressing as anticipated towards meeting the necessary pre-conditions to move to full multi-year funding from 2024/25.

Throughout the year we continued to focus on the key areas in the reforms that will have the biggest economic and fiscal impacts on New Zealand. We contributed to advice on a number of key developments in the health workforce, including pay equity, pay parity and wage bargaining. On health infrastructure, we were involved with a number of major projects while also supporting new entities to navigate health capital funding through central Government processes. We also provided advice to Ministers on supporting Health to transition COVID-19 funding to a more sustainable footing. This included undertaking an expenditure deep dive to build a greater understanding of costs.

Advising on housing

Throughout 2022/23, we advised the Ministers of Finance and Housing on a range of housing-related initiatives. These included:

- · the reset and redesign of the emergency housing system
- · increasing the uptake of the progressive home ownership programme
- · regulating residential property managers, and
- · progressing a review of the spending, funding and financing of Kāinga Ora.

In 2022/23, we also provided advice on a range of housing delivery programmes. These included:

- · significant projects for Kāinga Ora public home developments
- KiwiBuild underwrites that took on a \$449 million exposure to enable the delivery of more than 1,400 homes

- Land for Housing deals that invested \$20.8 million in supporting the delivery of more than 425 homes, and
- · Build Ready Development underwrites and pre-purchases that committed \$82 million to enable the delivery of more than 140 homes.

In 2022/23, we worked with Crown Infrastructure Partners Limited and the Ministry of Housing and Urban Development (HUD) on developing and implementing the first Infrastructure Funding and Financing levy. In December 2022 the first levy under the IFF Act was applied in Tauranga. The Treasury played a pivotal role in driving this transaction to financial closure, and in establishing precedentsetting parameters for the Infrastructure Funding and Financing model. Wellington City Council has submitted a levy proposal that the Treasury is currently progressing through the relevant approval processes.

Housing support following the Auckland Anniversary weekend floods and Cyclone Gabrielle

The Treasury engaged with Hikina Whakatutuki the Ministry of Business, Innovation and Employment (MBIE) to jointly determine the funding requirements and the implementation of the provision of Temporary Accommodation Services. We provided advice on the funding requirements based on forecast demand for housing, the setting of part-payment levels for tenants in temporary accommodation, and interaction with the wider housing system at a national level.

Alongside MBIE and HUD, we are continuing to monitor system settings and ensure that Temporary Accommodation Services are functioning as intended.

Advising Kāinga Ora on funding arrangements

The Government has set ambitious targets for increasing the supply of public homes. Until recently, the full capital cost to Kāinga Ora of building these homes was borrowed from private financial markets.

In late 2022, we put in place borrowing arrangements for Kāinga Ora to meet its cashflow requirements. We also ensured that all future borrowing would be met by NZDM, reducing the overall cost of borrowing for Kāinga Ora and providing greater financial certainty. Given the significant impact of the public housing programme on overall Crown debt and other

fiscal measures, this ensures that Kāinga Ora can deliver housing commitments in a timely manner and within the funding allocation.

The Government requested that the Treasury and HUD jointly lead a comprehensive review of the Crown entity's spending, funding and financing. It asked that this review be undertaken in close consultation with Kāinga Ora to ensure the funding and financing models were fit for purpose, supported the delivery of Government housing commitments and provided value for money for taxpayers.

We have completed the first phase of this review.

Resource Management Act reform

The Treasury has continued to be actively involved in reform of the Resource Management Act 1991 - both independently and as part of an Inter-agency Executive Board and cross-agency groups established to advise on the Natural and Built Environment and Spatial Planning Bills. We have participated in the development of, and advised on, primary and secondary legislation and the establishment of new functions to support the system. A key focus for the Treasury has been on ensuring the reforms achieve their objectives, particularly in enabling development and supporting housing affordability.

The Treasury also been involved in the drafting of a National Spatial Planning Policy Framework. This has not been a feature of New Zealand's resource management system to date. Its introduction - via the proposed Strategic Planning Act - will establish mandatory regional spatial planning. This is intended to provide a greater strategic and long-term direction for the resource management system.

Advising on infrastructure

In 2022/23, we continued to work actively with lead agencies and to provide advice to the Minister of Finance on a range of infrastructure projects, programmes and reforms.

Infrastructure action plan

In 2022/23, we provided advice to the Minister for Infrastructure on the Government's response to the recommendations contained in the first New Zealand Infrastructure Strategy, Rautaki Hanganga o Aotearoa. We advised on the activities across Government that help address the challenges and opportunities to improve the way New Zealand plans, delivers, maintains

and uses infrastructure, and which were detailed in the Government's Infrastructure Action Plan. To develop this advice, we collaborated with many departments, Crown entities and Crown-owned companies responsible for the policies for, or the implementation of, these actions and initiatives.

Water services reform

In July 2020, the Government announced the Water Services Reform Programme. The Treasury's involvement in the Programme has predominantly focused on the funding and financing of water services. We provided input to policy analysis on the fiscal, financing and economic efficiency impacts of the 'reset' of the reform programme announced in April 2023, including the shift from 4 to 10 water services entities. In May 2023, the Cabinet agreed that the Treasury would play a more significant role in the financing of the water services entities. The Treasury has subsequently been leading the development and implementation of financing strategies and working with DIA on centralised financing options.

Auckland Light Rail (ALR) project

We continued to work alongside Auckland Light Rail Limited, Te Manatū Waka – the Ministry of Transport and HUD on advising ALR Ministers and sponsors during the detailed planning phase of the ALR. With a detailed business case due for completion in 2024, there has also been an increasing focus on preparing for a possible final investment decision. This includes developing advice on the components of possible funding and financing packages.

Land transport revenue review

In December 2021, the Government agreed to provide Waka Kotahi - NZ Transport Agency (Waka Kotahi) with a \$2 billion loan to support the delivery of the National Land Transport Programme 2021-2024. As part of this decision, a tripartite work programme was set up with the Treasury, the Ministry of Transport and Waka Kotahi to review the revenue settings of the National Land Transport Fund.

In 2022/23, we have engaged closely with the Ministry of Transport and Waka Kotahi on developing advice for Ministers on the medium-term sustainability of the National Land Transport Fund. We have also provided support to the Government on understanding the dependencies between this work and other key Government decisions

and policy programmes. These have included the temporary Fuel Excise Duty and Road User Charges discounts, the Reduction Plan targets and work on the upcoming Government Position Statement on Land Transport 2024.

Securing economic recovery

During 2022/23, our fiscal and economic policy advice sought to position New Zealand well to continue the economic recovery from the COVID-19 crisis. This was at the same time as navigating other challenges, including high inflation and rising interest rates, global economic uncertainty and the impacts of significant natural disasters.

Fiscal road check/headroom

Throughout the year we provided fiscal strategy advice to support the Government's decisions on the operating and capital allowances for, and the short-term intentions and long-term objectives of the Fiscal Strategy Report presented at Budget 2023. We modelled the inflationary pressures of key fiscal policy scenarios, cost pressures facing public services and key fiscal sustainability metrics beyond the forecast period. Our advice supported the Government in meeting its fiscal rules, while managing fiscal sustainability and the macroeconomic cycle. We also advised on the fiscal management of the recovery and rebuild after the severe weather events, as well as on the approach to funding medium-term infrastructure investment.

Fiscal Sustainability and Effectiveness Programme

The COVID-19 pandemic and recent extreme weather events have necessitated more public expenditure. Global supply disruptions and high inflation have compounded cost-of-living issues and led the Government to provide targeted support to assist people through this period. However, several risks to the Government's fiscal sustainability objectives are emerging, including slower domestic and global growth. Further savings and efficiencies will be needed to create the fiscal space to meet existing cost pressures, progress government priorities, as well as support a more sustainable fiscal position. In this context, the Treasury has been supporting the Minister of Finance to introduce the Fiscal Sustainability and Effectiveness Programme.

The programme builds on the savings work undertaken through Budget 2023 and has three main objectives:

- · freeing up headroom for higher value initiatives through restraint, savings and reprioritisation. This includes applying greater scrutiny to new spending initiatives (both within and outside of the annual Budget process) as well as identifying low-value spending that can be reprioritised across the Public Sector
- strengthening fiscal discipline within the Public Sector and improving visibility of this shift to promote accountability, and
- improving wellbeing outcomes for New Zealanders by enhancing scrutiny of value for money from spending.

The Treasury is working with other agencies to implement this programme.

Alignment of policy settings with the Government's Economic Plan

We continued to advise the Government on delivering its economic plan of building a high-wage, low-emissions economy that provides economic security in good times and bad. As part of this, we integrated the economic plan with the strategy and design of Budget 2023 to ensure alignment between the plan and wider Government policy. We also supported the Economic Chief Executives group with coordinating the cross-Government delivery of key initiatives in the economic plan. We are working with other economic agencies to monitor progress.

Cross-Government work on economic security and supply chain resilience

We supported the Minister of Finance's participation in the Five Finance Ministers work programme, focusing on economic security issues and enhancing the resilience of New Zealand's supply chains. With DPMC, we developed the Economic Security domain of New Zealand's first National Security Strategy, released in August 2023. The strategy sets out an approach to create a more secure and resilient New Zealand.

Tax reform and stewardship

In 2022/23, we published an analytical notes series on the effective average tax rates of New Zealanders. This series modelled more comprehensive effective average tax rates, measuring the combined effect

of multiple taxes and transfers against a broader definition of economic income.

We also worked with Inland Revenue to advise the Ministers of Finance and Revenue on a range of initiatives within the New Zealand tax system. This included advice on:

- an increase in the trustee rate in line with the top personal income rate
- the progression of OECD proposals for the taxation of multinational enterprises, and
- · other options for raising and redistributing tax (a temporary supernormal profits levy on the banking sector and personal income tax reductions funded by a wealth tax regime).

Māori access to capital

Past research by the Productivity Commission and RBNZ has highlighted that access to capital is a significant constraint for Māori businesses. To help with addressing this, in 2022/23 the Treasury assumed leadership of a cross-Government work programme on access to capital for the 'Māori economy'. Along with Te Puni Kokiri and MBIE we have advanced work to understand the current landscape of Government support available to Māori businesses and clarify specific problems to be addressed.

We provided advice to the Minister of Finance and the Māori Economic Development Minister on options they could pursue to address the challenges. This also involved working directly with Pou Tahua, the economic pillar of the National Iwi Chairs Forum. It included involving Pou Tahua in discussions with government agencies and the financial sector to ensure this work embodies a genuine Treaty partnership that is consistent with the principles of He Ara Waiora.

Reforming the Public Finance System

We continued our work on the modernisation of the Public Finance System and agreed on the overall direction of this work with the Minister of Finance. The year also saw us move some of our system work from developing frameworks to implementation to improve transparency, accountability, and discipline.

The Treasury has developed a work programme with both short- and long-term elements to improve the quality of performance reporting. The Minister of Finance, the Finance and Expenditure Committee, the Auditor-General and the Parliamentary

Commissioner for the Environment have all called for better information on results. In 2022/23, we focused on improving the existing performance reporting system by providing guidance on improving the quality of accountability documents, and by prompting agencies to ensure the visibility and traceability of significant Budget initiatives.

Alongside this, the Treasury published comprehensive information on the COVID-19 Response and Recovery Fund (from allocation to expenditure, to the performance of significant initiatives). We also published information on CERF and North Island weather events funding. Also, in the past year, the Treasury has worked with the Office of the Auditor-General on providing guidance to agencies on the interpretation of the Service Performance Reporting Standard. This standard applies for the first time to annual reports for the year 2022/23.

A significant reform has been the implementation of the Justice and Natural Resources Clusters, established in Budget 2022 for a three-year trial period to improve collaboration and mediumterm planning. In 2022/23, we advised the Minister of Finance on the financial management and performance reporting arrangements for the clusters. This led to Cabinet decisions on these arrangements.

We also reviewed the Fiscal Management Approach, the rules that link overall fiscal strategy to the annual Budget process, which will lead to advice in 2023/24.

We developed and released internally a Vote Capability Framework, along with supporting capability mapping tools, to increase the quality of our Vote analysis. We have begun to capture data to understand Vote capability across the Treasury, and this will inform wider project work on refreshing training and guidance to improve capability.

Delivering on our role as stewards and system leaders

Ensuring international linkages

The 2022/23 year saw a return to regular 'in-person' international engagements, following the relaxation of COVID-19-related travel restrictions.

We supported international engagements by Ministers representing the finance portfolio. These included travel to the United States for the International Monetary Fund (IMF) and World Bank Annual and Spring meetings, Thailand for APEC 2022, and Australia and Europe. This international engagement involved bilateral and multilateral meetings with Ministerial counterparts, international institutions, businesses, and citizens. It included the first in-person Five Finance Ministers meeting in Washington, D.C. This involved the Australian, Canadian, British and American counterparts to the Minister of Finance.

Inbound visits to the Treasury included those from the IMF Article IV, a delegation of officials from the Ministry of Finance of Vietnam (under the Vietnam Ministry of Finance and New Zealand Treasury 2020 Memorandum of Understanding) and delegations of US Treasury officials. These engagements, especially those in person, strengthened our relationships with our international counterparts and advanced the Treasury and the New Zealand Government's interests internationally.

Cross-agency wage agreements

In 2022/23, alongside the Public Service Commission, we supported the design, costing and implementation of the Public Sector Pay Adjustment (PSPA). We played a significant role in advising Ministers on the potential cost implications of the PSPA offer, and on integrating the PSPA with the Budget 2023 cost pressure process. Through Budget 2023, \$2.3 billion in operating funding was provided to support in-scope agencies to give effect to the PSPA.

Monitoring and advising on Crown financial institutions

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

In 2022/23, we facilitated the completion of the inaugural independent review of the New Zealand Green Investment Finance (NZGIF), which is required every five years by Cabinet mandate. The review provided shareholding Ministers with an assessment of the strategic direction of NZGIF, as well as of its performance to date. It also provided a number of recommendations for enabling NZGIF to move from operating as a start-up entity to being a more mature organisation. The Treasury will engage with the

NZGIF Board as it develops a workplan to implement these recommendations.

The Treasury led the policy work resulting in the New Zealand Superannuation and Retirement Income (Controlling Interests) Amendment Bill that was introduced in February 2023. The Bill removes the restriction on the Guardians of New Zealand Superannuation taking controlling interests in entities. The Treasury advised the Finance and Expenditure Committee on the Bill.

We continue to refine our performance reporting – collaborating and innovating where we can. We again provided a collective Crown Financial Institution FY21/22 performance report, focusing on entity achievements against expectations.

RBNZ-related advice

Over the course of 2022/23, in collaboration with RBNZ, we provided advice to the Minister of Finance on a range of issues. A significant focus was advice on the Monetary Policy Committee's remit and charter, which resulted in the June 2023 publication of both.

We provided advice on the appropriate level of financial backing for RBNZ, to allow it to use its balance sheet to achieve its objectives in the future. This included consideration of the appropriate level of its operating funding. We also worked closely with RBNZ on developing the Foreign Reserves Management and Coordination Framework agreed by the Minister of Finance and RBNZ in December 2022. Building on the substantial earlier work by the joint Treasury and Bank RBNZ Act Review team, we supported RBNZ in its role as the lead advisor on the Deposit Takers Act 2023, which was passed into law in July 2023. We have also been leading the funding strategy for the Depositor Compensation Scheme.

In the 2022/23, year we completed the establishment phase of a new monitoring role for RBNZ. This was a result of the significant legislative changes enacted in the Reserve Bank Act 2021. In this role the Treasury provided advice to the Minister of Finance on the performance of RBNZ. In the second half of the financial year, the Treasury also commenced and completed a review of RBNZ's request for additional funding for the current 2020-2025 funding agreement.

Project Korimako

During 2022/23, the Treasury completed Project Korimako – a major project to simplify the ownership arrangements for Kiwibank Limited (Kiwibank) and the New Zealand Home Loan Company (NZHL). The Treasury acted for the Crown. Following an intensive multi-month process, and with the assistance of external advisors, we reached agreement with each of the three shareholders of the Kiwibank and NZHL holding company Kiwi Group Holdings (KGH) to acquire their interests for \$2.1 billion.

The commercial negotiations were undertaken on an 'arm's length' basis, recognising that although all former KGH shareholders were Crown-owned, each had its own independent board and operating objectives. To implement the Ministers objectives, the Treasury established a new 100% directly Crown-owned company – Kiwi Group Capital Limited (KGC) – to first acquire KGH and then amalgamate with it. The Board and Treasury monitoring arrangements for KGC were also put in place.

The new arrangements provide clear objectives for the holding company. These are consistent with the Government's objectives of Kiwibank remaining wholly New Zealand owned and at least majority Crown-owned. This provides a simple structure for making major strategic decisions on the operating subsidiaries, including on access to capital for commercially justifiable value-adding business growth.

Project Korimako was a complex project. Its successful completion within tight timeframes was achieved through strong organisational oversight, comprehensive planning and an ability to adjust rapidly to changing circumstances during the commercial negotiation processes.

FISCAL MANAGEMENT AND REPORTING

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

Delivering Budget 2023

The Treasury supported the Government's delivery of its fifth Wellbeing Budget. We assisted the Minister of Finance in setting out Budget priorities and wellbeing objectives in the Budget Policy Statement to guide initial Budget 2023 decisions. We also continued building on our recent progress to improve the Budget production process and to modernise the public finance system. This included further strengthening our approach to wellbeing and Value for Money analysis in the assessment of Budget initiatives, and the application of He Ara Waiora and the Living Standards Framework principles.

Departments submitted, and Treasury assessed, initiatives using the value alignment delivery framework. Submission templates asked about the outcomes the initiative would achieve, what other options were considered, how the initiative aligned with the Government's Wellbeing Objectives and Economic Plan, and market capacity for delivery.

Treasury rated each initiative on its value, alignment, and delivery, and these ratings were considered by Ministers when making Budget package decisions.

Cost benefit analysis was used to help decisionmakers compare different options and sits within the 'value' component of the value alignment delivery framework. The Treasury has developed a tool which departments can use to quantify the costs and benefits of different policy decisions, in order to compare options on a consistent basis.

In Budget 2023, 16 high-risk or high-value investment proposals were selected from submissions from agencies for assessment by the Investment Panel (in addition to the Treasury's traditional Budget analysis). The Panel comprises senior representatives from system leaders critical to government investment, evaluated the value, alignment and deliverability of the investments invited into the process.

We also made changes to the evaluation approach and agency template to improve the quality of advice and support we provide the Minister of Finance through this process. As a result of these changes, agencies provided more relevant information to the Panel. This is illustrated by the fact that 14 of the 16 investment proposals reviewed by the Panel were submitted with some form of business case (87.5%), compared with fewer than a third of investments reviewed by the Panel for Budget 2022.

We also made improvements on integrating the decision-making process for the multi-year CERF with the main Budget process.

The challenging fiscal environment and the Government's focus on addressing the cost of living saw the Treasury manage a savings and reprioritisation process to support fiscal sustainability in Budget 2023. We also assisted the Government in ensuring the Budget process was responsive to several major events and decisions. This was done by:

- undertaking a bespoke Budget process to assess and fund immediate recovery following the severe weather events, and incorporating the broader response and rebuild requirements into the Budget
- providing support to incoming Budget Ministers following the change in Prime Minister, and
- integrating the outcome of the PSPA.

Budget 2023 also saw us make several production changes to further improve the accessibility of Budget documents and to highlight distributional impacts. These included the introduction of:

- · a 'highlights' page to provide an overview of key Budget 2023 decisions
- · a Gender Budgeting Snapshot from the Ministry for Women, indicating the impacts of the Budget on women, and
- · exemplars of applying the He Ara Waiora framework to Budget initiatives, to demonstrate how this works in practice.

We also integrated a level of te reo Māori, including a new kuputaka (glossary) to translate some of the most commonly used Budget terms.

Publishing the Financial Statements of the Government

We delivered the Financial Statements of the Government for the year ended 30 June 2022 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 30 September 2022.

Monthly Financial Statements from September 2022 to May 2023 were completed and published in line with the Public Finance Act 1989 requirements.

The five-year forecasts

In December 2022, we published the Half Year Economic and Fiscal Update, followed by the Budget Economic and Fiscal Update in May 2023. These forecasts highlighted the economic and fiscal challenges presented by high inflation and the severe weather events. Both documents foreshadowed a period of low GDP growth and rising unemployment. The fiscal outlook is being affected by the economic slowdown, lower tax revenue and the Government's Budget 2023 decisions, including those in relation to the severe weather events. This led, at the time of the Budget, to the forecast return to surplus of the operating balance before gains and losses (OBEGAL) being pushed out a year to 2025/26.

INVESTMENT MANAGEMENT AND ASSET PERFORMANCE

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

The quality of investment management is vital to maintaining New Zealanders' living standards 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.

In 2022/23, we:

- Convened the Investment Panel. This is made up of investment-management-system leaders, who bring together specialist perspectives to support the assessment of significant investments in the Government's 2023 Budget, and (in late 2022) to undertake a review of cost escalation in large investments.
- · Refreshed the Investment Management and Asset Performance Cabinet circular. The changes focused on streamlining the investmentmanagement system and providing Cabinet with improved visibility and analysis to support decision-making.
- 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.
- · Completed 64 Gateway reviews and produced an overview of Gateway themes from reviews undertaken since 2008. We have used the Gateway themes to help guide Investment Management System changes, such as the refresh of the Investment Management Cabinet Circular. We also share these insights with System Leaders and agencies through quarterly presentations to improve investment management.

EXPORT CREDIT

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

The Treasury is responsible for providing Crownbacked 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 2022/23, supporting the Government's trade-led recovery, a total of \$183 million in risk exposure was underwritten by New Zealand Export Credit (NZEC) via 89 policies. Claims were received and paid for exports to Sri Lanka and the United Arab Emirates. Our support provided confidence and enabled financing for 71 exporters to deliver \$502 million of goods and services into 55 countries.

As the New Zealand economy moves on from the impacts of COVID-19, exporters are facing new challenges through increased rates of both interest and inflation. These have contributed to NZEC providing an increased number of guarantees to support exporters' working capital requirements.

In 2022/23, NZEC also:

- · released publicly its annual overview, covering highlights of its financial and non-financial performance in the 2021/22 financial year
- supported the Government's commitment to COP26 by ending direct export credit support for the unabated fossil-fuel energy sector, and
- obtained an updated delegation from the Minister of Finance to better enable it to support exporters.

CROWN LENDING AND BANK ACCOUNTS

In 2022/23, the Treasury continued to provide consolidated management of agency bank accounts, enabling efficient liquidity management of the Crown's cash position.

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

Administration of Guarantees and Indemnities Given by the Crown PLA

THE TREASURY BUDGETED

\$2.110m

THE TREASURY SPENT

\$0.376m

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

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

THE BUSINESS FINANCE **GUARANTEE SCHEME**

We are responsible for the administration of the Business Finance Guarantee Scheme (BFGS). The 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.

As at 30 June 2023, the total approved exposure was \$1.968 billion (down from \$2.456 billion as at 30 June 2022), supporting the loans of 3,134 businesses. This reflected a 31% 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.

During 2022/23, we proactively released an interim evaluation of the BFGS, prepared by Business and Economic Research Limited. We proactively released an interim post implementation review of the BFGS, which included feedback from stakeholders in relation to the design and implementation of the scheme and positive feedback in relation to Treasury's administration of the BFGS. The findings of this review informed design and delivery decisions relating to the \$2 billion North Island Weather Event - Loan Guarantee Scheme, including working closely with both banks and non-deposit-taking lenders from the outset in developing the key criteria for the scheme.

Total claims paid amounted to \$1.6 million as of 30 June 2023, compared with \$0.3 million as of 30 June 2022.

TOTAL CLAIMS PAID

\$1.6m

AS AT 30 JUNE 2023

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

THE TREASURY BUDGETED

\$15.206m

\$13.584m

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	RESULT
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

DEBT MANAGEMENT

Te Tai Ōhanga 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. We build and maintain relationships with a diverse global investor base, credit rating agencies and other participants in New Zealand Government Securities (NZGS). NZGS include nominal (including green) and inflation-indexed New Zealand Government Bonds (NZGB), Treasury Bills, and European Commercial Paper. We manage the Crown's cash needs, ensuring cash is always available as required. We also support Government departments with their financial risk management requirements and implement Crown loans.

Issuance

Crown borrowing takes place through the issuance of NZGS throughout the year. NZGBs are the largest component of issuance and are generally issued via weekly tender. This is an online auction where Registered Tender Counterparties bid in multiples of NZ\$1 million. Infrequent syndications also take place to issue larger volumes of NZGBs in a focused event. In 2022/23 a total of NZ\$27.687 billion of NZGBs was

issued, including nominal and inflation-indexed bonds (IIBs). At the end of June 2023 we also had NZ\$4.9 billion of Treasury Bills and European Commercial Papers on issue.

In 2022/23, the Treasury also:

- published the New Zealand Sovereign Green Bond Framework and launched the inaugural New Zealand Sovereign Green Bond
- · issued NZ\$7 billion of new bonds (2034 nominal Green Bonds and 2030 nominal bonds) via syndication
- undertook the first buyback of an IIB (NZ\$1.5 billion of the 2025 maturity) in conjunction with a 'tap syndication' of an existing IIB (NZ\$2.5 billion of the 2035 maturity)
- announced a revised nominal bond tender process commencing in the 2023/24 fiscal year
- · supported all Crown cashflow requirements
- conducted almost 100 one-on-one investor engagements (split between in person and 'virtual') in 24 cities, and presented to investors at four industry conferences, and
- · maintained ongoing engagement with the eight Registered Tender Counterparties that participate in our tenders and support the NZGB market.

NZDM was presented with:

- an INFINZ Award for the New Zealand Debt Market Issue of the Year – 2022, for the issue of its NZGB 2034 maturity Green Bond
- a KangaNews Award for the New Zealand Dollar Rates Bond Deal of the Year – 2022, for the issue of its NZGB 2034 maturity Green Bond, and
- the Sovereign Green Bond Pioneer Climate Bonds Initiative Award for the inaugural New Zealand Sovereign Green Bond.

Credit ratings

Credit ratings are a central way to support investor confidence. While it is important that ratings are provided by agencies with independence, the Treasury facilitates accurate two-way information-sharing with relevant rating agencies throughout the year, including through-person and 'virtual' engagements. New Zealand continues to be among the world's highest-rated sovereigns, owing to New Zealand's strong institutions and policy effectiveness, sound economy, and favourable debt position relative to peers.

DOMESTIC CURRENCY RATINGS

AAA S&P Global Ratings
Aaa Moody's Investors Service
AA+ Fitch Ratings

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 2022/23 we maintained compliance with all liquidity metrics and managed down our excess liquidity towards the revised NZ\$15 billion minimum liquidity buffer level. The purpose of the liquidity buffer is to ensure that the Crown has cash available to respond to unexpected fiscal shocks or disruptions in debt markets.

CORPORATE TREASURY SERVICES

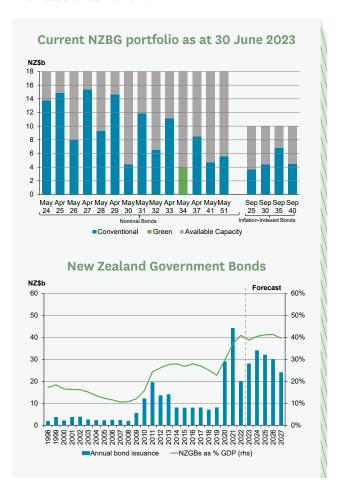
As well as administering on-lending activities for the Crown, we provide risk-management services to Government departments and other Crown agencies to help them manage and hedge financial market risks. During the year we also issued loans to Kainga Ora to help it meet its financing requirements (rather than Kāinga Ora borrowing in private markets), lowering financing costs for the Crown. The total transaction volumes administered in 2022/23 included:

	OUTRIGHT FX	INTEREST RATE SWAPS	CROWN LENDING
Transactions	1,214	18	74
\$NZD	3,025m	1,529m	3,873m

ASSURANCE AND OVERSIGHT

The Capital Markets Advisory Committee provides independent perspectives and advice to Te Tai Ōhanga. The committee offers 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, and
- · an assurance framework.



Crown Company Monitoring Advice

THE TREASURY BUDGETED

\$5.656m

THE TREASURY SPENT

\$5.199m

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

CATEGORY	MEASURE	STANDARD	RESULT
Crown Company Monitoring Advice	Papers with a score of 3 or more	80%	80%
to the Minister for State Owned Enterprises and Other Responsible	Papers with a score of 4 or more	20%	40%
Ministers	Average score of assessed papers	3.5	3.5
Crown Company Monitoring Advice to	Papers with a score of 3 or more	80%	100%
the Minister of Research, Science and Innovation	Papers with a score of 4 or more	20%	100%
	Average score of assessed papers	3.5	4.5

Our Commercial and Institutional Performance Teams are a centre of commercial and organisational expertise within the Treasury, and a steward for best-practice monitoring in the central state sector. The Treasury provides ownership and investment advice to shareholding and responsible Ministers on 35 Crown-owned commercial entities. These entities have either principally commercial objectives or a mixture of policy and commercial objectives.

As a shareholder, the Crown can take a long-term view of these companies and entities. They are highly diverse and include interests in strategic and infrastructure transport, electricity and state services assets. As the wholly owned entities are not assessed by the market to the same extent as listed companies, we seek to assess entities' performance with similar rigour. Our Performance Assessment Framework uses evidence-based analysis to support transparency and accountability in publicly owned performance.

Our focus on continually improving the quality of commercial advice has included providing feedback to the authors of our commercial advice papers. We carried out feedback sessions in the first half of 2022/23, providing refreshers on the quality of policy advice processes and the trends over time in our quality of policy advice results. These sessions were delivered by an external expert in evaluating policy advice.

Our monitoring activities relating to the portfolio of the Minister of Research, Science and Innovation generally take place through second opinions and reviews of advice prepared by the primary monitor (MBIE). We did not prepare any direct Crown Research Institute advice for the Minister of Research, Science and Innovation in this reporting period. We did, however, provide advice to the Minister of Finance, the Minister for Research, Science and Innovation, the Minister of Transport and the Minister of State-Owned Enterprises recommending a review of the country's weatherforecasting system.

Weather-forecasting system review

In 2022/23, we worked to advance a review of the weather-forecasting system. The severe weather events in the first half of 2023 highlighted the impacts of climate change on our communities and the opportunity to have a more connected and improved weather-forecasting system. In the latter part of 2022/23, Te Tai Ohanga worked with MBIE and the Ministry of Transport to provide advice to Ministers and develop terms of reference for the review. MetService Te Ratonga Tirorangi and NIWA Taihoro Nukurangi also provided input to the terms of reference, which were approved by Ministers in May 2023. In July the Government announced the review of the weather-forecasting system. The review will focus on New Zealand's future needs, better integration across the forecasting system, and relevant trends within the context of climate change.

KiwiRail

In 2022/23, we completed work, in collaboration with the Ministry of Transport, on the Entity Form Review for KiwiRail and the New Zealand Railways Corporation (NZRC). This resulted in their status as state-owned enterprises being confirmed for the foreseeable future. We also continued to provide advice to shareholding Ministers on Project iReX, KiwiRail's large-scale project to replace the existing interisland ferry fleet and upgrade land-side facilities nearing the end of their useful lives.

Crown Infrastructure Partners

We worked with Crown Infrastructure Partners to review the company's constitution. We advised shareholding Ministers on amendments required to reflect Crown Infrastructure Partners' role in Government infrastructure projects, and to clarify that it can repatriate surplus Crown funding to the Crown.

Significant proactive releases

In 2022/23, we worked on promoting understanding and accountability in relation to Crown companies and our monitoring and engagement with them. Each year we proactively release Ministers' letters of expectations to Crown companies. This year we also proactively released our advice and other information on significant matters. This included advice on Crown support for Air New Zealand and the Crown's acquisition of 100% of KGH from NZ Post, the NZ Super Fund and ACC.

Advising on board appointments

The Treasury provides advice to shareholding Ministers on director appointments for 44 Crown boards. This includes undertaking assessments of the specific skillsets required to procure directors who can cater to the needs of each entity board while also achieving the Government's objectives for Crown board diversity.

In 2022/23, we made 137 appointments across commercial and financial entities. These included 46 new appointments, 82 reappointments and nine elevations to the boards of SOEs, Crown entity companies, Public Finance Act 1989 Schedule 4A companies and Crown entities. The Treasury continued to support the Government with promoting greater diversity in board participation. Of the 46 appointments, 25 were female (54%) and 21 were male (46%). This compares with 47 appointments made in 2021/22, with 25 females (53%) and 22 males (47%), which in itself was a significant increase on the previous year. The ethnicities identified in our boards for this financial year are: 80% Pākehā, 19% Māori, 5% British Irish, 5% Other Ethnicity, 4% Pacifica, 3% Chinese, 2% Indian and 2% Australian, noting that Board members may select more than one ethnicity.

We also continued to support board capability in our Crown boards. We hosted annual chairs' forum and director induction days to engage effectively with the governance community and support new directors into their roles. We continued to consolidate recommendations from the review of our appointments operating model.



Southern Response Earthquake Services Independent Oversight Committee

THE TREASURY BUDGETED

\$0.275m

THE TREASURY SPENT

\$0.106m

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.

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

STANDARD RESULT

Achieved

Achieved

The Treasury continued 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 continues to comprise four 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.

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 the package is based.

Shared Support Services

THE TREASURY BUDGETED

THE TREASURY SPENT

\$14.688m

\$13.304m

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

MEASURE STANDARD RESULT Services meet the standards and timeframes agreed with other agencies Achieved Achieved

A range of our functions and teams have been purpose-built to meet the needs of the small agencies at the centre of Government, solving problems and advancing 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 and information management, and information technology services in a timely manner.
- · Supported the transition to other agencies of people from DPMC involved in the COVID-19 response.
- · Delivered up-to-date security capabilities to enhance the protection of the agencies' digital environment. Also, a security awareness campaign was launched to support people to use technology safely.
- Successfully migrated additional websites as part of a multi-year project to implement a new version of the shared content-management system.

- · Enabled all business units across the agencies to keep gaining the advantages of a common shared web platform. This mitigates the need for individually costly upgrades and provides a holistic view of customisations to ensure straightforward and cost-effective maintenance in the future.
- Achieved the milestones of all customers using the same budgeting and forecasting tool, enabling everyone to benefit from continuous improvements in financial dashboards.
- Supported the agencies' response to Cyclone Gabrielle, including the establishment of the Cyclone Recovery Unit within DPMC.
- Implemented a purchase card solution for one customer. The related configuration can now be shared for use by other agencies.
- Successfully rolled out to two additional agencies a contract-management solution already being used by another two.
- · Delivered improved service-management processes and capabilities for the shared library and research system.
- · Proactively engaged with suppliers to increase the use of e-invoices during the year.
- · Delivered ongoing improvements, with a more standardised approach, to shared services hardware including laptops, mobiles and meeting room technology.

Our significant Budget initiatives

The policy initiatives outlined in our Budgets help determine our work programme and focus. We are committed to delivering these initiatives and providing transparent reporting on our achievements.

The table below provides information on where performance information relating to the Treasury's significant Budget initiatives, in the past three years, can be found.

POLICY INITIATIVE	BUDGET	PERFORMANCE INFORMATION
The Treasury's response to COVID-19	Budget 2020	https://www.treasury.govt.
COVID-19 Business Finance Guarantee Scheme	Budget 2020	nz/publications/annual- report/2021 – Section two
Accelerating New Zealand's Economic Recovery – Laying the Foundation for a Better Future	Budget 2021	https://www.treasury.govt.nz/publications/annual-
Developing a funding and financing strategy for Aotearoa New Zealand's climate transition	Budget 2021	report/2022 – Section two
Increase the baseline to invest in the Treasury's Debt Management Function	Budget 2021	
COVID-19 Business Finance Guarantee Scheme Departmental	Budget 2021	
Southern Response Earthquake Services Independent Oversight Committee	Budget 2021	
Emissions Reduction Plan Performance Reporting	Budget 2022	2022/23 Annual Report
Regulatory Monitoring of RBNZ and Monitoring the IFF Government Support Package	Budget 2022	- Section two
Auckland Light Rail: Progressing the next phase of project delivery	Budget 2022	
Project Korimako	Budget 2022	

Disclosure of judgements

In preparing the service performance information for the period the Treasury has made a number of significant 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 entity's objectives. These decisions were made in consultation with the Minister of Finance.

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.

Within the Treasury service performance measures the following measures involve the most significant judgements:

Quality of Policy Advice

Each quarter, the internal Quality of Policy Advice Panel scores a sample of papers against the DPMC Policy Quality Framework. There is judgement applied in selecting papers that are representative of the large volume of advice that is provided, and on how many are selected. Through applying a consistent process, it is intended that trends can be relied on to show the overall standard within the organisation. There is judgement made in the scoring of papers, using a rating scale of 1 to 5.

Minister of Finance's Satisfaction

The satisfaction of the Minister of Finance with the Treasury's provision of advice and services is determined through a Ministerial Satisfaction Survey. The survey is based on the DPMC-led Policy Quality Framework applied across the sector. This survey is completed at the end of the financial year. The survey includes a range of questions pertaining to the advice and services provided by the Treasury, including the engagement process, timeliness, incorporation of Te Tiriti o Waitangi analysis, stakeholder engagement, and application of relevant frameworks. There is judgement made in the scoring within the survey, which follows a scoring system using a rating scale of 1 to 5.

SECTION THREE | WAHANGA 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 2023

2022 Actual \$000		2023 Actual \$000	2023 Main Estimates Unaudited \$000	2023 Supp. Estimates Unaudited \$000	Location of End-of-year Performance Information
	Vote Finance				
	Departmental Output Expenses				
10,771	Administration of Crown Borrowing, Securities, Derivative Transactions and Investment PLA	13,584	12,625	15,206	Section Two
731	Administration of Guarantees and Indemnities Given by the Crown PLA	376	2,110	2,110	Section Two
12	Design and Establishment of the Christchurch Regeneration Acceleration Facility	-	-	-	Refer Note 1
11,904	Shared Support Services	13,304	10,462	14,688	Section Two
108	Southern Response Earthquake Services Independent Oversight Committee	106	400	275	Section Two
23,526	Total Departmental Output Expenses	27,370	25,597	32,279	
	Departmental Other Expenses				
913	Software as a Service intangible asset derecognition (write-off)	-	-	-	Refer Note 1
913	Total Departmental Other Expenses	-	-	-	
	Departmental Capital Expenditure				
1,910	The Treasury - Capital Expenditure PLA	3,911	5,985	6,107	Section Three
1,910	Total Departmental Capital Expenditure	3,911	5,985	6,107	
	Non-Departmental Output Expenses				
14,875	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	5,930	5,930	5,930	New Zealand Productivity Commission Annual Report
13,088	Management of Anchor Projects by Ōtākaro Limited	14,237	4,000	19,402	Rau Paenga Limited Annual Report
486	Management of the New Zealand Superannuation Fund	548	728	728	Exempt
34,379	Total Non-Departmental Output Expenses	34,590	24,533	39,935	
	Non-Departmental Borrowing Expenses				
4,012,174	Debt Servicing PLA	5,391,084	4,568,960	5,321,376	Exempt
4,012,174	Total Non-Departmental Borrowing Expenses	5,391,084	4,568,960	5,321,376	
	Non-Departmental Other Expenses				
2,490	Carrying Value of Future Liabilities	1,696	3,000	3,000	Exempt
49,451	Christchurch Regeneration Acceleration Facility	142,981	17,813	142,981	Reported in an appendix to the Treasury Annual Report
1	Government Superannuation Appeals Board	-	50	50	Exempt
73,592	Government Superannuation Fund Authority – Crown's Share of Expenses PLA	44,308	42,985	42,985	Exempt
566,804	Government Superannuation Fund Unfunded Liability PLA	505,430	526,835	526,835	Exempt
-	National Provident Fund – Crown Liability for Scheme Deficiency PLA	12,931	-	-	Reported in an appendix to the Treasury Annual Report
3,000	National Provident Fund Schemes – Liability Under Crown Guarantee PLA	23,700	3,000	3,000	Exempt

2022 Actual \$000		2023 Actual \$000	2023 Main Estimates Unaudited \$000	2023 Supp. Estimates Unaudited \$000	Location of End-of-year Performance Information
416	Payment in Respect of Export Credit Office Guarantees and Indemnities PLA	-	-	-	Refer Note 1
5,702,107	Payments and Expenses in Respect of Guarantees and Indemnities PLA	3,147,514		1,094,840	Reported in an appendix to the Treasury Annual Report
53	Stewardship of Residual Crown Obligations	208	711	500	Exempt
145	Unclaimed Money PLA	11	30	30	Exempt
-	Unwind of Discount Rate Used in the Present Value Calculation of Payment for Shares in International Financial Institutions PLA	-	49	49	Exempt
6,398,059	Total Non-Departmental Other Expenses	3,878,779	594,473	1,814,270	
	Non-Departmental Capital Expenditure				
-	Capital Injections to Airways New Zealand for Ground-Based Navigation Aids	-	4,000	-	Airways New Zealand Annual Report
47,000	COVID-19: Capital Injections to Airways New Zealand	13,000	20,000	43,000	Reported in an appendix to the Treasury Annual Report
2,497,089	International Financial Institutions PLA	10,128	-	-	Exempt
2,420,000	New Zealand Superannuation Fund – Contributions	2,558,000	2,460,000	2,558,000	New Zealand Superannuation Fund Annual Report
217,361	Refinancing of Kāinga Ora – Homes and Communities and Housing New Zealand Limited Debt	190,648	193,987	193,987	Section Three
-	Subscription for Shares in Kiwi Group Capital Limited	2,107,933	-	2,400,000	Section Three
50,000	Tāmaki Regeneration Company Limited – Equity Injection	128,600	82,600	128,600	Exempt
4,704	Transfer of Anchor Projects to Ōtākaro Limited	-	-	42,160	Exempt
-	Transfer of European Bank of Reconstruction and Development (EBRD) Shares	5,781	-	5,781	Section Three
5,236,154	Total Non-Departmental Capital Expenditure	5,014,090	2,760,587	5,371,528	
	Multi-Category Expenses and Capital Expenditure				
	Crown Company Monitoring Advice MCA				
	Departmental Output Expenses				
5,820 148	Crown Company Monitoring Advice to the Minister for State Owned Enterprises and Other Responsible Ministers Crown Company Monitoring Advice to the	5,029	4,963 88	5,568 88	Section Two Section Two
140	Minister of Research, Science and Innovation	170	00	00	Section Two
5,968	Total Crown Company Monitoring Advice MCA	5,199	5,051	5,656	
	Greater Christchurch Anchor Projects MCA				
	Non-Departmental Other Expenses				
-	Christchurch Bus Interchange and Associated Transport Infrastructure – Operating	-	100	-	Rau Paenga Limited Annual Report
4,080	Christchurch Convention Centre – Operating	2,415	5,000	10,657	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
2,320	Procurement of Land and Assets - Operating	581	1 500	3,618	Rau Paenga Limited Annual Report Rau Paenga Limited
4,032	Procurement of Land and Assets – Operating Public Space – Operating	648	1,500 50	12,388 11,963	Annual Report Rau Paenga Limited
1,002		111	50	11,000	Annual Report
-	Sale of Land	-	100	-	Exempt

2022 Actual \$000		2023 Actual \$000	2023 Main Estimates Unaudited \$000	2023 Supp. Estimates Unaudited \$000	Location of End-of-year Performance Information
	Non-Departmental Capital Expenditure				
-	Christchurch Bus Interchange and Associated Transport Infrastructure – Capital	-	100	-	Rau Paenga Limited Annual Report
32,194	Christchurch Convention Centre - Capital	-	4,662	5,000	Rau Paenga Limited Annual Report
-	Land and Asset Acquisition – Capital	30,230	100	-	Rau Paenga Limited Annual Report
26,650	Metro Sports Facility – Capital	34,852	20,000	51,301	Rau Paenga Limited Annual Report
757	Public Space – Capital	1,648	1,100	3,512	Rau Paenga Limited Annual Report
70,033	Total Greater Christchurch Anchor Projects MCA	70,485	33,577	98,439	
	Greater Christchurch Regeneration MCA				
	Non-Departmental Other Expenses				
-	Greater Christchurch Regeneration - Operating	-	10	1,316	Section Three
	Non-Departmental Capital Expenditure				
-	Greater Christchurch Regeneration – Capital	-	90	-	Section Three
-	Total Greater Christchurch Regeneration MCA	-	100	1,316	
	Management of Landcorp Protected Land Agreement MCA				
	Non-Departmental Other Expenses				
17	Operating Costs	1,392	2,000	2,000	Section Three
	Non-Departmental Capital Expenditure				
1,091	Capital Investments	1,994	1,500	1,739	Section Three
1,108	Total Management of Landcorp Protected Land Agreement MCA	3,386	3,500	3,739	
	Management of New Zealand House, London MCA				
	Non-Departmental Output Expenses				
-	Property Management	3,484	1,000	4,000	Section Three
	Non-Departmental Other Expenses				
8,024	Operational Costs	2,900	9,242	3,339	Section Three
108	Renegotiation of Lease Arrangements	383	-	324	Section Three
	Non-Departmental Capital Expenditure				
-	Capital Expenditure	-	750	2,250	Section Three
8,132	Total Management of New Zealand House, London MCA	6,767	10,992	9,913	
	North Island Severe Weather Events – Crown Payments to Local Authorities and Other Eligible Stakeholders MCA Non-Departmental Other Expenses				Reported in an appendix to the Treasury Annual Report
	' '			050.000	Evernt
-	North Island Severe Weather Events – Operating Expenses	-	-	250,000	Exempt
	Non-Departmental Capital Expenditure			050.000	Exempt
	North Island Covers Westher Frents Contain French				EXECU())
	North Island Severe Weather Events - Capital Expenditure	-	-	250,000	
<u>-</u>	North Island Severe Weather Events - Capital Expenditure Total North Island Severe Weather Events - Crown Payments to Local Authorities and Other Eligible Stakeholders MCA	-	-	500,000	Боль

2022 Actual \$000		2023 Actual \$000	2023 Main Estimates Unaudited \$000	2023 Supp. Estimates Unaudited \$000	Location of End-of-year Performance Information
	Multi-Year Appropriations				
-	Central Crown Infrastructure Delivery Agency – Operating (MYA)	6,400	-	12,500	Rau Paenga Limited Annual Report
-	Central Crown Infrastructure Delivery Agency – Capital (MYA)	-	-	10,000	Rau Paenga Limited Annual Report
500,000	COVID-19: Loans to Air New Zealand (MYA)	-	-	-	Reported in an appendix to the Treasury Annual Report
4,600	Crown Infrastructure Partners Limited – Equity Injection (MYA)	57,700	95,512	95,512	Exempt
150,000	New Zealand Green Investment Finance Ltd – Equity Injections for Capital Investments (MYA)	170,000	-	270,000	New Zealand Green Investment Finance Ltd Annual Report
5,420	New Zealand Green Investment Finance Ltd – Equity Injections for Operating Expenditure (MYA)	8,530	6,000	8,530	New Zealand Green Investment Finance Ltd Annual Report
48,589	Participation in Dividend Reinvestment Plans by the Mixed Ownership Model Companies (MYA)	36,067	70,000	70,000	Exempt
-	Shovel Ready Project Funding – Crown Infrastructure Partners (MYA)	-	15,050	309,991	Crown Infrastructure Partners Annual Report
66	Shovel Ready Project Funding – Ōtākaro Limited (MYA)	3,000	-	28,001	Rau Paenga Limited Annual Report
600,000	Subscription for Non-Voting Redeemable Shares in Air New Zealand	-	-	-	Refer Note 1
601,583	Subscription for Ordinary Shares in Air New Zealand	-	-	-	Refer Note 1
57,147	Venture Capital Fund (MYA)	41,200	55,980	55,939	Reported in an appendix to the Treasury Annual Report
1,967,405	Total Multi-Year Appropriations	322,897	242,542	860,473	
17,759,761	Total Annual Appropriations, Permanent Appropriations, and Multi-Year Appropriations	14,758,558	8,275,897	14,065,031	
	Earthquake Commission – On-sold Canterbury Properties MY MCA				
	Non-Departmental Output Expenses				
14,175	Claims Handling and Other Administrative Costs (MYA)	705	-	-	Earthquake Commission Annual Report
	Non-Departmental Other Expenses				
147,723	Repair of Canterbury Properties (MYA)	45,730	-	-	Earthquake Commission Annual Report
161,898	Total Earthquake Commission – On-sold Canterbury Properties MY MCA	46,435	-	-	
	Policy Advice and Financial Services MY MCA				
	Departmental Output Expenses				
209	Crown Lending and Bank Accounts (MYA)	184	449	195	Section Two
2,251	Export Credit (MYA)	2,421	2,076	2,676	Section Two
5,748	Fiscal Management and Reporting (MYA)	9,098	9,922	3,790	Section Two
	Investment Management and Asset Performance (MYA)	7,301	7,188	7,940	Section Two
5,759	0 ,				
5,759 65,342	Policy Advice (MYA)	74,076	70,630	80,234	Section Two
	,	74,076 93,080	70,630 90,265	80,234 94,835	Section Two

 $Note \ 1- There \ was \ no \ expenditure \ forecast \ and \ there \ has \ been \ no \ expenditure \ against \ the \ appropriation \ in \ the \ 2022/23 \ financial \ year.$

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

for the year ended 30 June 2023

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

Nil. (2022: Nil)

Expenses and capital expenditure incurred in excess of appropriation

Nil. (2022: \$11.7 million)

Statement of Capital Injections

for the year ended 30 June 2023

			2023 Main	2023 Supp.
2022		2023	Estimates	Estimates
Actual		Actual	Unaudited	Unaudited
\$000		\$000	\$000	\$000
603	Capital contributions	122	-	122

Financial and Performance Reporting **Against Appropriations**

The Treasury is responsible for achieving measures relating to:

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

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

Departmental Appropriations	72
Non-Departmental Appropriations	77
Other Financial Information for Non-Departmental Appropriations	80

Departmental Appropriations

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

What is intended to be achieved with this appropriation

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

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

Financial information

2022 Actual \$000		2023 Actual \$000	2023 Main Estimates Unaudited \$000	2023 Supp. Estimates Unaudited \$000	2024 Forecast Unaudited \$000
10,771	Expenses	13,584	12,625	15,206	16,552
	Funded by:				
12,620	Revenue Crown	15,201	12,620	15,201	16,547
-	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 2 of the Treasury Annual Report.

2022 Actual \$000		2023 Actual \$000	2023 Main Estimates Unaudited \$000	2023 Supp. Estimates Unaudited \$000	2024 Forecast Unaudited \$000
731	Expenses	376	2,110	2,110	610
	Funded by:				
822	Revenue Crown	2,109	2,109	2,109	609
-	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 2 of the Treasury Annual Report.

2022 Actual \$000		2023 Actual \$000	2023 Main Estimates Unaudited \$000	2023 Supp. Estimates Unaudited \$000	2024 Forecast Unaudited \$000
5,968	Total Appropriation	5,199	5,051	5,656	5,681
	Departmental Output Expenses				
5,820	Crown Company Monitoring Advice to the Minster for State Owned Enterprises and Other Responsible Ministers	5,029	4,963	5,568	5,593
148	Crown Company Monitoring Advice to the Minster of Research, Science and Innovation	170	88	88	88
	Funded by:				
5,189	Revenue Crown	5,653	5,048	5,653	5,678
1,064	Other Revenue	-	3	3	3

Policy Advice and Financial Services MY MCA

What is intended to be achieved with this appropriation

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

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

2022 Actual \$000		2023 Actual \$000	2023 Main Estimates Unaudited \$000	2023 Supp. Estimates Unaudited \$000	2024 Forecast Unaudited \$000
	Departmental Output Expenses				
209	Crown Lending and Bank Accounts	184	449	195	449
2,251	Export Credit	2,421	2,076	2,676	2,076
5,748	Fiscal Management and Reporting	9,098	9,922	3,790	9,922
5,759	Investment Management and Asset Performance	7,301	7,188	7,940	7,188
65,342	Policy Advice	74,076	70,630	80,234	84,002
79,309	Total	93,080	90,265	94,835	103,637
	Funded by:				
73,668	Revenue Crown	87,204	86,594	86,564	99,939
4,498	Revenue Department	3,707	3,556	6,531	3,581
1,101	Other Revenue	2,169	117	1,742	117
2022 Actual \$000					
	Commenced: 1 July 2019				
	Expires: 30 June 2024				
347,949	Original Appropriation				347,949
89,540	Cumulative Adjustments				93,745
437,489	Total Adjusted Appropriation				441,694
163,913	Cumulative Actual Expenditure as at 1 July for All Categories Current-year Actual Expenditure for All Categories				
209	Crown Lending and Bank Accounts				184
2,251	Export Credit				
5,748	Fiscal Management and Reporting				
5,759	Investment Management and Asset Performance				
65,342	Policy Advice				74,076
79,309	Total Current Year Actual Expenditure				93,080
243,222	Cumulative Actual Expenditure as at 30 June for All Cate	gories			336,302
194,267	Appropriation Remaining as at 30 June				105,392

Shared Support Services

What is intended to be achieved with this appropriation

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

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

Financial information

2022 Actual \$000		2023 Actual \$000	2023 Main Estimates Unaudited \$000	2023 Supp. Estimates Unaudited \$000	2024 Forecast Unaudited \$000
11,904	Expenses	13,304	10,462	14,688	11,224
	Funded by:				
11,733	Revenue Department	13,022	10,460	14,686	11,224
266	Other Revenue	483	-	-	-

Southern Response Earthquake Services Independent Oversight Committee

What is intended to be achieved with this appropriation

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

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

2022 Actual \$000		2023 Actual \$000	2023 Main Estimates Unaudited \$000	2023 Supp. Estimates Unaudited \$000	2024 Forecast Unaudited \$000
108	Expenses	106	400	275	225
	Funded by:				
133	Revenue Crown	200	400	200	225
	Other Revenue	-	-	75	-

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

2022 Actual \$000		2023 Actual \$000	2023 Main Estimates Unaudited \$000	2023 Supp. Estimates Unaudited \$000	2024 Forecast Unaudited \$000
1,075	Property, Plant and Equipment	1,545	3,400	2,552	2,480
835	Intangibles	2,366	2,585	3,555	3,555
1,910	Total Appropriation	3,911	5,985	6,107	6,035

Performance measure	Standard for 2022/23	Performance for 2022/23
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

2022 Actual \$000		2023 Actual \$000	2023 Main Estimates Unaudited \$000	2023 Supp. Estimates Unaudited \$000	2024 Forecast Unaudited \$000
-	Total Appropriation	-	100	1,316	2,100
	Non-Departmental Other Expenses				
-	Greater Christchurch Regeneration – Operating	-	10	1,316	2,000
	Non-Departmental Capital Expenditure				
-	Greater Christchurch Regeneration – Capital	-	90	-	100

What was achieved in this appropriation

Performance measure	2022/23	2022/23
Payments are made in accordance with approved drawdown requests	Achieved	No activity in 2022/23

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

2022 Actual \$000		2023 Actual \$000	2023 Main Estimates Unaudited \$000	2023 Supp. Estimates Unaudited \$000	2024 Forecast Unaudited \$000
1,108	Total Appropriation	3,386	3,500	3,739	3,500
	Non-Departmental Other Expenses				
17	Operating Costs	1,392	2,000	2,000	2,000
	Non-Departmental Capital Expenditure				
1,091	Capital Investment	1,994	1,500	1,739	1,500

Performance measure	Standard for 2022/23	Performance for 2022/23
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

2022 Actual \$000		2023 Actual \$000	2023 Main Estimates Unaudited \$000	2023 Supp. Estimates Unaudited \$000	2024 Forecast Unaudited \$000
8,132	Total Appropriation	6,767	10,992	9,913	7,621
	Non-Departmental Output Expenses				
-	Property Management	3,484	1,000	4,000	1,000
	Non-Departmental Other Expenses				
8,024	Operational Costs	2,900	9,242	3,339	5,871
108	Renegotiation of Lease Arrangements	383	-	324	-
	Non-Departmental Capital Expenditure				
-	Capital Expenditure	-	750	2,250	750

What was achieved in this appropriation

Performance measure	2022/23	2022/23
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	2023
2022		2023	Main	Supp.
Actual		Actual	Estimates	Estimates
\$000		\$000	\$000	\$000
217,361	Capital expenditure	190,648	193,987	193,987

Performance measure	Standard for 2022/23	Performance for 2022/23
Refinancing will be undertaken in accordance with the agreed appropriation limits	Achieved	Achieved

Subscription for Shares in Kiwi Group Capital Limited

What is intended to be achieved with this appropriation

This appropriation is limited to the subscription for new shares in Kiwi Group Capital Limited.

Financial information

			2023	2023
2022		2023	Main	Supp.
Actual		Actual	Estimates	Estimates
\$000		\$000	\$000	\$000
-	Capital Expenditure	2,107,933	-	2,400,000

What was achieved in this appropriation

Performance measure	Standard for 2022/23	Performance for 2022/23
Payments are made in accordance with the terms of the subscription agreement*	Achieved	Achieved

^{*} This performance indicator has been selected to provide reporting on the progress towards delivery of the primary outcome from this initiative.

Transfer of European Bank of Reconstruction and Development (EBRD) Shares

What is intended to be achieved with this appropriation

This appropriation is limited to the transfer of shares subscribed to by New Zealand as a member of the European Bank of Reconstruction and Development (EBRD).

Performance information for this appropriation is reported in the Minister of Finance's Report on Non-Departmental Appropriations.

Financial information

			2023	2023
2022		2023	Main	Supp.
Actual		Actual	Estimates	Estimates
\$000		\$000	\$000	\$000
-	Capital Expenditure	5,781	-	5,781

Performance measure	Standard for 2022/23	Performance for 2022/23
Transfer of the shares is implemented in accordance with joint Ministers' decisions*	Achieved	Achieved

^{*} This performance indicator has been selected to provide reporting on the progress towards delivery of the primary outcome from this initiative.

Other Financial Information for **Non-Departmental Appropriations**

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

Capital Injections to Airways New Zealand for Ground-Based **Navigation Aids**

What is intended to be achieved with this appropriation

This appropriation is intended to fund the Crown's equity injections to Airways New Zealand for the delivery and maintenance of ground-based navigation aids.

Financial information

			2023	2023
2022		2023	Main	Supp.
Actual		Actual	Estimates	Estimates
\$000		\$000	\$000	\$000
-	Expenditure	-	4,000	-

What was achieved in this appropriation

Performance measure	Standard for 2022/23	for 2022/23
Equipment purchased, and foundational work undertaken to ensure delivery of the network, in accordance with agreed standards and timeframes	Achieved	No activity in 2022/23

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 2022/23 Annual Report.

2022 Actual \$000		2023 Actual \$000
	Commenced: 1 January 2023	
	Expires: 1 January 2026	
-	Original Appropriation	42,000
	Cumulative Adjustments	-
	Total Adjusted Appropriation	42,000
-	Cumulative Actual Expenditure as at 1 July	-
	Current-year Actual Expenditure	-
	Cumulative Actual Expenditure as at 30 June	-
	Appropriation Remaining as at 30 June	42,000

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 2022/23 Annual Report.

Financial information

2022 Actual \$000		2023 Actual \$000
	Commenced: 1 January 2023	
	Expires: 1 January 2027	
-	Original Appropriation	100,000
	Cumulative Adjustments	-
-	Total Adjusted Appropriation	100,000
-	Cumulative Actual Expenditure as at 1 July	-
	Current-year Actual Expenditure	6,400
-	Cumulative Actual Expenditure as at 30 June	6,400
	Appropriation Remaining as at 30 June	93,600

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.

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

2022 Actual \$000		2023 Actual \$000
	Commenced: 1 March 2022	
	Expires: 30 June 2026	
400,000	Original Appropriation	400,000
	Cumulative Adjustments	-
400,000	Total Adjusted Appropriation	400,000
-	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	400,000

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 2022/23 Annual Report.

2022 Actual \$000		2023 Actual \$000
	Commenced: 1 September 2019	
	Expires: 30 June 2024	
300,000	Original Appropriation	300,000
280,000	Cumulative Adjustments	280,000
580,000	Total Adjusted Appropriation	580,000
370,567	Cumulative Actual Expenditure as at 1 July for All Categories	532,465
	Current-year Actual Expenditure for All Categories	
14,175	Claim Handling and Other Administrative Costs	705
147,723	Repair of Canterbury Properties	45,730
161,898	Total Current-year Actual Expenditure	46,435
532,465	Cumulative Actual Expenditure as at 30 June for All Categories	578,900
47,535	Appropriation Remaining as at 30 June	1,100

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 Limited for its capital investments.

Performance information for this appropriation will be reported by New Zealand Green Investment Finance Limited in its Annual Report for 2022/23.

Financial information

2022 Actual \$000		2023 Actual \$000
	Commenced: 12 April 2019	
	Expires: 30 June 2023	
100,000	Original Appropriation	100,000
200,000	Cumulative Adjustments	400,000
300,000	Total Adjusted Appropriation	500,000
80,000	Cumulative Actual Expenditure as at 1 July	230,000
150,000	Current-year Actual Expenditure	170,000
230,000	Cumulative Actual Expenditure as at 30 June	400,000
70,000	Appropriation Remaining as at 30 June	100,000

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

What is intended to be achieved with this appropriation

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

Performance information for this appropriation will be reported on by New Zealand Green Investment Finance Limited in its Annual Report for 2022/23.

2022 Actual \$000		2023 Actual \$000
	Commenced: 12 April 2019	
	Expires: 30 June 2023	
30,000	Original Appropriation	30,000
-	Cumulative Adjustments	(2,110)
30,000	Total Adjusted Appropriation	27,890
13,940	Cumulative Actual Expenditure as at 1 July	19,360
5,420	Current-year Actual Expenditure	8,530
19,360	Cumulative Actual Expenditure as at 30 June	27,890
10,640	Appropriation Remaining as at 30 June	-

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

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

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 2022/23 Annual Report.

2022 Actual \$000		2023 Actual \$000
	Commenced: 1 August 2020	
	Expires: 30 June 2025	
1,264,595	Original Appropriation	1,264,595
54,538	Cumulative Adjustments	110,288
1,319,133	Total Adjusted Appropriation	1,374,883
1,034,892	Cumulative Actual Expenditure as at 1 July	1,034,892
-	Current-year Actual Expenditure	-
1,034,892	Cumulative Actual Expenditure as at 30 June	1,034,892
284,241	Appropriation Remaining as at 30 June	339,991

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 2022/23 Annual Report.

2022 Actual \$000		2023 Actual \$000
	Commenced: 1 August 2020	
	Expires: 30 June 2025	
139,350	Original Appropriation	139,350
(2,138)	Cumulative Adjustments	25,862
137,212	Total Adjusted Appropriation	165,212
137,145	Cumulative Actual Expenditure as at 1 July	137,211
66	Current-year Actual Expenditure	3,000
137,211	Cumulative Actual Expenditure as at 30 June	140,211
1	Appropriation Remaining as at 30 June	25,001

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Departmental Financial Statements

Statement of Comprehensive Revenue and Expenses

for the year ended 30 June 2023

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 2023.

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.

2022 Actual \$000	Note	2023 Actual \$000	2023 Main Estimates Unaudited \$000	2024 Forecast Unaudited \$000
	Income			
92,444	Revenue Crown 2	110,367	106,771	122,998
18,662	Other revenue 3	19,381	14,142	14,931
111,106	Total income	129,748	120,913	137,929
	Expenditure			
77,830	Personnel costs 4	91,062	79,246	92,385
4,237	Depreciation and amortisation expense 5/6	4,310	5,209	4,650
1,217	Capital charge 7	1,198	1,247	1,247
25,519	Other operating expenses 8	29,079	35,211	39,647
108,803	Total expenditure	125,649	120,913	137,929
2,303	Total comprehensive revenue and expenses	4,099	-	-

Statement of Changes in Equity

for the year ended 30 June 2023

2022 Actual \$000		2023 Actual \$000	2023 Main Estimates Unaudited \$000	2024 Forecast Unaudited \$000
23,359	Balance as at 1 July	23,962	23,978	24,035
2,303	Total comprehensive revenue and expenses	4,099	-	-
(2,303)	Return of operating surplus to the Crown	(4,099)	-	-
603	Capital contributions	122	-	50
-	Capital withdrawals	-	-	-
23,962	Balance as at 30 June	24,084	23,978	24,085

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

Statement of Financial Position

as at 30 June 2023

The Statement of Financial Position reports the total assets and liabilities of the Treasury as at 30 June 2023. Taxpayers' funds are represented by the difference between the assets and liabilities.

2022 Actual \$000	Note	2023 Actual \$000	2023 Main Estimates Unaudited \$000	2024 Forecast Unaudited \$000
	Assets			
	Current assets			
3,544	Cash and cash equivalents	5,714	3,925	2,907
4,102	Debtors and other receivables	1,404	2,603	2,603
1,186	Prepayments	1,486	400	400
17,995	Debtor Crown	21,919	4,937	19,205
26,827	Total current assets	30,523	11,865	25,115
	Non-current assets			
9,432	Property, plant and equipment 5	8,502	8,767	6,333
3,854	Intangible assets 6	4,388	11,210	2,773
13,286	Total non-current assets	12,890	19,977	9,106
40,113	Total assets	43,413	31,842	34,221
	Liabilities			
	Current liabilities			
6,107	Creditors and other payables 9	6,089	2,891	3,790
2,376	Repayment of surplus	4,099	-	-
7,143	Employee entitlements 10	8,528	4,276	5,663
15,626	Total current liabilities	18,716	7,167	9,453
	Non-current liabilities			
525	Employee entitlements 10	613	697	683
525	Total non-current liabilities	613	697	683
16,151	Total liabilities	19,329	7,864	10,136
23,962	Net assets	24,084	23,978	24,085
	Equity			
23,962	Taxpayers' funds	24,084	23,978	24,085
23,962	Total equity	24,084	23,978	24,085

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

Statement of Cash Flows

for the year ended 30 June 2023

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.

2022 Actual \$000		2023 Actual \$000	2023 Main Estimates Unaudited \$000	2024 Forecast Unaudited \$000
	Cash flows from operating activities			
84,562	Receipts from Crown	106,443	106,771	122,998
19,053	Receipts from other revenue	20,893	14,142	14,931
(23,486)	Payments to suppliers	(32,487)	(40,573)	(41,747)
(78,093)	Payments to employees	(87,853)	(79,093)	(91,811)
(1,217)	Payments for capital charge	(1,198)	(1,247)	(1,247)
(2,067)	Goods and Services Tax (net)	2,538	1,485	-
(1,248)	Net cash flows from operating activities	8,336	1,485	3,124
	Cash flows from investing activities			
(1,075)	Purchases of property, plant and equipment	(1,545)	(1,700)	(1,482)
(835)	Purchases of intangible assets	(2,366)	(1,000)	(1,000)
(1,910)	Net cash flows from investing activities	(3,911)	(2,700)	(2,482)
	Cash flows from financing activities			
603	Capital contributions	122	-	50
(4,735)	Repayment of surplus to the Crown*	(2,377)	-	-
(4,132)	Net cash flows from financing activities	(2,255)	-	50
(7,290)	Net (decrease)/increase in cash	2,170	(1,215)	692
10,834	Cash at the beginning of the year	3,544	5,140	2,215
3,544	Cash at the end of the year	5,714	3,925	2,907

^{* 2022/23} includes an additional \$73,000 of surplus repayment due to a prior period Software as a Service adjustment.

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

Reconciliation of Net Surplus to Net Cash Flows from Operating Activities

2022 Actual \$000		2023 Actual \$000
2,303	Net surplus/(deficit)	4,099
	Non-cash items	
4,237	Depreciation, amortisation and impairment expenses	4,310
4,237	Total non-cash items	4,310
	Add/(less) movements in Statement of Financial Position items	
(7,882)	(Increase)/decrease in debtor Crown	(3,925)
392	(Increase)/decrease in debtors and other receivables	1,514
(670)	(Increase)/decrease in prepayments	(303)
2,127	Increase/(decrease) in creditors and other payables	(1,370)
(2,129)	Increase/(decrease) in GST	2,537
374	Increase/(decrease) in employee entitlements	1,474
(7,788)	Net movement in working capital items	(73)
(1,248)	Net cash flow from operating activities	8,336

Statement of Commitments

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

2022 Actual \$000		2023 Actual \$000
	Non-cancellable operating lease commitments	
3,782	Not later than 1 year	3,838
15,703	Later than 1 year and not later than 5 years	15,939
15,232	Later than 5 years	11,158
34,717	Total non-cancellable operating lease commitments	30,935

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

2022 Actual \$000		2023 Actual \$000
	Other commitments	
796	Not later than 1 year	889
2,509	Later than 1 year and not later than 5 years	3,847
3,305	Total capital commitments	4,736

The Treasury entered into a five-year commitment in 2017, and another five-year commitment in 2022 with a software provider.

Statement of Contingent Liabilities and Contingent Assets

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

Unquantifiable contingent liabilities

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

Quantifiable contingent liabilities and assets

As at 30 June 2023, the Treasury had no quantifiable contingent assets or liabilities (30 June 2022: Nil).

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

for the year ended 30 June 2023

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 financial advisor. Accordingly, the Treasury has designated itself as a public benefit entity (PBE) for the purposes of complying with generally accepted accounting practice (GAAP).

The Financial Statements of the Treasury for the year ended 30 June 2023 were approved for issue by the Secretary to the Treasury on 29 September 2023.

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 2023.

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

Basis of preparation

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

Functional and presentation currency

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

Changes in accounting policies

The following amendments or accounting policy changes occurred during 2023:

The Treasury applied for the first-time certain standards and amendments which were effective for the year ending 30 June 2023.

New or amended standards adopted

PBE IPSAS 41 Financial Instruments

In March 2019, the External Reporting Board (XRB) issued PBE IPSAS 41 Financial Instruments, which supersedes both PBE IFRS 9 Financial Instruments and PBE IPSAS 29 Financial Instruments: Recognition and Measurement. The Treasury has adopted PBE IPSAS 41 for the first time this year. There has been little change as a result of adopting the new standard because the requirements are similar to those contained in PBE IFRS 9.

PBE FRS 48 Service Performance Reporting

This Standard establishes new requirements for the selection and presentation of service performance information. The Treasury has adopted PBE FRS 48. The main change between PBE FRS 48 and PBE IPSAS 1 Presentation of Financial Statements is that PBE FRS 48 requires additional information to be disclosed on the judgements that have the most significant effect on the selection, measurement, aggregation, and presentation of service performance information. This is disclosed in Section 2 of the Annual Report.

Other changes in accounting policies

There have been no other 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:

2022 Omnibus Amendment to PBE Standards

This Standard has been issued to amend the relevant Tier 1 and Tier 2 PBE Standards as a result of:

- PBE IPSAS 17 Property, Plant and Equipment: The amendments change the accounting for any net proceeds earned while bringing an asset into use by requiring the proceeds and relevant costs to be recognised in surplus or deficit rather than being deducted from the asset cost recognised.
- PBE IPSAS 30 Financial Instruments: Disclosures: The amendment specifically refers to disclosing the circumstances that result in fair value of financial guarantee contracts not being determinable.
- · PBE IPSAS 19 Provisions, Contingent Liabilities and Contingent Assets: The amendments clarify the costs of fulfilling a contract that an entity includes when assessing whether a contract will be loss-making or onerous (and therefore whether a provision needs to be recognised).

The changes are for financial statements covering periods beginning on or after 1 January 2023.

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. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of the non-departmental liabilities relate to the following provisions:

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

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

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

Summary of significant accounting policies

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

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

Financial assets

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

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

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

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

Goods and services tax

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

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

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

Income tax

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

Financial liabilities

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

Commitments

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

Main Estimates and forecast figures

The 2023 Main Estimates figures are consistent with the Treasury's best estimate financial forecast information submitted to the Treasury for the 2022 Budget Economic and Fiscal Update (BEFU) for the year ending 30 June 2023.

The 2024 forecast figures are for the year ending 30 June 2024, and are consistent with the best estimate financial forecast information submitted to the Treasury for the 2023 BEFU for the year ending 30 June 2024. 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 2024 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 12 April 2023.

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 2024 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 2023/24 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 12 April 2023 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 2024 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 2023/24 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.

Statement of cost allocation policies

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

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

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

2 Revenue Crown

Revenue from the Crown is measured based on the Treasury's funding entitlement for the reporting period. The funding entitlement is established by Parliament when it passes the Appropriation Acts for the financial year. The amount of revenue recognised takes into account any amendments to appropriations approved in the Appropriation (Supplementary Estimates) Act for the year and certain other unconditional funding adjustments formally approved prior to balance date. There are no conditions attached to the funding from the Crown. However, the Treasury can incur expenses only within the scope and limits of its appropriations. The fair value of Revenue Crown has been determined to be equivalent to the funding entitlement.

3 Other Revenue

2022 Actual \$000		2023 Actual \$000
11,999	Cost recoveries from Government agencies for shared services	13,304
3,825	Cost recoveries from Gateway projects	4,540
2,838	Other	1,537
18,662	Total other revenue	19,381

4 Personnel Costs

Salaries and wages

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

Superannuation

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

2022 Actual \$000		2023 Actual \$000
72,257	Salaries and wages	83,279
2,316	Superannuation contributions to defined contribution plans	2,413
374	Increase/(decrease) in employee entitlements	719
742	Training and development	1,488
2,141	Other	3,163
77,830	Total personnel costs	91,062

5 Property, Plant and Equipment

	Leasehold Improvements \$000	Furniture, Fittings and Office Equipment \$000	Computer Hardware \$000	Total \$000
Cost				
Balance at 1 July 2021	9,717	2,129	9,797	21,643
Additions	-	-	1,075	1,075
Disposals	-	(394)	(1,978)	(2,372)
Other Asset Movements	(265)	421	(609)	(453)
Balance at 30 June 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
Accumulated depreciation and impairment losses				
Balance at 1 July 2021	2,094	1,885	6,320	10,299
Depreciation expense	788	364	1,381	2,533
Elimination on disposal	-	(394)	(1,977)	(2,371)
Balance at 30 June 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
Carrying amounts				
Balance at 1 July 2021	7,623	244	3,477	11,344
Balance at 30 June 2022	6,570	301	2,561	9,432
Balance at 30 June 2023	5,782	141	2,579	8,502

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

6 Intangible Assets

	Acquired Software \$000	Internally Generated Software \$000	Total \$000
Cost			
Balance at 1 July 2021	6,107	12,459	18,566
Additions	(4)	839	835
Disposals	(1,203)	(39)	(1,242)
Transfers	1,079	(1,079)	-
Other Asset Movements	706	173	879
Balance at 30 June 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
Accumulated amortisation and impairment losses			
Balance at 1 July 2021	5,580	9,141	14,721
Amortisation expense	469	1,235	1,704
Elimination on disposal	(1,203)	(38)	(1,241)
Balance at 30 June 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
Carrying amounts			
Balance at 1 July 2021	527	3,318	3,845
Balance at 30 June 2022	1,839	2,015	3,854
Balance at 30 June 2023	3,525	863	4,388

7 Capital Charge

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

The capital charge rate for the year ended 30 June 2023 was 5% (2022: 5%).

8 Other Operating Expenses

2022 Actual \$000		2023 Actual \$000	2023 Main Estimates Unaudited \$000	2024 Forecast Unaudited \$000
4.595	Rental of premises	4,606	4,690	4,906
263	Commissions, service charges and bank fees	278	350	342
	Fees to auditor:			
561	Fees to KPMG for audit of the Treasury financial statements	612	607	676
413	Fees to Audit New Zealand for the audit of the Financial Statements of the Government	441	400	520
196	Fees to other audit services	206	345	325
7,592	Consultants	10,135	12,000	16,933
1,431	Legal fees	1,349	1,850	1,108
272	Process management services	257	576	532
217	Transport and travel	1,013	1,387	1,664
9,056	Information and communication costs	9,270	9,989	10,225
353	Office administration costs	413	476	473
570	Other operating costs	499	2,541	1,943
25,519	Total operating expenses	29,079	35,211	39,647

9 Creditors and Other Payables

2022 Actual \$000		2023 Actual \$000
2,512	Payables	2,944
3,595	Accrued expenses	1,793
	GST payable to Inland Revenue	1,352
6,107	Total creditors and other payables	6,089

10 Employment Entitlement Provisions

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

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

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

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

2022 Actual \$000		2023 Actual \$000
,	Current employment entitlement provisions	,
1,584	Accrued salaries	2,338
5,221	Annual leave	5,818
338	Retirement, resigning and long service leave	372
7,143	Total current employment entitlement provisions	8,528
	Non-current employment entitlement provisions	
525	Retirement, resigning and long service leave	613
525	Total non-current employment entitlement provisions	613
7,668	Total employee entitlements	9,141

11 Related Party Transactions

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

The Treasury is a wholly owned entity of the Crown and received funding from the Crown of \$110.470 million to provide services to the public in the year ended 30 June 2023 (2022: \$92.444 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

2022 Actual \$000		2023 Actual \$000
2,766	Salaries and other short-term employee benefits	2,689
75	Post-employment benefits	71
2,841	Total key management personnel compensation	2,760
7.0	Full-time Equivalent Staff	7.0

Key management personnel of the Treasury as at 30 June 2023 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 (2022: Nil).

12 Events After Balance Date

There were no events subsequent to the balance date that required adjustment to the Financial Statements or disclosure (2022: Nil).

13 Explanation of Major Variances Between Actual 2022/23 and Budget

The Treasury had a higher net surplus than estimated, mainly as a result of delays in one off projects. These projects mainly fall under the Policy Advice and Financial Services multi-year multi-category appropriation and the Crown Company Monitoring multi-category appropriation. Any unspent funding on these projects in 2022/23 will transfer to 2023/24, as these projects continue. The underspends in the Debt Management Permanent Legislative Authority are due to resourcing for new initiatives not being fully achieved. Some variances in the Statement of Financial Position and Statement of Cash Flows are timing differences only, resulting from the timing and receipt of cash payments to suppliers and receipts from the Crown.

Non-Departmental Financial Schedules

for the year ended 30 June 2023

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

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

What are Non-Departmental Expenses?

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

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

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

Entities	Activities
New Zealand Debt Management (NZDM)	NZDM is a unit within the Treasury that manages core Crown borrowing requirements with the objective of managing debt in a way that minimises borrowing costs over the long term while keeping risk at an appropriate level. The Treasury also oversees an investment programme, to help manage Crown cash and liquidity requirements.
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 Aotearoa 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 GSF and the GSF Schemes in accordance with the Government Superannuation Fund Act 1956 and subsequent amendments.
Southern Response Earthquake Services Limited	Southern Response Earthquake Services Limited is the government-owned company responsible for settling claims by AMI policyholders for Canterbury earthquake damage that occurred before 5 April 2012 (the date AMI was sold to IAG).
New Zealand Export Credit	New Zealand Export Credit is a unit within the Treasury that provides a range of trade credit insurance and financial guarantees that promote and support New Zealand exports and the internationalisation of New Zealand businesses.
Earthquake Commission (EQC) – On-sold Canterbury Properties	The EQC administers, on behalf of the Government, 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 have since discovered missed earthquake damage which exceeds EQC's cap to repair.

Schedule of Revenue and Capital Receipts

for the year ended 30 June 2023

2022 Actual \$000	Note	2023 Actual \$000	2023 Main Estimates Unaudited \$000
	Vote Finance		
	Non-Departmental Revenue		
2,160,841	Capital charge	2,363,203	2,261,351
49,492	Change in other Crown assets and liabilities	14,204	-
599,563	Dividends from State Owned Enterprises and Crown Entities	1,325,031	592,881
355,264	Interest revenue – NZDM	1,398,714	738,336
(762,559)	Other income, fair value, and foreign exchange gains/(losses) – NZDM 1(b)	1,102,871	(183,813)
257,141	Other revenue 2	50,247	869,845
10,603	Other income from associates	3,614	-
2,670,345	Total Non-Departmental Revenue and Receipts	6,257,884	4,278,600
	Non-Departmental Capital Receipts		
10,752	Return of advances by International Monetary Fund members	-	-
20,745	Loan and other repayments	31,494	40,159
218,593	Kāinga Ora – Homes and Communities and Housing New Zealand Limited loan repayments	193,246	192,953
250,090	Total Non-Departmental Capital Receipts	224,740	233,112
2,920,435	Total Non-Departmental Revenue and Capital Receipts	6,482,624	4,511,712

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 2023.

Schedule of Expenses

for the year ended 30 June 2023

2022 Actual \$000	Note	2023 Actual \$000	2023 Main Estimates Unaudited \$000
	Vote Finance		
48,554	Non-departmental output expenses	41,695	24,533
-	Non-departmental multi-category output expenses	3,484	1,000
4,012,174	Debt servicing – NZDM 1(a)	5,391,084	4,568,960
6,545,848	Non-departmental other expenses*	3,927,509	609,523
18,581	Non-departmental multi-category other expenses	8,430	18,867
	Re-measurements:		
(1,615,028)	Government Superannuation Fund revaluation: actuarial loss/(gain)	(353,800)	(161,597)
(29,839)	Change in National Provident Fund Defined Benefit Plan (A) Scheme provision under Crown guarantee	13,530	-
-	Change in EQC On-Solds provision	40,359	-
1,334	Other re-measurements	12,315	-
8,981,624	Total Non-Departmental Expenses	9,084,606	5,061,286

^{* 2023} includes \$3,119 million (2022: \$5,607 million) for a revaluation of the Large Scale Asset Purchases indemnity to the Reserve Bank of New Zealand. The Main Estimates process does not include estimations of future movements in financial asset and liability values.

The accompanying notes form part of these financial schedules.

For a full understanding of the Crown's financial position and the result of its operations for the year, refer to the consolidated Financial Statements of the Government for the year ended 30 June 2023.

Schedule of Assets and Liabilities

as at 30 June 2023

2022 Actual \$000		Note	2023 Actual \$000	2023 Main Estimates Unaudited \$000
	Current Assets	'		
33,969,353	Cash and cash equivalents		22,239,418	17,968,248
198,926	Accounts receivable and prepayments		674,994	73,566
1,971,365	Advances		648,254	116,630
15,143,971	Marketable securities, deposits, and derivatives in gain – NZDM		11,119,325	8,630,638
51,283,615	Total Current Assets		34,681,991	26,789,082
	Non-Current Assets			
2,870,814	Advances		5,984,217	4,646,842
342,434	Marketable securities, deposits, and derivatives in gain – NZDM		1,074,565	831,000
534,098	Other share investments	3	563,387	505,330
352,322	Other equity-accounted investments		419,975	324,254
40,998	Property, plant and equipment		39,690	39,418
4,140,666	Total Non-Current Assets		8,081,834	6,346,844
55,424,281	Total Non-Departmental Assets		42,763,825	33,135,926
	Current Liabilities			
8,325,168	Crown balances with Westpac		7,850,408	6,717,590
108,551	Payables and accrued expenses		41,995	10,159
24,714,676	Borrowings - NZDM	1(c)	21,533,985	18,029,557
469,000	GSF unfunded liability		249,130	524,000
9,192,417	Provisions	4,5,6,7,8,9	7,922,528	4,525,321
42,809,812	Total Current Liabilities		37,598,046	29,806,627
	Non-Current Liabilities			
147,462,560	Borrowings - NZDM	1(c)	154,870,252	153,663,024
8,296,083	GSF unfunded liability		7,788,778	8,536,558
660,000	National Provident Fund Defined Benefit Plan (A) Scheme unfunded provision		638,000	626,756
282,181	Provisions	4,5,6,7,9	352,442	91,420
156,700,824	Total Non-Current Liabilities		163,649,472	162,917,758
199,510,636	Total Non-Departmental Liabilities		201,247,518	192,724,385

The accompanying notes form part of these financial schedules.

In addition, the Treasury monitors 14 State Owned Enterprises, 3 mixed-ownership-model entities, 22 Crown entities, three Local Government Act companies and two 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 2023.

Schedule of Commitments and Contingent Liabilities

as at 30 June 2023

The Treasury, on behalf of the Crown, has entered into non-cancellable contracts in relation to New Zealand House in London at a value of \$0.822 million for the year ended 30 June 2023 (2022: \$0.804 million).

A disclosure of the contingent liabilities incurred by the Crown is detailed in the Financial Statements of the Government for the year ended 30 June 2023.

Statement of Trust Monies

as at 30 June 2023

2022 Actual \$000		2023 Actual \$000
26,683	Unclaimed money	27,761
26,683	Total Trust Account monies closing balance	27,761

(a) Unclaimed money

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

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

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

During the year \$1.594 million of funds were deposited into the account (2022: \$6.109 million). Distributions of \$0.854 million (2022: \$0.307 million) were made from the Trust Account to beneficiaries. Interest of \$0.450 million was earned on the account balances during the year (2022: \$0.072 million). Interest earned on the term investment account of \$0.112 million (2022: \$0.041 million) was remitted to Crown revenue.

Explanatory Notes to Non-Departmental Financial Schedules

Explanatory notes provide details of significant Treasury non-departmental expenditure and revenue variances in actual results in 2021/22 and 2022/23. All non-departmental balances are also included in the Financial Statements of the Government, with the exception of impairment of investments.

1 New Zealand Debt Management

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

(a) Interest expense

2022 Actual \$000	Interest expense	2023 Actual \$000
2,173,415	New Zealand Government Nominal Bonds	2,692,494
1,758,789	New Zealand Government Inflation-indexed Bonds	2,351,952
39,508	New Zealand Government Treasury Bills	112,472
40,462	Other	234,166
4,012,174	Total Interest Expense	5,391,084

The debt servicing interest cost has increased from the prior year due to increasing weighted average yields and increased average volume of Nominal Bonds and Inflation-indexed Bonds outstanding. The average interest rate paid was 3.10% (2022: 2.54%).

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

Within this total are realised gains from early repurchases of NZ Govt Stock totalling \$890.266 million. This was partially offset by the net unrealised valuation losses on financial instruments which moved from of \$828.425 million in 2021/22 to a net loss of \$149.117 million. This is mainly driven by continued rising interest rates over the 2022/23 fiscal year.

(c) Borrowings

The outstanding borrowings increased significantly from the previous year due to the issuance of a new May 2034 Green Bond. The maturing May 2024 nominal bond is now also classified as current, maturing within 12 months. The increase in Inflation-indexed Bonds is primarily driven by inflation indexation associated with higher CPI inflation.

2022 Actual		2023 Actual
\$000	Borrowings at amortised cost	\$000
	Current Liabilities	
16,790,308	New Zealand Government Nominal Bonds	13,952,412
3,881,388	New Zealand Government Treasury Bills	3,009,019
124,739	KiwiBonds	124,839
1,386,800	European Commercial Paper	2,236,161
2,531,441	Other	2,211,555
24,714,676	Total Borrowing - Current Liabilities	21,533,986
	Non-Current Liabilities	
119,053,674	New Zealand Government Nominal Bonds	123,766,582
23,913,758	New Zealand Government Inflation-indexed Bonds	26,477,409
27,735	KiwiBonds	32,618
4,467,393	Other	4,593,643
147,462,560	Total Borrowing - Non-Current Liabilities	154,870,252

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

2022 Actual		2023 Actual
\$000	Movement in New Zealand Government Bonds	\$000
140,069,361	New Zealand Government Bonds opening balance	159,757,741
16,600,000	New Zealand Government Nominal Bonds – issued via tender	17,977,000
360,000	New Zealand Government Inflation-indexed Bonds - issued via tender	210,000
3,000,000	New Zealand Government Nominal Bonds – issued via syndication	7,000,000
-	NZ Government Inflation-indexed Bonds – issued via syndication	2,500,000
150,000	Net – Non-market Bonds	350,000
-	NZ Government Nominal Bonds repurchased	(4,420,000)
-	NZ Government Inflation-indexed Bonds repurchased	(2,080,000)
-	New Zealand Government Nominal Bonds matured	(15,945,000)
(421,620)	Net premium/discount and accrued interest	(1,153,338)
19,688,380	Net movement for the period	4,438,662
159,757,741	New Zealand Government Bonds closing balance	164,196,403

2 Other Current Revenue

Significant balances included in Other Current Revenue are Employers' Superannuation contributions, Earthquake Commission guarantee fee, recovery of Crown's costs from third parties and rental income from New Zealand House.

3 International Financial Institutions (IFIs)

The Crown has share investments in the following International Financial Institutions: The Asian Development Bank; the International Bank for Reconstruction and Development; the European Bank for Reconstruction and Development; the International Finance Corporation; the Multilateral Investment Guarantee Agency; and the Asian Infrastructure Investment Bank. Included in the Schedule of Assets and Liabilities – Other share investments, Treasury Crown has a total share investment balance of \$563.387 million in International Financial Institutions (2022: \$534.098 million).

A gain of \$13.380 million on the revaluation of the International Financial Institutions' investment was recorded as a result of New Zealand dollar foreign exchange rate movements (2022: a gain of \$47.837 million). This revaluation gain is included in the Schedule of Revenue.

In addition, the investment in the International Bank for Reconstruction and Development increased by \$10.127 million as a result of the Crown's subscription to additional capital.

4 Rau Paenga Limited (Formerly Ōtākaro Limited) and Greater Christchurch Anchor Projects

The responsibilities for continuing the key Anchor Projects Programme and precincts in Christchurch, along with managing the Crown's property assets in the central city, are carried out by Rau Paenga Limited, a Schedule 4A entity of the Public Finance Act 1989.

In 2022/23 the Crown incurred \$14.237 million in Rau Paenga Limited operating grant and financing expenses (2022: \$13.088 million). The Crown also incurred \$70.485 million relating to the Greater Christchurch Anchor Projects MCA (2022: \$70.033 million).

There were no new transfers of assets to Rau Paenga Limited in the current financial year (2022: \$4.704 million). Interest on existing vendor finance is charged on a base risk-free rate plus an interest margin. The interest margin represents a concessionary component of the loan and is funded via operating funding to Rau Paenga Limited.

Some of the land transferred to Rau Paenga Limited for the Anchor Projects, rather than being built on, will become new public spaces for the people of greater Christchurch. Under a cost-sharing agreement signed by the Crown and Christchurch City Council, any land (or associated assets) for Anchor Projects that forms part of the 'public realm' will vest in the Council, which will be responsible for its ongoing maintenance. The vesting dates vary, and some have yet to be determined. The Crown has recognised a write-down for the 'public realm' land/ assets that will be transferred to the Council at a future date. The vesting write-down balance at 30 June 2023 was \$86.083 million (2022: \$86.083 million).

5 Southern Response Earthquake Services Limited (SRESL)

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

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

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

A representative action was filed against SRESL on 25 May 2018, seeking to represent policyholders who had entered into full and final settlement agreements and cash settled with SRESL prior to 1 October 2014 (the 'Ross Representative Action'). The Ross Representative Action was based on similar arguments and circumstances to the Dodds'. 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) 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 2023, the Crown has recognised a liability for the total balance of the Uncalled Ordinary Share facility of which Southern Response had called 951 million shares (2022: 896 million). A non-current provision of \$87.036 million represents financial obligations to SRESL under the Uncalled Ordinary Share facility and DOI (2022: \$153.408 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 involves a number of key assumptions, including the estimate of the direct costs to be incurred to settle claims, the inflation rate, the discount rate, and claims handling expenses.

6 Stockton Acid Mine Drainage

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

A current provision of \$5.112 million (2022: \$3.058 million) and a non-current provision of \$82.727 million (2022: \$74.160 million) represents the discounted present value of the forecast cost of meeting the Crown's obligations for AMD remediation. This represents a long-term obligation under current treatment methods.

7 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.

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 \$60.790 million (2022: \$63.161 million) represents an assessment of the fair value of the guarantee. This was determined by applying the expected loss methodology prescribed within PBE IPSAS 41. At 30 June 2021, when the Scheme availability closed, lending facilities totalling \$2.861 billion had been established. At 30 June 2023, lending facilities totalled \$1.968 billion (2022: \$2.456 billion).

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.

8 Large Scale Asset Purchases Indemnity

The Reserve Bank of New Zealand (RBNZ) has responsibility for managing monetary policy. It commenced extensive purchasing of issued government bonds and Local Government Funding Agency bonds from the secondary market, as a mechanism in response to the economic impacts of COVID-19. On 22 March 2020 the Minister of Finance used his authority within the Public Finance Act to issue an indemnity that reimbursed the RBNZ for any losses incurred from the use of the Large Scale Asset Purchase programme. An initial holdings cap of \$30 billion of assets was set. Revisions on 12 May 2020 and 9 August 2020 resulted in an indemnity covering RBNZ purchases of up to 60% of the Government Bonds on issue, 30% of the Government Inflation-indexed Bonds on issue and 30% of the Local Government Funding Agency bonds on issue. The indemnity 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 2022, the RBNZ announced that it would commence 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 2023, the RBNZ had bonds with a book value of \$45.4 billion (2022: \$60.0 billion) and a market value of \$38.1 billion (2022: \$51.3 billion). The market value loss of \$7.3 billion (2022: \$8.7 billion) is recognised as the indemnity liability provision by the Crown.

9 Earthquake Commission - On-sold Canterbury Properties

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

Within a range of \$607 million to \$705 million, the best estimate of the cost of the total on-sold programme is \$640 million (inclusive of service fees of \$44 million payable to EQC). After deducting payments made up to 30 June 2023 (inclusive of the \$29.2 million invoiced for the three months ended 30 June 2023), the best estimate of net present value of the provision, inclusive of service fees, at 30 June 2023 is \$348.7 million (2022: \$357.5 million).

10 Events After Balance Date

In late January 2023, the upper North Island experienced a severe weather event causing widespread damage due to heavy rainfall and in February 2023, Cyclone Gabrielle caused widespread damage across several regions in the North Island. On 1 June 2023 the Government announced that it would enter into a funding arrangement with councils in regions affected by the 2023 North Island cyclone and flood events. This would support them to offer voluntary buyouts to owners of Category 3 designated residential properties (where future severe weather event risk cannot be sufficiently mitigated). Subsequent to balance date the Government has agreed the cost sharing terms with Auckland, Tairāwhiti and Hawke's Bay Councils that provide for a 50 percent cost share from the Crown for Category 3 buyouts. In addition, the Crown will facilitate a 10 year no interest loan for the Gisborne District Council. Each council must consult with their community before these in-principle agreements can be finalised. The Crown support is estimated to total approximately \$495 million. The estimated cost is highly uncertain because councils are still assessing and categorising properties, and will then enter into individual negotiations with Category 3 property owners.

On 3 July 2023 the Crown provided a capital injection of \$500 million to the RBNZ, to manage the financial risks associated with their Foreign Reserves Co-ordination Framework. The Crown also provided the RBNZ with an indemnity in relation to foreign reserves losses from monetary policy or financial stability interventions.

On 12 September 2023, the Crown provided a capital injection of \$1.3 billion to the RBNZ. The Crown also provided an indemnity capped at \$5.0 billion for domestic policy tools, primarily to support losses that could be incurred from financial stability interventions.

Independent Auditor's Report



To the readers of the Treasury's Annual Report for the year ended 30 June 2023

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

- the financial statements of the Department on pages 88 to 101, that comprise the statement of financial position, statement of commitments, statement of contingent liabilities and contingent assets as at 30 June 2023, the statement of comprehensive revenue and expense, statement of changes in equity, and statement of cash flows for the year ended on that date and the notes to the financial statements that include accounting policies and other explanatory information;
- the performance information for the appropriations administered by the Department for the year ended 30 June 2023 on pages 46, 53 to 57, 59, 61 to 62, 64, and 72 to 80;
- the statements of expenses and capital expenditure of the Department for the year ended 30 June 2023 on pages 66 to 70; and
- the schedules of non-departmental activities which are managed by the Department on behalf of the Crown on pages 103 to 111 that comprise:
 - the schedules of assets; liabilities; commitments; and contingent liabilities and assets as at 30 June 2023;
 - the schedules of expenses; and revenue for the year ended 30 June 2023;
 - the statement of trust monies for the year ended 30 June 2023; and
 - the notes to the 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 2023; 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 2023:
 - 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.

- 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 Te Tai Ōhanga - The Treasury Instructions:
 - the assets; liabilities; commitments; and contingent liabilities and assets as at 30 June 2023; and
 - expenses; and revenue for the year ended 30 June 2023; and
 - the statement of trust monies for the year ended 30 June 2023.

Our audit was completed on 29 September 2023. 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 Te Tai Ōhanga - The Treasury and our responsibilities relating to the information to be audited, we comment on other information, and we explain our independence.

Emphasis of Matters

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

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

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

Uncertainty over the funding arrangement with councils in regions affected by extreme weather events

Note 10 outlines the Crown's in-principle agreements to support councils in buying out owners of residential property, where future severe weather event risk cannot be sufficiently mitigated. The agreements with the councils will only be finalised after the completion of a consultation process. The Crown's estimated share of the cost is highly uncertain until the affected properties have been determined, and individual negotiations with the relevant property owners have been completed.

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 Te Tai Ōhanga - The Treasury for the information to be audited

The Secretary to Te Tai Ōhanga - 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 Te Tai Ōhanga The Treasury Instructions, that present fairly those activities managed by the Department on behalf of the Crown.

The Secretary to Te Tai Ōhanga - 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 Te Tai Ōhanga - The Treasury is responsible on behalf of the Department for assessing the Department's ability to continue as a going concern. The Secretary to Te Tai Ōhanga - 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 Te Tai Ōhanga - 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 Te Tai Ōhanga - 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 Te Tai Ōhanga - 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 Te Tai Ōhanga - 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 Te Tai Ōhanga - The Treasury is responsible for the other information. The other information comprises the information included on pages 3 to 45, 47 to 52, 58, 60, 63, 65, 71, 81 to 87, 102, and 116 to 122, 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 (including International Independence Standards) (New Zealand) (PES 1) issued by the New Zealand Auditing and Assurance Standards Board.

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

David Gates

KPMG

On behalf of the Auditor-General Wellington, New Zealand

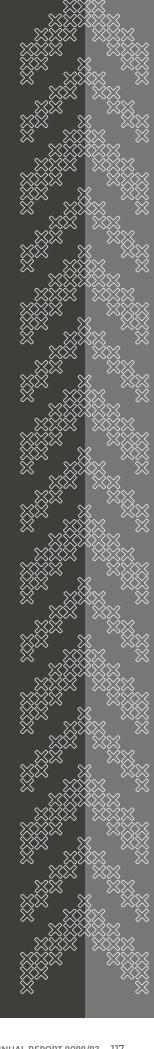
MINISTER OF FINANCE'S REPORT ON NON-DEPARTMENTAL APPROPRIATIONS

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 2023 (including reporting by the Treasury on appropriations for that year).

Eight appropriations in this appendix meet the requirement, set out in the supporting information to the 2022/23 Estimates or 2022/23 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
- COVID 19: Loans to Air New Zealand
- Local Government Funding Agency Liquidity Facility MYA
- · National Provident Fund Crown liability for Scheme Deficiency PLA
- North Island Severe Weather Events Crown Payments to Local Authorities and Other Eligible Stakeholders MCA
- Payments and Expenses in Respect of Guarantees and Indemnities PLA
- Venture Capital Fund MYA



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

2022 Actual \$000		2023 Actual \$000	2023 Main Estimates \$000	2023 Supp. Estimates \$000
49,451	Expenditure	142,981	17,813	142,981

What was achieved in this appropriation

Performance measure	Standard for 2022/23	Performance for 2022/23
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	2023
2022		2023	Main	Supp.
Actual		Actual	Estimates	Estimates
\$000		\$000	\$000	\$000
47,000	Expenditure	13,000	20,000	43,000

What was achieved in this appropriation

Performance measure	Standard for 2022/23	Performance for 2022/23
Payments are made in accordance with the terms of the agreement for notified claims	Achieved	Achieved

COVID-19: Loans to Air New Zealand

What is intended to be achieved with this appropriation

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

Financial information

2022 Actual \$000		2023 Actual \$000
	Commenced: 23 March 2020	
	Expires: 30 June 2024	
900,000	Original Appropriation	900,000
100,000	Cumulative Adjustments	100,000
1,000,000	Total Adjusted Appropriation	1,000,000
350,000	Cumulative Actual Expenditure as at 1 July	850,000
500,000	Current-year Actual Expenditure	-
850,000	Cumulative Actual Expenditure as at 30 June	850,000
150,000	Appropriation Remaining as at 30 June	150,000

What was achieved in this appropriation

Performance measure	Standard for 2022/23	for 2022/23
Payments are made in accordance with the terms of the agreement for notified claims	Achieved	No activity in 2022/23

Local Government Funding Agency Liquidity Facility MYA

What is intended to be achieved with this appropriation

This appropriation is intended to give effect to section 15(1) of the Local Government Borrowing Act 2011 by enabling the Crown to provide the LGFA with funding as required for the standby liquidity facility.

Performance information for this appropriation is exempt.

Financial information

2022 Actual \$000		2023 Actual \$000
	Commenced: 14 April 2022	
	Expires: 30 June 2024	
1,500,000	Original Appropriation	1,500,000
_	Cumulative Adjustments	-
1,500,000	Total Adjusted Appropriation	1,500,000
-	Cumulative Actual Expenditure as at 1 July	-
-	Current-year Actual Expenditure	-
-	Cumulative Actual Expenditure as at 30 June	-
1,500,000	Appropriation Remaining as at 30 June	1,500,000

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	2023
2022		2023	Main	Supp.
Actual		Actual	Estimates	Estimates
\$000		\$000	\$000	\$000
-	Expenditure	12,931	-	-

What was achieved in this appropriation

Performance measure	Standard for 2022/23	Performance for 2022/23
Payments are made in accordance with the terms of the agreement for notified claims	Achieved	Achieved

North Island Severe Weather Events - Crown Payments to Local Authorities and Other Eligible Stakeholders MCA

What is intended to be achieved with this appropriation

The single overarching purpose of this appropriation is to achieve the outcome of contributing to the management of properties and land impacted by the 2023 North Island severe weather events.

Financial information

2022 Actual \$000		2023 Actual \$000	2023 Main Estimates Unaudited \$000	2023 Supp. Estimates Unaudited \$000
-	Total Appropriation	-	-	500,000
	Non-Departmental Other Expenses			
-	North Island Severe Weather Events – Operating Expenses	-	-	250,000
	Non-Departmental Capital Expenditure			
-	North Island Severe Weather Events – Capital Expenditure	-	-	250,000

What was achieved in this appropriation

Performance measure	Standard for 2022/23	Performance for 2022/23
The Treasury will complete a process to determine the cost to the Crown from the obligation to support Local Authorities and eligible stakeholders to achieve voluntary property buyouts. (See Note 1)	Achieved	No activity in 2022/23

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

Payments and Expenses in Respect of Guarantees and Indemnities PLA

What is intended to be achieved with this appropriation

This appropriation is intended to achieve 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	2023
2022		2023	Main	Supp.
Actual		Actual	Estimates	Estimates
\$000		\$000	\$000	\$000
5,706,383	Expenditure	3,147,514	-	1,094,840

Actual 2022/23 expenditure is significantly higher than the Supplementary Estimates due to the impact that rapidly rising interest rates during 2023 had on the value of 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 2022/23	Performance for 2022/23
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	2023
2022		2023	Main	Supp.
Actual		Actual	Estimates	Estimates
\$000		\$000	\$000	\$000
57,147	Total Appropriation	41,200	55,980	55,939
	Non-Departmental Capital Expenditure			
57,147	Expenditure	41,200	55,980	55,939
2022				2023
Actual				Actual
\$000				\$000
	Commenced: 23 March 2020			
	Expires: 30 June 2024			
259,500	Original Appropriation			259,500
	Cumulative Adjustments			40,500
259,500	Total Adjusted Appropriation			300,000
23,404	Cumulative Actual Expenditure as at 1 July			80,551
57,147	Current-year Actual Expenditure			41,200
80,551	Cumulative Actual Expenditure as at 30 June			121,751
178,949	Appropriation Remaining as at 30 June			178,249

What was achieved in this appropriation

Performance measure	Standard for 2022/23	Performance for 2022/23
Venture Capital Fund capital is committed to venture capital funds, which are further supported by matching private capital	Achieved	Achieved

