

1 July 2021



TE TAI ŌHANGA
THE TREASURY

MEDIA STATEMENT

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Paul Helm, Chief Government Accountant

Interim Financial Statements of the Government of New Zealand for the 11 months ended 31 May 2021

The interim *Financial Statements of the Government of New Zealand for the 11 months ended 31 May 2021* (the financial statements) were released by the Treasury today.

Core Crown tax revenue is \$4.1 billion greater than forecast, a result which reflects that current economic conditions exceed those forecast in the *2021 Budget Economic and Fiscal Update (BEFU 2021)*. Core Crown tax revenue is the key driver of the \$1.4 billion reduction in the OBEGAL deficit from April 2021, however while results at June are likely to continue to exceed the *BEFU 2021* forecast, there is no certainty or expectation that reductions in OBEGAL deficits will persist.

	Year to date				Full Year
	May 2021 Actual ¹ \$m	May 2021 BEFU 2021 Forecast ¹ \$m	Variance ² BEFU 2021 \$m	Variance BEFU 2021 %	June 2021 BEFU 2021 Forecast ³ \$m
Core Crown					
Core Crown tax revenue	89,011	84,920	4,091	4.8	91,543
Core Crown revenue	94,961	90,800	4,161	4.6	97,942
Core Crown expenses	97,438	98,319	881	0.9	110,745
Core Crown residual cash	(13,104)	(19,423)	6,319	32.5	(25,277)
Net core Crown debt ⁴	101,517	107,556	6,039	5.6	113,655
<i>as a percentage of GDP</i>	31.2%	33.1%			34.0%
Gross debt ⁵	100,626	93,743	(6,883)	(7.3)	97,028
<i>as a percentage of GDP</i>	31.0%	28.8%			29.0%
Total Crown					
Operating balance before gains and losses	(3,644)	(9,446)	5,802	61.4	(15,127)
Operating balance (excluding minority interests)	14,656	6,119	8,537	139.5	1,274
Total borrowings	160,798	163,625	2,827	1.7	173,227
Net worth attributable to the Crown	125,384	116,778	8,606	7.4	111,990
<i>as a percentage of GDP</i>	38.6%	35.9%			33.5%

1 Using the most recently published GDP (for the year ended 31 March 2021) of \$325,035 million (Source: Statistics NZ).

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

3 Using BEFU 2021 forecast GDP for the year ending 30 June 2021 of \$334,399 million (Source: The Treasury).

4 Net core Crown debt excluding student loans and other advances. Net debt may fluctuate during the year largely reflecting the timing of tax receipts.

5 Gross sovereign-issued debt excluding settlement cash and Reserve Bank bills.

Core Crown tax revenue for the 11 months to May 2021 was \$4.1 billion (4.8%) above the *BEFU 2021* forecast, with positive variances across tax groups, specifically, corporate tax (\$1.8 billion), source deductions revenue (\$0.7 billion), GST revenue (\$0.6 billion), other individuals' tax (\$0.5 billion) and other direct taxes (\$0.4 billion).

These positive variances reflect economic conditions being better than forecast. Corporate tax was above forecast primarily owing to higher PIE tax. Other direct taxes were above forecast as a result of stronger resident withholding tax on dividends. In addition, labour market conditions were better than forecast which has driven the positive variance in source deductions and consumption was also stronger, leading to GST revenue being higher compared to forecast.

The **OBEGAL** deficit of \$3.6 billion, was \$5.8 billion lower than the forecast deficit of \$9.4 billion. The majority of this variance is driven by the \$4.1 billion favourable core Crown tax revenue variance, being the core Crown tax revenue variance mentioned above, as well as **core Crown expenses** which were lower than forecast by \$0.9 billion. The remaining difference is a result of favourable variances from both Crown entity and SOE performance. When total gains and losses are added to the OBEGAL result, the **operating balance** was a \$14.7 billion surplus, \$8.5 billion better than the forecast \$6.1 billion surplus. The favourable gains and losses largely related to:

- Higher investment returns than forecast for both NZSF and ACC were the key drivers of a positive variance in net gains on financial instruments of \$3.3 billion.
- Offsetting this, ACC's outstanding claims liability valuation gain was \$1.0 billion lower than forecast, being a valuation gain of \$8.4 billion. This variance was mostly a result of changes to the discount rates and CPI assumptions used to revalue this liability at 31 May 2021, since the *BEFU 2021* forecast.

The **core Crown residual cash** deficit of \$13.1 billion was \$6.3 billion smaller than the deficit forecast. This was owing to tax receipts being \$4.6 billion higher than expected, while operating payments and capital payment outflows were \$0.6 billion and \$1.0 billion lower than forecast respectively.

Net core Crown debt was \$101.5 billion (31.2% of GDP) at 31 May 2021, \$6.9 billion lower than forecast primarily owing to the favourable core Crown residual cash variance discussed above.

Net worth attributable to the Crown at \$125.4 billion was \$8.6 billion higher than forecast. This variance was owing to the favourable operating balance variance of \$8.5 billion.

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Interim Financial Statements of the Government of New Zealand

For the Eleven Months Ended
31 May 2021



Prepared by the Treasury
1 July 2021

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

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New Zealand Government

CONTENTS

Commentary

Comparison against forecast	2
Comparison against the prior year actuals	5

Unaudited Interim Financial Statements

Statement of Financial Performance	8
<i>The statement outlines the operating results of the total Government (i.e., the revenues and expenses of all departments + Reserve Bank + NZS Fund (core Crown), State Owned Enterprises (SOEs) (including Air New Zealand), and Crown entities).</i>	
Statement of Comprehensive Revenue and Expense	9
<i>The statement reports changes in net worth due to the operating balance, items of revenue or expense that are recognised directly in net worth, the effect of certain accounting changes, and corrections of errors.</i>	
Statement of Changes in Net Worth	9
<i>The statement provides a reconciliation of opening and closing net worth for the period.</i>	
Statement of Cash Flows	10
<i>The statement sets out the cash flows that result from the operating, investing and financing activities of the Government. The net cash flows from operations are reconciled to the operating balance reported in the statement of financial performance.</i>	
Statement of Financial Position	12
<i>The statement outlines the balance sheet of the total Government (i.e., the assets and liabilities of the core Crown, SOEs, and Crown entities).</i>	
Statement of Segments	13
<i>The statement provides summary financial results by segment (Core Crown, SOEs and Crown entities).</i>	
Statement of Commitments	14
<i>The statement outlines the commitments of the total Government by type and segment.</i>	
Statement of Contingent Liabilities and Assets	14
<i>The statement outlines the contingent liabilities and assets of the total Government by type and segment.</i>	
Notes to the Financial Statements	15
<i>The notes are an integral part of the financial statements, providing further explanatory material to that provided in the main statements.</i>	
Fiscal Indicator Analysis	23
<i>The fiscal indicator analysis provides a link between the Financial Statements (based on Generally Accepted Accounting Practice) and the key fiscal indicators used to measure performance against fiscal objectives set out in the Government's Fiscal Strategy.</i>	

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NEW ZEALAND



Commentary

COMMENTARY

These financial statements reflect the financial position (service potential and financial capacity) as at 31 May 2021, and the financial results of operations and cash flows for the period ended on that date.

The May results are reported against forecasts based on the *Budget Economic and Fiscal Update 2021* (BEFU 2021), published on 20 May 2021.

Comparison against forecast

The May 2021 Interim Financial Statements of the Government show the position and performance of the Crown reflects the strength of current economic conditions compared to those forecast, with almost all key metrics favourable to the forecasts set out in BEFU 2021.

Table 1 – Key indicators for the 11 months ended 31 May 2021 compared to BEFU 2021

	Year to date				Full Year
	May 2021 Actual ¹ \$m	May 2021 BEFU 2021 Forecast ¹ \$m	Variance ² BEFU 2021 \$m	Variance BEFU 2021 %	June 2021 BEFU 2021 Forecast ³ \$m
Core Crown					
Core Crown tax revenue	89,011	84,920	4,091	4.8	91,543
Core Crown revenue	94,961	90,800	4,161	4.6	97,942
Core Crown expenses	97,438	98,319	881	0.9	110,745
Core Crown residual cash	(13,104)	(19,423)	6,319	32.5	(25,277)
Net core Crown debt ⁴	101,517	107,556	6,039	5.6	113,655
as a percentage of GDP	31.2%	33.1%			34.0%
Gross debt ⁵	100,626	93,743	(6,883)	(7.3)	97,028
as a percentage of GDP	31.0%	28.8%			29.0%
Total Crown					
Operating balance before gains and losses	(3,644)	(9,446)	5,802	61.4	(15,127)
Operating balance (excluding minority interests)	14,656	6,119	8,537	139.5	1,274
Total borrowings	160,798	163,625	2,827	1.7	173,227
Net worth attributable to the Crown	125,384	116,778	8,606	7.4	111,990
as a percentage of GDP	38.6%	35.9%			33.5%

1 Using the most recently published GDP (for the year ended 31 March 2021) of \$325,035 million (Source: Statistics NZ).

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

3 Using BEFU 2021 forecast GDP for the year ending 30 June 2021 of \$334,399 million (Source: The Treasury).

4 Net core Crown debt excluding student loans and other advances. Net debt may fluctuate during the year largely reflecting the timing of tax receipts.

5 Gross sovereign-issued debt excluding settlement cash and Reserve Bank bills.

Core Crown tax revenue for the 11 months to May 2021 was \$4.1 billion (4.8%) above the BEFU 2021 forecast with the key variances being:

- Corporate tax revenue was \$1.8 billion (13.7%) above forecast, mostly owing to higher than forecast provisional tax and Portfolio Investment Entity (PIE) tax. Most of the major provisional tax due dates for the 2021 tax year have now passed, particularly the third provisional tax payment for the 80% of taxpayers with a March balance date, and therefore these payments will largely be based on actual experience rather than estimation. Terminal tax receipts were also above forecast, indicating that taxable profits for the 2020 tax year were also higher than forecast. Both these variances are expected to persist through to the end of the 2020/21 fiscal year and beyond.
- Source deductions revenue was \$0.7 billion (2.0%) above forecast, owing to a stronger than anticipated labour market. Statistics New Zealand's March 2021 quarterly labour force numbers showed improved levels of employment and wage growth. As a result, we expect the positive source deductions revenue variance to persist into the coming months and into next year.

- GST revenue was \$0.6 billion (2.5%) above forecast. Statistics New Zealand's March 2021 quarterly GDP (Gross Domestic Product) data as published on 17 June 2021, showed continued strength in consumption and residential investment. Household consumption expenditure rose 5.5 percent in the quarter, while gross fixed capital formation grew by 6.4 percent (supported by strong growth in residential building that remains at historically high levels). Owing to strong growth in the components of GDP that drive GST revenue, we expect the GST revenue variance to continue to be strong over the coming months.
- Net other individuals' tax revenue was \$0.5 billion (7.6%) above forecast, mainly owing to above-forecast terminal tax revenue, but also stronger than anticipated provisional tax. This indicates that taxable income was much higher than forecast.
- Other direct taxes, primarily made up of resident withholding tax revenue (RWT) on interest and dividends, were \$0.4 billion (21.7%) above forecast. RWT on dividends was \$0.5 billion above forecast, while RWT on interest was \$0.1 billion below forecast.

Core Crown expenses at \$97.4 billion, were \$0.9 billion (0.9%) below forecast, as most departments have spent less than forecast.

The **OBEGAL** deficit of \$3.6 billion was \$5.8 billion lower than the forecast deficit of \$9.4 billion. The majority of this variance is driven by the \$4.1 billion favourable core Crown tax revenue variance and \$0.9 billion core Crown expense variance mentioned above, with the balance related to the crown entity segment.

When total gains and losses are added to the OBEGAL result, the **operating balance** is a \$14.7 billion surplus, \$8.5 billion more than the \$6.1 billion surplus forecast. The improvement in the operating balance, in addition to the stronger OBEGAL result discussed above, is primarily related to:

- Higher investment returns than forecast for both NZSF and ACC were the key drivers of a positive variance in net gains on financial instruments of \$3.3 billion.
- Offsetting this, ACC's outstanding claims liability valuation gain was \$1.0 billion lower than forecast, being a valuation gain of \$8.4 billion. This variance was mostly a result of changes to the discount rates and CPI assumptions used to revalue this liability at 31 May 2021, since the *BEFU 2021* forecast.

The **core Crown residual cash** deficit of \$13.1 billion was \$6.3 billion smaller than the deficit forecast. This was owing to tax receipts being \$4.6 billion higher than expected, while operating costs largely followed the discussion above.

In addition, net cashflows to/from advances are below forecast by \$0.9 billion, with the FLP programme representing \$0.4 billion of this variance, with the remainder relating to other advances across the core Crown.

Net core Crown debt was \$101.5 billion (31.2% of GDP) at 31 May 2021, \$6.0 billion lower than forecast largely owing to the favourable core Crown residual cash variance.

Gross debt at \$100.6 billion (31.0% of GDP), was \$6.9 billion higher than forecast. Gross debt is higher owing to an increase in Government Bonds and Treasury Bills of \$2.4 billion as repurchases by the Reserve Bank through the Large-Scale Asset Purchases programme have not occurred as forecast. In addition, Euro Commercial paper was issued by the Treasury's debt management of \$1.6 billion which was not forecast. Other financial liabilities were also \$2.1 billion higher than forecast, these liabilities were offset by higher holdings of financial assets and therefore have no impact on net core Crown debt. Higher unsettled trades at month end of \$0.8 billion, which have been settled in the first week of June also contributed to this variance.

For the month of May, net core Crown debt and gross debt are almost the same amount. Both indicators are calculated by starting with gross sovereign-issued debt, liquid financial assets are then subtracted to get to the net core Crown debt indicator; while Reserve Bank settlement cash and Reserve Bank bills are subtracted to get to the gross debt indicator. For this month the amounts subtracted from gross sovereign-

issued debt to calculate both indicators were very similar (around \$28 billion). Refer to the Net Debt and Gross Debt Table on page 26.

Normally we would expect gross debt to be higher than net core Crown debt, as it largely represents the debt that has been issued by the Crown through Capital Markets. However, due to the impact of the Large Scale Asset Purchase (LSAP) Programme the two indicators are now much closer and by 30 June we expect that gross debt will be notably lower than net core Crown debt.

This unusual trend is because the gross debt measure excludes Government bonds issued by the Crown that have been repurchased by the Reserve Bank (as this transaction is within the Crown) and the borrowings to finance the LSAP programme (Reserve Bank settlement cash) are also excluded from gross debt. Both of these factors have resulted in a significant reduction in the level of gross debt.

Net core Crown debt is also impacted by the LSAP, mainly through the initial losses, however the impact is much less than the impact on gross debt.

Total assets at \$410.4 billion were \$8.4 billion above forecast. This was primarily owing to increased valuations of marketable securities, derivative assets and share investments (\$6.3 billion), as well as increased cash and receivables (\$3.0 billion).

Total liabilities at \$279.7 billion were \$0.2 billion below forecast. This variance was largely owing to borrowings being less than forecast by \$2.8 billion offset by payables and insurance liabilities being less than forecast by \$2.5 billion.

Net worth attributable to the Crown at \$125.4 billion was \$8.6 billion higher than forecast. This variance was primarily owing to the favourable operating balance variance discussed previously.

Comparison against the prior year actuals

Table 2 – Key indicators for the 11 months ended 31 May 2021 compared to prior year actuals

	Year to date				Full Year
	May 2021 Actual ¹ \$m	May 2020 Prior Year Actual ² \$m	Variance ³ to 2020 \$m	Variance to 2020 %	June 2020 Prior Year Actual ⁴ \$m
Core Crown					
Core Crown tax revenue	89,011	78,950	10,061	12.7	85,102
Core Crown revenue	94,961	85,257	9,704	11.4	91,923
Core Crown expenses	97,438	97,341	(97)	(0.1)	108,832
Core Crown residual cash	(13,104)	(19,784)	6,680	33.8	(23,692)
Net core Crown debt ⁵	101,517	78,666	(22,851)	(29.0)	83,375
<i>as a percentage of GDP</i>	31.2%	25.1%			26.3%
Gross debt ⁶	100,626	94,537	(6,089)	(6.4)	102,257
<i>as a percentage of GDP</i>	31.0%	30.1%			32.3%
Total Crown					
Operating balance before gains and losses	(3,644)	(15,965)	12,321	77.2	(23,057)
Operating balance (excluding minority interests)	14,656	(27,103)	41,759	154.1	(30,040)
Total Borrowings	160,798	149,207	(11,591)	(7.8)	152,717
Net worth attributable to the Crown	125,384	109,963	15,421	14.0	110,320
<i>as a percentage of GDP</i>	38.6%	35.0%			34.9%

1 Using the most recently published GDP (for the year ended 31 March 2021) of \$325,035 million (Source: Statistics NZ).

2 Using prior year published GDP (for the year ended 31 March 2020) of \$314,026 million (Source: Statistics New Zealand).

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

4 Using GDP for the year ended 30 June 2020 of \$316,552 million published in the Treasury's BEFU 2021.

5 Net core Crown debt excluding student loans and other advances. Net debt may fluctuate during the year largely reflecting the timing of tax receipts.

6 Gross sovereign-issued debt excluding settlement cash and Reserve Bank bills.

Core Crown tax revenue for the 11 months to May 2021 was \$10.1 billion (12.7%) up on the corresponding period last year. The largest movements came from:

- GST revenue was up \$3.5 billion (17.3%), owing to growth in consumption and residential investment.
- Corporate tax revenue was \$2.5 billion (20.9%) up on last year, mainly owing to growth in PIE tax revenue and terminal tax revenue relating to the 2020 tax year.
- Source deduction revenue was up \$2.7 billion (8.3%), mainly owing to growth in wages and employment, in line with recent labour market data.
- Other individuals' tax revenue was up \$1.0 billion (18.3%) owing to growth in tax payments.

Core Crown expenses were largely the same as the prior year, but the spending functional classification has changed reflecting the higher wage subsidy costs in 2020 as part of the initial response to COVID-19, whereas costs in the current year are now included in the Health and Economic sectors. There is also a marked decrease in finance costs as interest rates declined late in the prior year.

The **core Crown residual cash** was a deficit of \$13.1 billion, \$6.7 billion favourable compared to the deficit for May 2020. This was a result of:

- The net core Crown tax receipts were \$10.9 billion higher than in the prior year, which was the key driver in net operating cashflows being \$10.5 billion greater than May 2020.
- The net core Crown capital cash outflows were \$3.8 billion more than the prior year mainly owing to a \$2.5 billion increase in advances.
- Other drivers of the variance include an additional \$0.6 billion of contributions into the New Zealand Superannuation Fund and \$0.5 billion of additional investments primarily in Crown Entities.

Net core Crown debt was \$22.9 billion higher than the same time last year and as a percentage of GDP has increased to 31.2% from 25.1%. This increase reflects accumulated cash deficits of \$17.0 billion since May 2020 and the impact of the LSAP programme where the increase in settlement deposits is greater than the NZ Government Bonds that are repurchased, increasing net core Crown debt (largely as a result of the losses on repurchase as Reserve Bank has paid more for the Bonds than when they were issued).

Net worth attributable to the Crown at \$125.4 billion (38.6% of GDP) was \$15.4 billion higher than as at 31 May 2020, largely reflecting an increase in taxpayers' funds of \$11.3 billion as well as an increase in the property revaluation reserve of \$4.8 billion. These uplifts are partially offset by net decreases in the valuations of defined benefit and veterans' disability entitlements of \$0.7 billion.



Unaudited Interim Financial Statements

STATEMENT OF FINANCIAL PERFORMANCE

For the 11 months ended 31 May 2021

Year to 30 June 2020	11 months to 31 May 2020		Note	Current Year Actual vs Forecast			Annual BEFU Forecast \$m	
				Actual \$m	Forecast \$m	Variance \$m		%
		Revenue						
84,521	78,392	Taxation revenue	2	88,434	84,341	4,093	4.9	90,939
6,269	5,590	Other sovereign revenue	2	6,144	6,019	125	2.1	6,614
90,790	83,982	Total revenue levied through the Crown's Sovereign Power		94,578	90,360	4,218	4.7	97,553
18,437	17,114	Sales of goods and services		17,198	15,958	1,240	7.8	17,729
3,206	2,965	Interest revenue and dividends	3	2,645	2,678	(33)	(1.2)	2,893
3,570	3,143	Other revenue		3,206	2,782	424	15.2	3,012
25,213	23,222	Total revenue earned through the Crown's operations		23,049	21,418	1,631	7.6	23,634
116,003	107,204	Total revenue (excluding gains)		117,627	111,778	5,849	5.2	121,187
		Expenses						
42,607	38,269	Transfer payments and subsidies	4	32,147	32,507	360	1.1	35,636
27,775	25,021	Personnel expenses		26,563	26,845	282	1.1	29,313
7,669	5,998	Depreciation and amortisation		6,147	6,089	(58)	(1.0)	6,420
50,208	43,998	Other operating expenses		47,970	48,305	335	0.7	57,246
3,754	3,434	Finance costs	5	2,156	2,236	80	3.6	2,527
6,903	6,214	Insurance expenses	6	6,141	6,124	(17)	(0.3)	6,585
-	-	Forecast new operating spending	7	-	-	-	-	500
-	-	Top-down expense adjustment	7	-	(1,013)	(1,013)	(100.0)	(2,025)
138,916	122,934	Total expenses (excluding losses)		121,124	121,093	(31)	-	136,202
		Gains/(losses)						
(3,258)	-	Net gains/(losses) on large scale asset purchases		(3,967)	(4,462)	495	11.1	(4,586)
1,908	(1,887)	Net gains/(losses) on financial instruments		15,036	11,772	3,264	27.7	12,792
(7,372)	(9,442)	Net gains/(losses) on non-financial instruments	8	7,774	8,860	(1,086)	(12.3)	8,837
(8,722)	(11,329)	Total gains/(losses)		18,843	16,170	2,673	16.5	17,043
		Other interests						
1,193	113	Net surplus/(deficit) from associates and joint ventures		(502)	(505)	3	0.6	(535)
402	(157)	Less minority interests share of operating balance		(188)	(231)	43	18.6	(219)
(30,040)	(27,103)	Operating balance (excluding minority interests)		14,656	6,119	8,537	139.5	1,274
(402)	157	Minority interests share of operating balance		188	231	(43)	(18.6)	219
(30,442)	(26,946)	Operating balance (including minority interests)		14,844	6,350	8,494	133.8	1,493

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

STATEMENT OF COMPREHENSIVE REVENUE AND EXPENSE

For the 11 months ended 31 May 2021

Year to 30 June 2020	11 months to 31 May 2020		Current Year Actual vs Forecast				Annual BEFU Forecast \$m
			Actual \$m	Forecast \$m	Variance \$m	%	
(30,442)	(26,946)	Operating balance (including minority interest)	14,844	6,350	8,494	133.8	1,493
		Other comprehensive revenue and expense					
5,233	561	Revaluation of physical assets	(253)	(323)	70	21.7	(340)
(1,271)	(272)	Revaluation of defined benefit retirement plan schemes	618	618	-	-	635
(311)	-	Revaluation of veterans' disability entitlements	-	-	-	-	-
(48)	(71)	Transfers to/(from) reserves (Gains)/losses transferred to the	(5)	(122)	117	95.9	(151)
(75)	(53)	statement of financial performance	3	(12)	15	125.0	(12)
		Foreign currency translation differences on					
2	(144)	foreign operations	(54)	12	(66)	-	12
(58)	37	Other movements	(25)	(27)	2	7.4	42
3,472	58	Total other comprehensive revenue and expense	284	146	138	94.5	186
(26,970)	(26,888)	Total comprehensive revenue and expense	15,128	6,496	8,632	132.9	1,679
		Attributable to:					
(341)	98	- minority interest	64	38	26	68.4	9
(26,629)	(26,986)	- the Crown	15,064	6,458	8,606	133.3	1,670
(26,970)	(26,888)	Total comprehensive revenue and expense	15,128	6,496	8,632	132.9	1,679

STATEMENT OF CHANGES IN NET WORTH

For the 11 months ended 31 May 2021

Year to 30 June 2020	11 months to 31 May 2020		Current Year Actual vs Forecast				Annual BEFU Forecast \$m
			Actual \$m	Forecast \$m	Variance \$m	%	
143,339	143,339	Opening net worth	115,943	115,943	-	-	115,943
(30,442)	(26,946)	Operating balance (including minority interest)	14,844	6,350	8,494	133.8	1,493
5,233	561	Net revaluations	(253)	(323)	70	21.7	(340)
		Net revaluations of defined benefit retirement					
(1,271)	(272)	plan schemes	618	618	-	-	635
(311)	-	Net revaluations of veterans' disability entitlements	-	-	-	-	-
(48)	(71)	Transfers to/(from) reserves (Gains)/losses transferred to the	(5)	(122)	117	95.9	(151)
(75)	(53)	statement of financial performance	3	(12)	15	125.0	(12)
		Foreign currency translation differences on					
2	(144)	foreign operations	(54)	12	(66)	-	12
(58)	37	Other movements	(25)	(27)	2	7.4	42
(26,970)	(26,888)	Total comprehensive revenue and expense	15,128	6,496	8,632	132.9	1,679
(426)	(436)	Transactions with minority interests	(381)	(362)	(19)	(5.2)	(359)
115,943	116,015	Closing net worth	130,690	122,077	8,613	7.1	117,263

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

STATEMENT OF CASH FLOWS

For the 11 months ended 31 May 2021

Year to 30 June 2020	11 months to 31 May 2020		Current Year Actual vs Forecast				Annual BEFU Forecast \$m	
			Note	Actual \$m	Forecast \$m	Variance \$m		%
		Cash flows from operations						
		Cash was provided from						
83,156	77,178	Taxation receipts		87,936	83,263	4,673	5.6	89,621
5,294	4,893	Other sovereign receipts		5,951	5,853	98	1.7	6,473
18,289	17,102	Sales of goods and services		16,472	15,423	1,049	6.8	16,830
2,307	2,036	Interest receipts		1,584	1,803	(219)	(12.1)	1,959
4,544	3,679	Other operating receipts		4,107	4,038	69	1.7	4,264
113,590	104,888	Total cash provided from operations		116,050	110,380	5,670	5.1	119,147
		Cash was disbursed to						
42,945	27,981	Transfer payments and subsidies		32,514	32,801	287	0.9	35,885
77,192	80,997	Personnel and operating payments		78,161	79,229	1,068	1.3	88,737
3,849	3,512	Interest payments		3,067	3,478	411	11.8	3,793
-	-	Forecast new operating spending	7	-	-	-	-	500
-	-	Top-down expense adjustment	7	-	(1,013)	(1,013)	(100.0)	(2,025)
123,986	112,490	Total cash disbursed to operations		113,742	114,495	753	0.7	126,890
(10,396)	(7,602)	Net cash flows from operations		2,308	(4,115)	6,423	156.1	(7,743)
		Cash flows from investing activities						
		Cash was provided from/(disbursed to)						
(9,071)	(7,970)	Net (purchase)/sale of physical assets		(8,645)	(9,684)	1,039	10.7	(11,312)
(14,149)	(24,421)	Net (purchase)/sale of shares and other securities		5,371	11,510	(6,139)	(53.3)	11,559
(855)	(702)	Net (purchase)/sale of intangible assets		(704)	(767)	63	8.2	(944)
(1,290)	(2,784)	Net (issue)/repayment of advances		(5,539)	(5,570)	31	0.6	(6,870)
(286)	(401)	Net acquisition of investments in associates		(372)	(347)	(25)	(7.2)	(401)
-	-	Forecast new capital spending	7	-	-	-	-	-
-	-	Top-down capital adjustment	7	-	400	(400)	(100.0)	800
(25,651)	(36,278)	Net cash flows from investing activities		(9,889)	(4,458)	(5,431)	(121.8)	(7,168)
(36,047)	(43,880)	Net cash flows from operating and investing activities		(7,581)	(8,573)	992	11.6	(14,911)
		Cash Flows from financing activities						
		Cash was provided from/(disbursed to)						
1,209	1,356	Issues of circulating currency		220	397	(177)	(44.6)	397
7,598	16,622	Net issue/(repayment) of Government bonds		(1,350)	(3,392)	2,042	60.2	(2,103)
1,192	(791)	Net issue/(repayment) of foreign currency borrowing		702	(2,793)	3,495	125.1	(2,820)
27,366	30,847	Net issue/(repayment) of other New Zealand dollar borrowing		5,153	9,191	(4,038)	(43.9)	13,801
(479)	(485)	Dividends paid to minority interests		(377)	(275)	(102)	(37.1)	(239)
36,886	47,549	Net cash flows from financing activities		4,348	3,128	1,220	39.0	9,036
839	3,669	Net movement in cash		(3,233)	(5,445)	2,212	40.6	(5,875)
20,248	20,248	Opening cash balance		21,927	21,927	-	-	21,927
840	1,394	Foreign-exchange gains/(losses) on opening cash		(1,583)	(1,209)	(374)	(30.9)	(1,105)
21,927	25,311	Closing cash balance		17,111	15,273	1,838	12.0	14,947

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

STATEMENT OF CASH FLOWS (CONTINUED)

For the 11 months ended 31 May 2021

Year to 30 June 2020	11 months to 31 May 2020		Current Year Actual vs Forecast				Annual BEFU Forecast \$m
			Actual \$m	Forecast \$m	Variance \$m	%	
		Reconciliation between the net cash flows from operations and the operating balance					
(10,396)	(7,602)	Net cash flows from operations	2,308	(4,115)	6,423	156.1	(7,743)
		Gains/(losses) and other interests					
1,908	(1,887)	Net gains/(losses) on financial instruments	15,036	11,772	3,264	27.7	12,792
(7,372)	(9,442)	Net gains/(losses) on non-financial instruments	7,774	8,860	(1,086)	(12.3)	8,837
(3,258)	-	Net gains/(losses) on large scale asset purchases	(3,967)	(4,462)	495	11.1	(4,586)
1,193	113	Net surplus from associates and joint ventures	(502)	(505)	3	0.6	(535)
(402)	(157)	Minority interests share of operating balance	(188)	(231)	43	18.6	(219)
(7,931)	(11,373)	Total gains/(losses) and other interests	18,153	15,434	2,719	17.6	16,289
		Other non-cash items in operating balance					
(7,669)	(5,998)	Depreciation and amortisation	(6,147)	(6,089)	(58)	(1.0)	(6,420)
(1,279)	(1,258)	Cost of concessionary lending	(876)	(860)	(16)	(1.9)	(934)
(53)	(30)	Impairment of financial assets (excluding receivables)	(27)	(49)	22	44.9	(51)
(2,351)	(2,101)	Decrease/(increase) in insurance liabilities	(1,645)	(1,512)	(133)	(8.8)	(1,308)
453	1	Other	-	-	-	-	-
(10,899)	(9,386)	Total other non-cash items	(8,695)	(8,510)	(185)	(2.2)	(8,713)
		Movements in working capital					
631	1,062	Increase/(decrease) in receivables	447	498	(51)	(10.2)	675
21	126	Increase/(decrease) in accrued interest	1,194	1,394	(200)	(14.3)	1,391
254	221	Increase/(decrease) in inventories	275	420	(145)	(34.5)	302
108	216	Increase/(decrease) in prepayments	179	223	(44)	(19.7)	60
(68)	(53)	Decrease/(increase) in deferred revenue	2	167	(165)	(98.8)	259
(804)	158	Change in accumulating pension expenses	626	634	(8)	(1.3)	(1,924)
(956)	(472)	Decrease/(increase) in payables/provisions	167	(26)	193	-	678
(814)	1,258	Total movements in working capital	2,890	3,310	(420)	(12.7)	1,441
(30,040)	(27,103)	Operating balance (excluding minority interests)	14,656	6,119	8,537	139.5	1,274

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

STATEMENT OF FINANCIAL POSITION

As at 31 May 2021

As at 30 June 2020 Actual \$m	As at 31 May 2020 Actual \$m		Note	Current Year Actual vs Forecast			Annual BEFU Forecast \$m	
				Actual \$m	Forecast \$m	Variance \$m		%
Assets								
21,927	25,311	Cash and cash equivalents	9	17,111	15,273	1,838	12.0	14,947
24,743	26,994	Receivables	9	26,194	24,990	1,204	4.8	25,001
61,005	58,374	Marketable securities, deposits and derivatives in gain	9	58,350	54,855	3,495	6.4	57,741
33,791	34,918	Share investments	9	46,049	43,270	2,779	6.4	43,494
37,629	35,012	Advances	9	44,284	45,283	(999)	(2.2)	47,044
4,220	4,163	Investments in controlled enterprises	9	4,295	4,246	49	1.2	4,276
1,773	1,740	Inventory		2,048	2,193	(145)	(6.6)	2,075
3,610	3,070	Other assets		3,631	3,534	97	2.7	3,326
186,502	182,985	Property, plant and equipment	10	190,099	190,616	(517)	(0.3)	191,557
14,308	13,629	Equity accounted investments ¹		14,165	14,181	(16)	(0.1)	14,162
3,892	3,762	Intangible assets and goodwill		4,145	3,938	207	5.3	4,129
-	-	Forecast for new capital spending	7	-	-	-	-	-
-	-	Top-down capital adjustment	7	-	(400)	400	100.0	(800)
393,400	389,958	Total assets		410,371	401,979	8,392	2.1	406,952
Liabilities								
8,022	8,169	Issued currency		8,243	8,419	176	2.1	8,419
16,971	17,014	Payables	11	16,521	15,133	(1,388)	(9.2)	16,005
2,590	2,572	Deferred revenue		2,589	2,420	(169)	(7.0)	2,331
152,717	149,207	Borrowings	12	160,798	163,625	2,827	1.7	173,227
66,690	69,607	Insurance liabilities	13	59,937	58,787	(1,150)	(2.0)	58,529
13,983	13,021	Retirement plan liabilities		12,785	12,777	(8)	(0.1)	12,725
16,484	14,353	Provisions	14	18,808	18,741	(67)	(0.4)	18,453
277,457	273,943	Total liabilities		279,681	279,902	221	0.1	289,689
115,943	116,015	Total assets less total liabilities		130,690	122,077	8,613	7.1	117,263
Net worth								
3,154	6,958	Taxpayers' funds	15	18,287	9,380	8,907	95.0	4,600
112,334	106,943	Property, plant and equipment revaluation reserve	15	111,726	112,014	(288)	(0.3)	112,003
(3,886)	(2,887)	Defined benefit retirement plan revaluation reserve	15	(3,267)	(3,267)	-	-	(3,251)
(1,095)	(784)	Veterans' disability entitlements reserve	15	(1,095)	(1,095)	-	-	(1,095)
(187)	(267)	Other reserves	15	(267)	(254)	(13)	(5.1)	(267)
110,320	109,963	Total net worth attributable to the Crown		125,384	116,778	8,606	7.4	111,990
5,623	6,052	Net worth attributable to minority interest	15	5,306	5,299	7	0.1	5,273
115,943	116,015	Total net worth		130,690	122,077	8,613	7.1	117,263

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

STATEMENT OF SEGMENTS

For the 11 months ended 31 May 2021

	Current Year Actual vs Forecast									
	Core Crown		Crown entities		State-owned Enterprises		Inter-segment eliminations		Total Crown	
	Actual \$m	Forecast \$m	Actual \$m	Forecast \$m	Actual \$m	Forecast \$m	Actual \$m	Forecast \$m	Actual \$m	Forecast \$m
Revenue										
Taxation revenue	89,011	84,920	-	-	-	-	(577)	(579)	88,434	84,341
Other sovereign revenue	2,097	2,051	5,720	5,642	-	-	(1,673)	(1,674)	6,144	6,019
Revenue from core Crown funding	-	-	32,198	32,270	296	342	(32,494)	(32,612)	-	-
Sales of goods and services	1,328	1,329	3,061	3,032	13,334	12,131	(525)	(534)	17,198	15,958
Interest and dividend revenue	1,722	1,706	1,140	1,114	726	772	(943)	(914)	2,645	2,678
Other revenue	803	794	3,430	3,307	872	559	(1,899)	(1,878)	3,206	2,782
Total Revenue (excluding gains)	94,961	90,800	45,549	45,365	15,228	13,804	(38,111)	(38,191)	117,627	111,778
Expenses										
Transfer payments and subsidies	33,139	33,446	-	-	-	-	(992)	(939)	32,147	32,507
Personnel expenses	8,222	8,234	16,041	16,335	2,343	2,310	(43)	(34)	26,563	26,845
Other operating expenses	54,257	55,849	30,977	30,937	12,094	10,710	(37,070)	(36,978)	60,258	60,518
Interest expenses	1,820	1,803	166	164	561	594	(391)	(325)	2,156	2,236
Forecast new operating spending and top-down adjustment	-	(1,013)	-	-	-	-	-	-	-	(1,013)
Total Expenses (excluding losses)	97,438	98,319	47,184	47,436	14,998	13,614	(38,496)	(38,276)	121,124	121,093
Gains/(losses) and other items	5,941	3,369	11,135	10,614	(28)	15	1,105	1,436	18,153	15,434
Operating Balance (excluding minority interests)	3,464	(4,150)	9,500	8,543	202	205	1,490	1,521	14,656	6,119
Assets										
Financial assets	123,931	116,612	66,385	64,348	32,637	32,693	(26,670)	(25,737)	196,283	187,917
Property, plant and equipment	45,811	45,982	104,976	105,549	39,312	39,085	-	(1)	190,099	190,616
Investments in associates, CEs and SOEs	54,095	54,212	12,372	12,372	504	557	(52,806)	(52,960)	14,165	14,181
Other assets	5,261	5,033	2,291	2,246	2,613	2,715	(341)	(329)	9,824	9,665
Forecast and top-down capital adjustments	-	(400)	-	-	-	-	-	-	-	(400)
Total Assets	229,098	221,439	186,024	184,515	75,066	75,050	(79,817)	(79,027)	410,371	401,979
Liabilities										
Borrowings	131,131	131,764	11,456	12,504	38,303	38,893	(20,092)	(19,536)	160,798	163,625
Other liabilities	46,634	46,055	73,238	71,423	8,796	8,273	(9,785)	(9,474)	118,883	116,277
Total Liabilities	177,765	177,819	84,694	83,927	47,099	47,166	(29,877)	(29,010)	279,681	279,902
Net Worth	51,333	43,620	101,330	100,588	27,967	27,884	(49,940)	(50,017)	130,690	122,077
Cost of Acquisition of Physical Assets (Cash)	2,528	2,775	4,639	5,364	1,779	1,788	-	1	8,946	9,928

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

STATEMENT OF COMMITMENTS

As at 31 May 2021

	As at 31 May 2021 \$m	As at 30 Jun 2020 \$m	As at 31 May 2020 \$m
Capital Commitments			
State highways	5,172	4,788	5,579
Specialist military equipment	2,537	2,677	1,679
Land and buildings	5,682	5,395	5,370
Other property, plant and equipment	3,411	3,833	3,865
Other capital commitments	1,499	1,694	1,829
Universities and Wānanga	400	400	595
Total capital commitments	18,701	18,787	18,917
Operating Commitments			
Non-cancellable accommodation leases	5,018	5,095	4,393
Other non-cancellable leases	3,898	3,969	3,503
Universities and Wānanga	1,084	1,084	936
Total operating commitments	10,000	10,148	8,832
Total commitments	28,701	28,935	27,749
Total Commitments by Segment			
Core Crown	14,133	14,484	12,006
Crown entities	10,514	9,690	10,424
State-owned Enterprises	6,195	6,646	6,396
Inter-segment eliminations	(2,141)	(1,885)	(1,077)
Total commitments	28,701	28,935	27,749

STATEMENT OF CONTINGENT LIABILITIES AND ASSETS

As at 31 May 2021

	As at 31 May 2021 \$m	As at 30 Jun 2020 \$m	As at 31 May 2020 \$m
Quantifiable Contingent Liabilities			
Uncalled capital	8,483	8,384	8,668
Guarantees and indemnities	290	263	257
Legal proceedings and disputes	454	491	399
Other contingent liabilities	542	485	680
Total quantifiable contingent liabilities	9,769	9,623	10,004
Total Quantifiable Contingent Liabilities by Segment			
Core Crown	9,484	9,453	9,688
Crown entities	177	89	72
State-owned Enterprises	203	210	345
Inter-segment eliminations	(95)	(129)	(101)
Total quantifiable contingent liabilities	9,769	9,623	10,004
Quantifiable Contingent Assets			
Core Crown	22	17	68
Crown entities	26	28	-
State-owned Enterprises	-	-	-
Inter-segment eliminations	-	-	-
Total quantifiable contingent assets	48	45	68

A list of unquantifiable contingent liabilities as at 31 March 2021 and their descriptions is included on the Treasury's website as part of the BEFU 2021. This can be found on pages 81 to 89.

<https://www.treasury.govt.nz/publications/efu/budget-economic-and-fiscal-update-2021>

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

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1: Accounting Policies

Reporting Entity

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

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

A schedule of the entities that are included in the Government reporting entity was set out on pages 93 to 96 of the *BEFU 2021* published on 20 May 2021.

The figures presented in these financial statements for 30 June 2020 are audited. All other figures are unaudited.

Basis of Preparation and General Accounting Policies

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

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

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

Specific Accounting Policies

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

Forecasts

The annual forecasts in these financial statements are for the year to 30 June 2021, based on the *BEFU 2021* published on 20 May 2021.

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

Comparative Figures

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

Variance Percentages

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

Judgements and Estimates

The preparation of these financial statements requires judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, revenue and expenses.

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

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

Further detail on the judgements and estimates used can be found on pages 58 to 61 of the *Financial Statements of the Government of New Zealand for the year ended 30 June 2020* published on 24 November 2020.

NOTES TO THE FINANCIAL STATEMENTS

Year to 30 June 2020	11 months to 31 May 2020		Current Year Actual vs Forecast				Annual BEFU Forecast \$m
			Actual \$m	Forecast \$m	Variance \$m	%	
		NOTE 2: Sovereign Revenue					
		Taxation revenue					
		Individuals					
34,963	31,999	Source deductions	34,671	33,990	681	2.0	37,090
7,128	6,838	Other persons	7,769	7,278	491	6.7	7,785
(1,887)	(1,672)	Refunds	(1,542)	(1,553)	11	0.7	(1,947)
593	558	Fringe benefit tax	547	573	(26)	(4.5)	611
40,797	37,723	Total individuals	41,445	40,288	1,157	2.9	43,539
		Corporate tax					
11,958	11,453	Gross companies tax	13,943	12,180	1,763	14.5	13,209
(424)	(357)	Refunds	(276)	(282)	6	2.1	(314)
570	476	Non-resident withholding tax	403	405	(2)	(0.5)	456
12,104	11,572	Total corporate tax	14,069	12,303	1,766	14.4	13,351
		Other direct income tax					
1,529	1,458	Resident w/holding tax on interest income	934	1,012	(78)	(7.7)	1,110
828	728	Resident w/holding tax on dividend income	1,400	906	494	54.5	958
2,357	2,186	Total other direct income tax	2,334	1,918	416	21.7	2,068
55,258	51,481	Total direct income tax	57,848	54,509	3,339	6.1	58,958
		Goods and services tax					
35,861	33,185	Gross goods and services tax	36,453	35,711	742	2.1	38,510
(14,112)	(13,126)	Refunds	(12,917)	(12,747)	(170)	(1.3)	(13,986)
21,749	20,059	Total goods and services tax	23,536	22,964	572	2.5	24,524
		Other indirect taxation					
1,877	1,687	Petroleum fuels excise and duty ¹	1,985	1,944	41	2.1	2,136
2,168	2,017	Tobacco excise and duty ¹	1,496	1,393	103	7.4	1,468
1,716	1,536	Road user charges	1,773	1,751	22	1.3	1,897
1,064	994	Alcohol excise and duty ¹	1,157	1,150	7	0.6	1,232
164	154	Other customs duty	156	138	18	13.0	145
525	464	Miscellaneous indirect tax	483	492	(9)	(1.8)	579
7,514	6,852	Total other indirect taxation	7,050	6,868	182	2.6	7,457
29,263	26,911	Total indirect taxation	30,586	29,832	754	2.5	31,981
84,521	78,392	Total taxation revenue	88,434	84,341	4,093	4.9	90,939
		Other sovereign revenue					
3,032	2,668	ACC levies	2,967	2,905	62	2.1	3,171
1,043	945	Emissions trading revenue	1,257	1,255	2	0.2	1,366
596	530	Fire Service levies	537	517	20	3.9	588
446	405	EQC levies	477	476	1	0.2	520
254	232	Child support and working for families penalties	207	204	3	1.5	231
134	107	Court fines	107	111	(4)	(3.6)	115
764	703	Other miscellaneous items	592	551	41	7.4	623
6,269	5,590	Total other sovereign revenue	6,144	6,019	125	2.1	6,614
90,790	83,982	Total sovereign revenue	94,578	90,360	4,218	4.7	97,553

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

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

NOTES TO THE FINANCIAL STATEMENTS

Year to 30 June 2020	11 months to 31 May 2020		Current Year Actual vs Forecast				Annual BEFU Forecast \$m
			Actual \$m	Forecast \$m	Variance \$m	%	
NOTE 3: Interest Revenue and Dividends							
2,300	2,131	Interest revenue	1,833	1,905	(72)	(3.8)	2,015
906	834	Dividends	812	773	39	5.0	878
3,206	2,965	Total interest revenue and dividends	2,645	2,678	(33)	(1.2)	2,893
NOTE 4: Transfer Payments and Subsidies							
15,521	14,203	New Zealand superannuation	15,151	15,142	(9)	(0.1)	16,554
12,095	10,723	Wage Subsidy Scheme	1,234	1,311	77	5.9	1,337
2,189	1,960	Family tax credit	1,896	1,954	58	3.0	2,130
2,285	2,036	Jobseeker support and emergency benefit	2,974	2,996	22	0.7	3,273
1,923	1,744	Accommodation assistance	2,111	2,133	22	1.0	2,337
1,650	1,503	Supported living payment	1,671	1,675	4	0.2	1,831
1,231	1,117	Sole parent support	1,333	1,342	9	0.7	1,470
893	854	KiwiSaver subsidies	847	848	1	0.1	929
736	544	Official development assistance	566	621	55	8.9	825
641	557	Other working for families tax credits	508	555	47	8.5	623
567	509	Student allowances	526	542	16	3.0	610
669	475	Winter energy payment	712	714	2	0.3	816
395	362	Disability allowances	375	374	(1)	(0.3)	408
418	379	Hardship assistance	442	451	9	2.0	495
248	228	Orphan's/unsupported child's benefit	269	270	1	0.4	294
184	160	Best start	239	251	12	4.8	276
63	55	Income related rent subsidy	88	74	(14)	(18.9)	80
899	860	Other social assistance benefits	1,205	1,254	49	3.9	1,348
42,607	38,269	Total transfer payments and subsidies	32,147	32,507	360	1.1	35,636
NOTE 5: Finance Costs							
3,499	3,259	Interest on financial liabilities	2,070	2,160	90	4.2	2,411
255	175	Interest unwind on provisions and other interest	86	76	(10)	(13.2)	116
3,754	3,434	Total finance costs	2,156	2,236	80	3.6	2,527
NOTE 6: Insurance Expenses							
6,246	6,032	ACC	5,872	5,843	(29)	(0.5)	6,282
614	190	EQC	187	200	13	6.5	214
27	(24)	Southern Response	62	62	-	-	68
16	16	Other insurance expenses	20	19	(1)	(5.3)	21
6,903	6,214	Total insurance expenses	6,141	6,124	(17)	(0.3)	6,585

NOTE 7: Forecast Adjustments

Top-down adjustment

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

Forecast for new operating and new capital spending

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

Forecast new operating spending and forecast new capital spending includes unallocated contingencies. Unallocated contingencies represent expenses or capital spending from Budget 2021 and previous Budgets that has yet to be allocated to appropriations for departments.

NOTES TO THE FINANCIAL STATEMENTS

As at 30 June 2020 \$m	As at 31 May 2020 \$m		Current Year Actual vs Forecast				Annual BEFU Forecast \$m
			Actual \$m	Forecast \$m	Variance \$m	%	
NOTE 8: Net Gains and Losses on Non-financial instruments							
(5,974)	(9,142)	Actuarial gains/(losses) on ACC liability	8,398	9,414	(1,016)	(10.8)	9,469
(1,097)	(239)	Gains/(losses) on the Emissions Trading Scheme	(594)	(581)	(13)	(2.2)	(586)
(301)	(61)	Other	(30)	27	(57)	(211.1)	(46)
(7,372)	(9,442)	Net gains/(losses) on non-financial instruments	7,774	8,860	(1,086)	(12.3)	8,837
NOTE 9: Financial Assets and Sovereign Receivables							
21,927	25,311	Cash and cash equivalents	17,111	15,273	1,838	12.0	14,947
14,290	15,385	Tax receivables	14,756	14,734	22	0.1	14,612
10,453	11,609	Other receivables	11,438	10,256	1,182	11.5	10,389
10,395	10,568	Student loans	10,188	10,244	(56)	(0.5)	10,833
22,189	22,005	Kiwibank mortgages	24,919	24,416	503	2.1	24,615
5,045	2,439	Other advances	9,177	10,623	(1,446)	(13.6)	11,596
5,443	6,071	Long-term deposits	5,069	4,299	770	17.9	4,046
2,538	2,562	IMF financial assets	2,422	2,420	2	0.1	2,420
33,791	34,918	Share investments	46,049	43,270	2,779	6.4	43,494
4,220	4,163	Investments in controlled enterprises	4,295	4,246	49	1.2	4,276
7,166	8,199	Derivatives in gain	6,117	7,362	(1,245)	(16.9)	7,274
45,858	41,542	Other marketable securities	44,742	40,774	3,968	9.7	44,001
183,315	184,772	Total financial assets and sovereign receivables	196,283	187,917	8,366	4.5	192,503
Financial assets by entity							
35,474	25,925	The Treasury	52,515	47,942	4,573	9.5	45,984
37,759	41,284	Reserve Bank of New Zealand	44,697	51,879	(7,182)	(13.8)	52,545
48,221	48,580	NZ Superannuation Fund	61,046	61,121	(75)	(0.1)	61,260
28,883	33,624	Other core Crown	33,153	29,531	3,622	12.3	30,034
(30,068)	(28,473)	Intra-segment eliminations	(67,480)	(73,861)	6,381	8.6	(69,299)
120,269	120,940	Total core Crown segment	123,931	116,612	7,319	6.3	120,524
51,135	50,862	ACC	53,773	52,185	1,588	3.0	51,945
808	845	EQC	612	482	130	27.0	469
15,899	15,105	Other Crown entities	15,486	14,979	507	3.4	14,616
(4,603)	(2,964)	Intra-segment eliminations	(3,486)	(3,298)	(188)	(5.7)	(3,433)
63,239	63,848	Total Crown entities segment	66,385	64,348	2,037	3.2	63,597
30,004	30,096	Total State-owned Enterprises segment	32,637	32,693	(56)	(0.2)	34,291
(30,197)	(30,112)	Inter-segment eliminations	(26,670)	(25,736)	(934)	(3.6)	(25,909)
183,315	184,772	Total financial assets and sovereign receivables	196,283	187,917	8,366	4.5	192,503

NOTES TO THE FINANCIAL STATEMENTS

As at 30 June 2020 \$m	As at 31 May 2020 \$m		Current Year Actual vs Forecast				Annual BEFU Forecast \$m
			Actual \$m	Forecast \$m	Variance \$m	%	
NOTE 10: Property, Plant and Equipment							
Net Carrying Value²							
By class of asset:							
57,835	55,268	Land	58,040	57,893	147	0.3	58,086
45,054	43,795	Buildings	46,961	47,191	(230)	(0.5)	47,835
39,410	38,674	State highways	40,661	40,927	(266)	(0.6)	41,135
17,091	16,993	Electricity generation assets	16,570	16,707	(137)	(0.8)	16,676
4,291	4,260	Electricity distribution network (cost)	4,312	4,733	(421)	(8.9)	4,220
3,339	3,596	Specialist military equipment	3,581	3,579	2	0.1	3,652
3,025	3,155	Specified cultural and heritage assets	3,079	3,078	1	-	3,087
3,794	5,197	Aircraft (excl military)	3,722	3,280	442	13.5	3,715
6,872	6,489	Rail network	6,936	6,913	23	0.3	6,750
5,791	5,558	Other plant and equipment (cost)	6,237	6,315	(78)	(1.2)	6,401
186,502	182,985	Total net carrying value	190,099	190,616	(517)	(0.3)	191,557
Land breakdown by usage							
19,910	19,088	Housing stock	20,053	19,925	128	0.6	19,980
14,724	13,745	State highway corridor land	14,696	14,724	(28)	(0.2)	14,698
6,741	6,616	Conservation estate	6,719	6,720	(1)	-	6,724
3,779	3,519	Rail network corridor land	3,791	3,792	(1)	-	3,820
6,055	5,757	Schools	6,011	6,053	(42)	(0.7)	6,085
1,146	1,254	Commercial (SOE) excluding rail	1,174	1,105	69	6.2	1,176
5,480	5,289	Other	5,596	5,574	22	0.4	5,603
57,835	55,268	Total land	58,040	57,893	147	0.3	58,086
Schedule of Movements							
Cost or Valuation							
192,808	192,808	Opening balance	205,689	205,689	-	-	205,689
9,568	8,680	Additions	9,517	10,203	(686)	(6.7)	11,481
(1,202)	(644)	Disposals	(730)	(672)	(58)	(8.6)	(861)
2,477	(31)	Net revaluations	(370)	(446)	76	17.0	(443)
2,038	2,375	Other ³	(43)	64	(107)	(167.2)	67
205,689	203,188	Total cost or valuation	214,063	214,838	(775)	(0.4)	215,933
Accumulated Depreciation & Impairment							
15,189	15,183	Opening balance	19,187	19,187	-	-	19,187
(686)	(345)	Eliminated on disposal	(379)	(8)	(371)	-	(239)
(2,086)	(27)	Eliminated on revaluation	(218)	(190)	(28)	(15)	(192)
1,193	-	Impairment losses charged to operating balance	-	-	-	-	-
5,294	4,958	Depreciation expense and impairment losses	5,349	5,336	13	0.2	5,634
283	434	Other ³	25	(103)	128	124.3	(14)
19,187	20,203	Total accumulated depreciation & impairment	23,964	24,222	(258)	(1.1)	24,376
186,502	182,985	Total property, plant and equipment	190,099	190,616	(517)	(0.3)	191,557

2. Using a revaluation methodology unless otherwise stated.

3. The 30 June 2020 balances include the opening balances of the newly created Te Pūkenga - New Zealand Institute of Skills and Technology. These were previously recorded within equity accounted investments in the Statement of Financial Position as part of the tertiary education institutions (TEIs).

NOTES TO THE FINANCIAL STATEMENTS

As at 30 June 2020 \$m	As at 31 May 2020 \$m		Current Year Actual vs Forecast				Annual BEFU Forecast \$m
			Actual \$m	Forecast \$m	Variance \$m	%	
NOTE 11: Payables							
11,928	11,776	Accounts payable	11,057	10,111	(946)	(9.4)	10,880
5,043	5,238	Taxes repayable	5,464	5,022	(442)	(8.8)	5,125
16,971	17,014	Total payables	16,521	15,133	(1,388)	(9.2)	16,005
NOTE 12: Borrowings							
64,363	58,174	Government bonds	68,480	67,002	(1,478)	(2.2)	68,561
23,027	25,358	Settlement deposits with Reserve Bank	29,276	32,218	2,942	9.1	38,791
5,567	7,315	Derivatives in loss	4,396	4,479	83	1.9	4,389
11,269	9,719	Treasury bills	7,594	7,376	(218)	(3.0)	7,526
1,495	1,576	Finance lease liabilities	1,291	1,386	95	6.9	1,484
242	238	Government retail stock	183	214	31	14.5	214
46,754	46,827	Other borrowings	49,578	50,950	1,372	2.7	52,262
152,717	149,207	Total borrowings	160,798	163,625	2,827	1.7	173,227
109,547	105,803	Sovereign-guaranteed debt	115,860	116,432	572	0.5	125,571
43,170	43,404	Non sovereign-guaranteed debt	44,938	47,193	2,255	4.8	47,656
152,717	149,207	Total borrowings	160,798	163,625	2,827	1.7	173,227

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

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

NOTE 13: Insurance Liabilities							
64,946	68,323	ACC liability	58,918	57,844	(1,074)	(1.9)	57,608
1,528	1,128	EQC property damage liability	866	800	(66)	(8.3)	765
168	109	Southern Response	106	106	-	-	106
48	47	Other insurance liabilities	47	37	(10)	(27.0)	50
66,690	69,607	Total insurance liabilities	59,937	58,787	(1,150)	(2.0)	58,529

The most recent valuation of the ACC liability was as at 31 December 2020, updated monthly for changes to discount rates.

NOTE 14: Provisions							
5,535	5,037	Provision for employee entitlements	6,186	6,262	76	1.2	5,848
3,483	3,176	Veterans disability entitlements	3,502	3,482	(20)	(0.6)	3,507
3,804	2,937	Provision for emissions trading scheme credits	5,257	5,065	(192)	(3.8)	5,255
857	828	Provision for National Provident Fund guarantee	796	783	(13)	(1.7)	777
2,805	2,375	Other provisions	3,067	3,149	82	2.6	3,066
16,484	14,353	Total provisions	18,808	18,741	(67)	(0.4)	18,453

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

NOTES TO THE FINANCIAL STATEMENTS

As at 30 June 2020 \$m	As at 31 May 2020 \$m		Current Year Actual vs Forecast				Annual BEFU Forecast \$m
			Actual \$m	Forecast \$m	Variance \$m	%	
NOTE 15: Changes in Net Worth							
3,154	6,958	Taxpayers' funds	18,287	9,380	8,907	95.0	4,600
112,334	106,943	Property, plant and equipment revaluation reserve	111,726	112,014	(288)	(0.3)	112,003
(3,886)	(2,887)	Defined benefit retirement plan revaluation reserve	(3,267)	(3,267)	-	-	(3,251)
(1,095)	(784)	Veterans' disability entitlements reserve	(1,095)	(1,095)	-	-	(1,095)
5,623	6,052	Net worth attributable to minority interests	5,306	5,299	7	0.1	5,273
(187)	(267)	Other reserves	(267)	(254)	(13)	(5.1)	(267)
115,943	116,015	Total net worth	130,690	122,077	8,613	7.1	117,263
33,966	33,966	Opening taxpayers funds	3,154	3,154	-	-	3,154
(30,040)	(27,103)	Operating balance excluding minority interests	14,656	6,119	8,537	139.5	1,274
(772)	95	Transfers from/(to) other reserves	477	107	370	345.8	172
3,154	6,958	Closing taxpayers funds	18,287	9,380	8,907	95.0	4,600
106,495	106,495	Opening property, plant and equipment revaluation reserve	112,334	112,334	-	-	112,334
5,233	561	Net revaluations	(253)	(323)	70	21.7	(340)
606	(113)	Transfers from/(to) other reserves	(355)	3	(358)	-	9
112,334	106,943	Closing property, plant and equipment revaluation reserve	111,726	112,014	(288)	(0.3)	112,003
6,390	6,390	Opening net worth attributable to minority interests	5,623	5,623	-	-	5,623
(767)	(338)	Net movements	(317)	(324)	7	2.2	(350)
5,623	6,052	Closing net worth attributable to minority interests	5,306	5,299	7	0.1	5,273
(113)	(112)	Opening other reserves	(187)	(187)	-	-	(187)
(74)	(155)	Net movements	(80)	(67)	(13)	(19.4)	(80)
(187)	(267)	Closing other reserves	(267)	(254)	(13)	(5.1)	(267)

FISCAL INDICATOR ANALYSIS

For the 11 months ended 31 May 2021

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

Year to 30 June 2020	11 months to 31 May 2020		Current Year Actual vs Forecast				Annual BEFU Forecast
			Actual \$m	Forecast \$m	Variance \$m	%	
		Operating Balance					
116,003	107,204	Total revenue	117,627	111,778	5,849	5.2	121,187
138,916	122,934	Less total expenses	121,124	121,093	31	-	136,202
(8,722)	(11,329)	Total gains/(losses)	18,843	16,170	2,673	16.5	17,043
402	(157)	Minority interests share of operating balance	(188)	(231)	43	18.6	(219)
1,193	113	Net surplus from associates and joint ventures	(502)	(505)	3	0.6	(535)
(30,040)	(27,103)	Operating balance	14,656	6,119	8,537	139.5	1,274
		Reconciliation Between the Operating Balance and OBEGAL					
(30,040)	(27,103)	Operating balance	14,656	6,119	8,537	139.5	1,274
		Less items excluded from OBEGAL:					
(3,258)	-	Net gains/(losses) on large scale asset purchases	(3,967)	(4,462)	495	11.1	(4,586)
1,908	(1,887)	Net gains/(losses) on financial instruments	15,036	11,772	3,264	27.7	12,792
(7,372)	(9,442)	Net gains/(losses) on non-financial instruments	7,774	8,860	(1,086)	(12.3)	8,837
546	78	Minority interests share of total gains/(losses)	(41)	(100)	59	59.0	(107)
1,193	113	Net surplus from associates and joint ventures	(502)	(505)	3	1	(535)
(23,057)	(15,965)	OBEGAL	(3,644)	(9,446)	5,802	61.4	(15,127)

FISCAL INDICATOR ANALYSIS

For the 11 months ended 31 May 2021

Expenses by Functional Classification

Year to 30 June 2020	11 months to 31 May 2020		Note	Current Year Actual vs Forecast			Annual BEFU Forecast	
				Actual	Forecast	Variance		
Actual \$m	Actual \$m			\$m	\$m	\$m	%	\$m
Total Crown expenses								
49,900	45,302	Social security and welfare		39,347	39,810	463	1.2	43,526
20,469	18,102	Health		20,860	21,009	149	0.7	23,780
17,581	15,879	Education		15,513	15,945	432	2.7	17,837
5,869	4,378	Core government services		3,794	3,909	115	2.9	5,011
5,304	4,786	Law and order		4,914	5,099	185	3.6	5,803
12,962	10,377	Transport and communications		9,968	9,879	(89)	(0.9)	11,601
11,246	9,880	Economic and industrial services		11,831	11,137	(694)	(6.2)	12,612
2,482	2,204	Defence		2,345	2,328	(17)	(0.7)	2,643
2,904	2,650	Heritage, culture and recreation		3,032	3,167	135	4.3	3,428
2,430	2,258	Primary services		2,300	2,486	186	7.5	2,794
2,393	2,236	Housing and community development		2,942	3,164	222	7.0	3,498
1,472	1,273	Environmental protection		1,715	1,488	(227)	(15.3)	1,882
87	109	GSF pension expenses		82	84	2	2.4	106
63	66	Other		325	365	40	11.0	679
3,754	3,434	Finance costs		2,156	2,236	80	3.6	2,527
-	-	Forecast new operating spending	7	-	-	-	-	500
-	-	Top-down expense adjustment	7	-	(1,013)	(1,013)	(100.0)	(2,025)
138,916	122,934	Total Crown expenses excluding losses		121,124	121,093	(31)	-	136,202

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

Year to 30 June 2020	11 months to 31 May 2020		Note	Current Year Actual vs Forecast			Annual BEFU Forecast	
				Actual	Forecast	Variance		
Actual \$m	Actual \$m			\$m	\$m	\$m	%	\$m
Core Crown expenses								
44,028	39,578	Social security and welfare		33,791	34,133	342	1.0	37,411
19,891	18,128	Health		20,953	21,237	284	1.3	23,837
16,322	14,819	Education		13,885	14,301	416	2.9	16,326
6,083	4,582	Core government services		4,931	5,141	210	4.1	6,161
4,911	4,448	Law and order		4,663	4,802	139	2.9	5,450
3,179	2,593	Transport and communications		4,874	4,869	(5)	(0.1)	5,859
3,988	3,778	Economic and industrial services		4,147	4,412	265	6.0	4,959
2,499	2,219	Defence		2,360	2,344	(16)	(0.7)	2,659
1,106	993	Heritage, culture and recreation		1,340	1,446	106	7.3	1,550
961	898	Primary services		888	1,046	158	15.1	1,304
1,015	912	Housing and community development		1,697	1,773	76	4.3	2,000
1,485	1,279	Environmental protection		1,717	1,592	(125)	(7.9)	2,034
73	96	GSF pension expenses		68	68	-	-	74
63	66	Other		325	365	40	11.0	679
3,228	2,952	Finance costs		1,799	1,803	4	0.2	1,967
-	-	Forecast new operating spending	7	-	-	-	-	500
-	-	Top-down expense adjustment	7	-	(1,013)	(1,013)	(100.0)	(2,025)
108,832	97,341	Core Crown expenses excluding losses		97,438	98,319	881	0.9	110,745

FISCAL INDICATOR ANALYSIS

For the 11 months ended 31 May 2021

Core Crown Residual Cash

Year to 30 June 2020	11 months to 31 May 2020		Current Year Actual vs Forecast				Annual BEFU Forecast
			Actual \$m	Forecast \$m	Variance \$m	%	
							\$m
		Core Crown Cash Flows from Operations					
84,310	78,045	Tax receipts	88,965	84,351	4,614	5.5	90,495
1,226	1,158	Other sovereign receipts	1,997	1,977	20	1.0	2,219
428	425	Interest receipts	201	221	(20)	(9.0)	227
3,243	2,867	Sale of goods & services and other receipts	2,703	2,595	108	4.2	2,862
(43,916)	(28,895)	Transfer payments and subsidies	(33,451)	(33,739)	288	0.9	(37,021)
(56,583)	(62,194)	Personnel and operating costs	(58,908)	(60,145)	1,237	2.1	(67,981)
(3,016)	(2,943)	Interest payments	(2,547)	(2,617)	70	2.7	(2,723)
-	-	Forecast for future new operating spending	-	-	-	-	(500)
-	-	Top-down expense adjustment	-	1,013	(1,013)	(100.0)	2,025
(14,308)	(11,537)	Net core Crown operating cash flows	(1,040)	(6,344)	5,304	83.6	(10,397)
(2,955)	(2,538)	Net purchase of physical and intangible assets	(2,770)	(3,083)	313	10.2	(3,536)
(1,798)	(1,353)	Net increase in advances	(3,882)	(4,740)	858	18.1	(5,747)
(3,171)	(3,018)	Net purchase of investments	(3,469)	(3,713)	244	6.6	(4,277)
(1,460)	(1,338)	Contributions to New Zealand Superannuation Fund	(1,943)	(1,943)	-	-	(2,120)
-	-	Forecast for future new capital spending	-	-	-	-	-
-	-	Top-down capital adjustment	-	400	(400)	(100.0)	800
(9,384)	(8,247)	Net core Crown capital cash flows	(12,064)	(13,079)	1,015	7.8	(14,880)
(23,692)	(19,784)	Core Crown residual cash surplus / (deficit)	(13,104)	(19,423)	6,319	32.5	(25,277)
		<i>The core Crown residual cash surplus / (deficit) is funded or invested as follows:</i>					
		Debt Programme Cash Flows					
		Market:					
31,951	19,952	Issue of government bonds	44,874	45,399	(525)	(1.2)	49,487
(5,380)	(5,380)	Repayment of government bonds	(11,059)	(11,059)	-	-	(11,059)
8,415	7,777	Net issue/(repayment) of short-term borrowing	(3,645)	(3,791)	146	3.9	(5,441)
34,986	22,349	Total market debt cash flows	30,170	30,549	(379)	(1.2)	32,987
		Non market:					
-	-	Issue of government bonds	-	-	-	-	-
-	-	Repayment of government bonds	-	-	-	-	-
-	-	Net issue/(repayment) of short-term borrowing	-	-	-	-	-
-	-	Total non-market debt cash flows	-	-	-	-	-
34,986	22,349	Total debt programme cash flows	30,170	30,549	(379)	(1.2)	32,987
		Other Borrowing Cash Flows					
(3,045)	19,553	Net (repayment)/issue of other New Zealand dollar borrowing	(28,203)	(28,207)	4	-	(25,918)
1,121	(1,851)	Net (repayment)/issue of foreign currency borrowing	29	(1,671)	1,700	101.7	(1,700)
(1,924)	17,702	Total other borrowing cash flows	(28,174)	(29,878)	1,704	101.7	(27,618)
		Investing Cash Flows					
(14,911)	(22,700)	Other net sale/(purchase) of marketable securities and deposits	4,999	12,038	(7,039)	(58.5)	12,401
1,209	1,356	Issues of circulating currency	220	397	(177)	(44.6)	397
4,332	1,077	Decrease/(increase) in cash	5,889	6,317	(428)	(6.8)	7,110
(9,370)	(20,267)	Total investing cash flows	11,108	18,752	(7,644)	(40.8)	19,908
23,692	19,784	Core Crown residual cash deficit / (surplus) funding	13,104	19,423	(6,319)	(32.5)	25,277

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

⁴ The June 2020 column has been restated to show repurchases of Government bonds by the Reserve Bank within net (repayment)/issue of other New Zealand dollar borrowing. These amounts were previously disclosed as investing cashflows within other net sale/(purchase) of marketable securities and deposits.

FISCAL INDICATOR ANALYSIS

As at 31 May 2021

Net Debt and Gross Debt

As at 30 June 2020 Actual \$m	As at 31 May 2020 Actual \$m		Current Year Actual vs Forecast				Annual BEFU Forecast \$m
			Actual \$m	Forecast \$m	Variance \$m	%	
		Net Debt:					
124,145	119,164	Gross sovereign-issued debt	129,278	127,061	(2,217)	(1.7)	136,919
(40,770)	(40,498)	Less liquid financial assets (per net debt definition)	(27,761)	(19,505)	8,256	42.3	(23,264)
83,375	78,666	Net core Crown Debt	101,517	107,556	6,039	5.6	113,655
Analysis of financial liabilities and assets included in net debt							
		Gross sovereign-issued debt:					
126,820	122,798	Core Crown borrowings	131,911	131,766	(145)	(0.1)	139,892
(2,675)	(3,634)	Add back NZS Fund holdings of sovereign-issued debt and NZS Fund borrowings	(2,633)	(4,705)	(2,072)	(44.0)	(2,973)
124,145	119,164	Gross sovereign-issued debt	129,278	127,061	(2,217)	(1.7)	136,919
		Liquid financial assets:					
102,169	101,463	Core Crown financial assets	105,035	98,109	(6,926)	(7.1)	102,036
(46,843)	(46,666)	Less NZS Fund holdings of core Crown financial assets and NZS Fund financial assets	(59,252)	(59,788)	(536)	(0.9)	(58,363)
-	-	Less FLP advances	(3,058)	(3,500)	(442)	(12.6)	(4,540)
(14,556)	(14,299)	Less other advances	(14,964)	(15,316)	(352)	(2.3)	(15,869)
(61,399)	(60,965)	NZS Fund and advances	(77,274)	(78,604)	(1,330)	(1.7)	(78,772)
40,770	40,498	Liquid financial assets (per net debt definition)	27,761	19,505	(8,256)	(42.3)	23,264
		Additional net debt analysis					
83,375	78,666	Net core Crown debt	101,517	107,556	6,039	5.6	113,655
(61,399)	(60,965)	Less NZS Fund and advances	(77,274)	(78,604)	(1,330)	(1.7)	(78,772)
21,976	17,701	Net core Crown debt (incl. NZS Fund and advances)	24,243	28,952	4,709	16.3	34,883
83,375	78,666	Net core Crown debt	101,517	107,556	6,039	5.6	113,655
-	-	less FLP advances	(3,058)	(3,500)	(442)	(12.6)	(4,540)
83,375	78,666	Net core Crown debt (incl. FLP advances)	98,459	104,056	5,597	5.4	109,115
		Gross Debt:					
124,145	119,164	Gross sovereign-issued debt	129,278	127,061	(2,217)	(1.7)	136,919
(23,488)	(26,227)	Less Reserve Bank settlement cash and Reserve Bank bills	(30,252)	(34,918)	(4,666)	(13.4)	(41,491)
1,600	1,600	Add back changes to government borrowing owing to settlement cash	1,600	1,600	-	-	1,600
102,257	94,537	Gross sovereign-issued debt excluding Reserve Bank settlement cash and Reserve Bank bills	100,626	93,743	(6,883)	(7.3)	97,028
		Monetary Liabilities					
8,022	8,169	Issued currency	8,243	8,419	176	2.1	8,419
23,027	25,358	Settlement deposits with Reserve Bank	29,276	32,218	2,942	9.1	38,791
31,049	33,527	Total Monetary Liabilities	37,519	40,637	3,118	7.7	47,210

Gross sovereign-issued debt (GSID) represents debt issued by the sovereign (the core Crown) and includes any government stock held by the other Crown reporting entities.

Core Crown borrowings in this instance include unsettled purchases of securities (classified as accounts payable in the Statement of Financial Position).

Core Crown financial assets exclude receivables, except for unsettled sales of securities.

The Reserve Bank has used \$1.6 billion of settlement cash to purchase reserves that were to have been funded by the government borrowing programme. Therefore, the impact of settlement cash on GSID is adjusted by this amount.

Monetary liabilities facilitate payments to be effected in New Zealand dollars, thereby ensuring the smooth functioning of the economy.

FISCAL INDICATOR ANALYSIS

Reconciliation between the Financial Statements and the Key Fiscal Indicators

Financial Results	31 May 2021 Actual \$m	31 May 2021 Forecast \$m	Variance \$m	Variance %	Annual Forecast \$m
Core Crown taxation revenue...	89,011	84,920	4,091	4.8	91,543
...combined with other core Crown revenue...	5,950	5,880	70	1.2	6,399
...funds core Crown expenses...	(97,438)	(98,319)	881	0.9	(110,745)
...and including SOE and Crown entity revenues and expenses...	(1,167)	(1,927)	760	39.4	(2,324)
...results in an OBEGAL ...	(3,644)	(9,446)	5,802	61.4	(15,127)
...with gains/losses leading to an operating surplus/(deficit) ...	14,656	6,119	8,537	139.5	1,274
...removing net income in SOEs, Crown entities and the NZS Fund...	(20,653)	(17,378)	(3,275)	(18.8)	(17,202)
...and some items do not impact cash.	4,957	4,915	42	0.9	5,531
This leads to a core Crown operating residual cash surplus/(deficit)...	(1,040)	(6,344)	5,304	83.6	(10,397)
...used to make contributions to the NZS Fund...	(1,943)	(1,943)	-	-	(2,120)
...and to use for purchase of physical and intangible assets...	(2,770)	(3,083)	313	10.2	(3,536)
...and to make advances (eg, to students) and investments...	(7,351)	(8,453)	1,102	13.0	(10,024)
Adjusting for forecast adjustments (top-down/new spending)...	-	400	(400)	(100.0)	800
...results in a borrowing requirement (Core Crown residual cash surplus/(deficit))...	(13,104)	(19,423)	6,319	32.5	(25,277)
Opening net core Crown debt...	83,375	83,375	-	-	83,375
...when combined with the residual cash (surplus/deficit)...	13,104	19,423	6,319	32.5	25,277
...and other fair value movements in financial assets and financial liabilities...	5,038	4,758	(280)	(5.9)	5,003
...results in a closing net core Crown debt ...	101,517	107,556	6,039	5.6	113,655
...which as a % of GDP is	31.2%	33.1%			34.0%