

Financial Statements – Non-Departmental

Non-Departmental statements and schedules

for the year ended 30 June 2019

The following non-Departmental statements and schedules record the revenue, expenses, assets, liabilities, commitments, contingent liabilities, contingent assets, and trust accounts that the Department manages on behalf of the Crown.

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Schedule of non-Departmental revenue

for the year ended 30 June 2019

Revenue

Actual 2018 \$000		Actual 2019 \$000	Unaudited Budget 2019 \$000	Unaudited Supp EST 2019 \$000
	Operating revenue			
14	Crown revenue	14	-	-
11,139	Donations received	3,672	1,000	1,000
11	Fines and penalties	368	-	-
210	Refunds of unspent grants	30	-	-
278	Dividends received	257	-	-
493	Interest received	975	-	-
12,145	Total operating revenue	5,316	1,000	1,000
	Other revenue			
833	Revaluation gain / (loss)	(2)	-	-
2,082	Unrealised gain on the remeasurement of shares	1,972	-	-
2,915	Total other revenue	1,970	-	-
15,060	Total revenue	7,286	1,000	1,000

Explanations of significant variances against budget are detailed in [Note 10](#).

The accompanying notes form part of these financial statements.

For a full understanding of the Crown's financial position and the results of its operations for the year, refer to the Consolidated financial statements of the Government for year ended 30 June 2019.

Schedule of non-Departmental expenditure

for the year ended 30 June 2019

Expenditure

Actual 2018 \$000		Actual 2019 \$000	Unaudited Budget 2019 \$000	Unaudited Supp EST 2019 \$000
	Operating expenses			
21,948	Personnel and travel expenses - member of the executive council, former Governors-General and Prime Ministers	24,140	24,847	24,849
89,411	Grants and subsidies	93,398	97,594	96,857
11,422	Other expenses	11,346	11,509	14,221
1,351	Depreciation	2,631	838	2,707
124,132	Total operating expenses	131,515	134,788	138,634

Explanations of significant variances against budget are detailed in [Note 10](#).

The accompanying notes form part of these financial statements.

For a full understanding of the Crown's financial position and the results of its operations for the year, refer to the Consolidated financial statements of the Government for year ended 30 June 2019.

Schedule of non-Departmental assets

as at 30 June 2019

This schedule summarises the assets which the Department administers on behalf of the Crown.

Actual 2018 \$000		Note	Actual 2019 \$000	Unaudited Budget 2019 \$000	Unaudited Supp EST 2019 \$000
Current assets					
33,599	Cash and cash equivalents		21,388	10,474	18,159
138	Debtors and other receivables	2	154	-	-
11,541	Receivable – repayable equity	9	12,439	-	-
45,278	Total current assets		33,981	10,474	18,159
Non-current assets					
106	Debtors and other receivables	2	133	203	203
12,858	Shares	3	14,830	10,776	12,858
83,850	Property, plant and equipment	4	81,746	83,584	81,948
1,681,222	Heritage collections	4	1,687,337	1,674,914	1,684,912
41,122	Receivable – repayable equity	9	56,051	71,502	68,590
1,819,158	Total non-current assets		1,840,097	1,840,979	1,848,511
1,864,436	Total non-Departmental assets		1,874,078	1,851,453	1,866,670

Explanations of significant variances against budget are detailed in [Note 10](#).

The accompanying notes form part of these financial statements.

For a full understanding of the Crown's financial position and the results of its operations for the year, refer to the Consolidated financial statements of the Government for year ended 30 June 2019.

Schedule of non-Departmental liabilities

as at 30 June 2019

This schedule summarises the liabilities and revaluation reserves which the Department administers on behalf of the Crown.

Actual 2018 \$000		Note	Actual 2019 \$000	Unaudited Budget 2019 \$000	Unaudited Supp EST 2019 \$000
Current liabilities					
7,109	Creditors and other payables	6	10,496	4,116	4,621
979	Provisions	7	1,135	1,224	979
8,088	Total current liabilities		11,631	5,340	5,600
Non-current liabilities					
14,465	Provisions	7	15,068	14,439	14,465
14,465	Total non-current liabilities		15,068	14,439	14,465
22,553	Total non-Departmental liabilities		26,699	19,779	20,065

Explanations of significant variances against budget are detailed in [Note 10](#).

The accompanying notes form part of these financial statements.

For a full understanding of the Crown's financial position and the results of its operations for the year, refer to the Consolidated financial statements of the Government for year ended 30 June 2019.

Schedule of non-Departmental commitments

as at 30 June 2019

The Department, on behalf of Crown, had no capital and operating commitments that had not been paid for or not recognised as a liability, as at 30 June 2019.

Schedule of non-Departmental contingent assets and liabilities

as at 30 June 2019

Quantifiable contingent assets

As at 30 June 2019, there were no quantifiable contingent assets (2017/18: nil).

Unquantifiable contingent assets

As at 30 June 2019, there were no unquantifiable contingent assets (2017/18: nil).

Quantifiable contingent liabilities

As at 30 June 2019, there was one quantifiable contingent liability of 0.956 million relating to annuities for Rt Hon Jacinda Ardern (2017/18: nil).

Unquantifiable contingent liabilities

As at 30 June 2019, there were no unquantifiable contingent liabilities (2017/18: nil).

The accompanying notes form part of these financial statements.

For a full understanding of the Crown's financial position and the results of its operations for the year, refer to the Consolidated financial statements of the Government for year ended 30 June 2019.

Statement of trust money administered on behalf of the Crown

for the year ended 30 June 2019

The following trust money is administered on behalf of the Crown under Part 7 of the Public Finance Act 1989.

Trusts

Christchurch Earthquake Appeal Trust

This trust was established by Government because of the Canterbury earthquake of 22 February 2011. It is a registered charity and administers donations and grants made to affected people in Canterbury.

Macklin Bequest Fund

The Macklin Bequest Fund is used to fund special projects relating to the National Library and may include collaborative projects between the National Library and other institutions such as the galleries, libraries, archives and museum sector or between the National Library and other libraries that supplement and further the work of other libraries in New Zealand.

Inter-Loan Billing System Fund

The Inter-Loan Billing System Fund is administered by the National Library. The trust manages the on-charging of fees for national and Trans-Tasman inter-lending between participating New Zealand libraries and participating New Zealand and Australian libraries respectively.

Schedule of trust money

The schedule shows the opening and closing trust balances including bank and investments at cost, and the movements during the year.

Under the Public Finance Act 1989, and by delegation from the Secretary to The Treasury, trust money can only be invested on deposit with New Zealand registered banks or in New Zealand government stock. Trust money is also managed so there is no significant concentration of credit risk. Interest rate risk is managed by investing across a wide range of maturity dates, but subject to liquidity requirements.

The figures are audited.

2019	Opening Balance July 2018 \$000	Contributions \$000	Distributions \$000	Revenue \$000	Expenses \$000	Closing Balance June 2019 \$000
Christchurch Earthquake Appeal Trust	2,383	2,876	(4,188)	811	(1,850)	32
Macklin Bequest Fund	299	-	-	9	(308)	-
Inter-Loan Billing System Fund	42	-	-	453	(453)	42
Total trusts	2,724	2,876	(4,188)	1,273	(2,611)	74

2018	Opening Balance July 2017 \$000	Contributions \$000	Distributions \$000	Revenue \$000	Expenses \$000	Closing Balance June 2018 \$000
Christchurch Earthquake Appeal Trust	1,784	43	-	1,647	(1,091)	2,383
Macklin Bequest Fund	290	-	-	9	-	299
Inter-Loan Billing System Fund	42	-	-	558	(558)	42
Total trusts	2,116	43	-	2,214	(1,649)	2,724

For a full understanding of the Crown's financial position and the results of its operations for the year, refer to the Consolidated financial statements of the Government for year ended 30 June 2019.

Basis of reporting

1. Statement of accounting policies

Reporting entity

These non-Departmental statements and schedules present financial information on public funds managed by the Department of Internal Affairs (the Department) on behalf of the Crown.

These non-Departmental balances are consolidated into the financial statements of the Government for the year ended 30 June 2019 with comparative figures for the year ended 30 June 2018. For a full understanding of the Crown's financial position, results of operations and cash flows for the year, refer to the financial statements of the Government for the year ended 30 June 2019.

Basis of preparation

The non-Departmental statements and schedules have been prepared in accordance with the accounting policies as set out in the consolidated financial statements of the Government, Treasury instructions and Treasury circulars.

Measurement and recognition rules applied in the preparation of these non-Departmental statements and schedules are consistent with New Zealand generally accepted accounting practice (Tier 1 Public Benefit Entity Accounting Standards) as appropriate for public benefit entities (PBE).

Budget figures

The 2019 budget figures (Unaudited Budget 2019) are for the year ended 30 June 2019, which are consistent with the Department's best estimate financial forecast information submitted to the Treasury for the Budget Economic and Fiscal Update (BEFU) for the year ending 30 June 2019. In addition, the financial statements also present the updated budget information from the Supplementary Estimates (Unaudited Supps EST 2019).

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

Comparatives

When presentation or classifications of items in the financial schedules are 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.

Presentation currency and rounding

The financial statements are presented in New Zealand dollars and all values are rounded to the nearest thousand dollars (\$000), other than payments to or in respect of benefits and privileges of former Governor-General and Prime Minister disclosures in [Note 11](#). The payments to or in respect of benefits and privileges of former Governor-General and Prime Minister disclosures are rounded to the nearest dollar.

Critical accounting judgements and estimates

The preparation of financial statements in conformity with PBE accounting standards requires judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, revenue and expense. 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.

Summary of significant accounting policies

Significant accounting policies are included in the notes to which they relate and the ones that do not relate to a specific note are outlined below.

Revenue

Revenues from the supply of services are recognised when earned in the Schedule of non-Departmental revenue.

Donations received

When a heritage collection asset is acquired by donation or legal deposit for nil or nominal consideration, the fair value of the asset received is recognised as revenue in the Schedule of non-Departmental revenue.

Expenses

Grants

Non-discretionary grants are those grants awarded if the grant application meets the specified criteria. They are recognised as expenditure when an application that meets the specified criteria for the grant has been received. The Department's non-discretionary grants have no substantive conditions (i.e. use for restricted purposes or repay).

Discretionary grants are those grants where the Department has no obligation to award on receipt of the grant application.

For discretionary grants without substantive conditions, the total committed funding over the life of the funding agreement is recognised as expenditure when the grant is approved by the grants approvals committee and the approval has been communicated to the applicant.

Grants with substantive conditions are recognised as an expense at the earlier of the grant payment date or when grant conditions have been satisfied.

If a grant is refunded, either in part or in full, where the original payment was made in the same financial year the refund will be netted off against the relevant grants expenditure in the Schedule of non-Departmental expenditure. If a refunded grant relates to a payment made in a previous financial year the refund will be treated as revenue in the Schedule of non-Departmental revenue as refunds of unspent grants.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, cash in transit, and funds on deposit with banks with an original maturity of no more than three months.

Commitments

Commitments are future expenses and liabilities to be incurred on contracts that have been entered or prior to balance date. Operating and capital commitments arising from non-cancellable contractual or statutory obligations are disclosed within the Schedule of non-Departmental commitments to the extent that both parties have not performed their obligations.

Contingent assets and liabilities

Contingent assets and contingent liabilities are recorded in the Schedule of non-Departmental contingent assets and contingent liabilities at the point at which the contingency is evident. Contingent assets are disclosed if it is possible that the benefits will be realised. Contingent liabilities are disclosed when there is a possibility that they will crystallise.

Goods and services tax (GST)

Amounts in the financial statements, including appropriation schedules, are reported exclusive of GST except for receivables and payables, which are stated on a GST-inclusive basis. In accordance with Treasury instructions, GST is returned on revenue received on behalf of the Crown where applicable. However, an input tax deduction is not claimed on non-Departmental expenditure. Instead, the amount of GST applicable to non-Departmental expenditure is recognised as a separate expense and eliminated against GST revenue on Consolidation of the financial statements of the Government.

Operating assets and liabilities

2. Debtors and other receivables

Accounting policy

Debtors and other receivables are recorded at face value, less any provision for impairment. Debtors and other receivables are impaired when there is evidence that the Department will not be able to collect the amount due. The amount of impairment is the difference between the carrying amount and the present value of the amount expected to be collected. At each balance date, the Department, on behalf of the Crown, assesses whether there is any objective evidence that any loans or receivables are impaired. Any impairment losses are recognised in the Schedule of non-Departmental expenditure.

Breakdown of receivables and further information

Actual 2018 \$000		Actual 2019 \$000
138	Debtors and other receivables (current)	154
106	Debtors and other receivables (non-current)	133
244	Total debtors and other receivables	287

The carrying value of receivables approximates their fair value.

3. Shares

Accounting policy

Where the Department, on behalf of the Crown, holds a non-controlling minority interest, the shares are valued at cost in the financial statements. Associates are entities in which the Crown has significant influence, but not control over their operating and financial policies. In the financial statements, the Crown investment in associates has been valued by the equity method.

Further information

Local government funding agency

The Crown holds \$5 million of the \$25 million paid-up capital of the Local Government Funding Agency (LGFA). The shares have been valued by the equity method as, although the Crown does not have direct representation on the LGFA board of directors, it may solely appoint, remove and replace one member of the Shareholders' Council. The shareholders' council makes recommendations to shareholders as to the appointment, removal, re-election, replacement and remuneration of directors. The share value has therefore been adjusted to reflect the Crown's share of any changes in the net assets of the LGFA.

LGFA net assets at 30 June 2019 were \$74.149 million (2017/18: \$64.290 million). The Crown's share of the net assets is \$14.830 million (2017/18: \$12.858 million).

The summarised financial information of LGFA is:

Actual 2018 \$000		Actual 2019 \$000
342,828	Revenue	361,078
8,835,084	Assets	10,382,332
8,770,794	Liabilities	10,308,183
11,802	Surplus/(deficit)	11,201

The above figures are audited. The Crown is not a guarantor of the LGFA and has no share of any contingent liabilities of the LGFA.

4. Property, plant and equipment and collections

Accounting policies

Recognition and measurement

Items of property, plant and equipment and collections are initially measured at cost, except those acquired through non-exchange transactions which are instead measured at fair value as they are deemed cost at initial recognition.

All the Crown's property, plant and equipment are subsequently measured in accordance with the fair value model.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the following:

- the cost of materials and direct labour,
- costs directly attributable to bringing the assets to a working condition for their intended use, and
- when the Crown has an obligation to remove the asset or restore the site, an estimate of the costs of dismantling and removing the items and restoring the site on which they are located.

Subsequent costs

Subsequent costs are capitalised when it is probable that future economic benefits or service potential associated with the item will flow to the Department and the cost of the item can be measured reliably.

The costs of day-to-day servicing of property, plant and equipment are recognised in the non-Departmental Schedule of expenditure as they are incurred.

Disposals

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These are recognised in the non-Departmental Schedule of revenue and expenditure in the period in which the transaction occurs. Any associated gains and losses on revalued asset are transferred from the revaluation reserve.

Impairments

The carrying amounts of land, buildings boating facilities and heritage collections are reviewed for impairment at least annually or whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impaired asset's carrying amount is written down to its recoverable amount which is the higher of an asset's fair value less costs to sell and value in use. An impairment loss is recognised immediately in the Schedule of non-Departmental expenditure, unless the asset is carried at a revalued amount in which case any impairment loss is treated as a revaluation decrease.

Revaluations

Revaluations are carried out for land, buildings and heritage collections to reflect the service potential or economic benefit obtained through control of the asset. Revaluation is based on the fair value of the asset with changes reported by class of asset.

Classes of land, buildings, boating facilities and heritage collections that are revalued at least once every three years to whenever the carrying amount differs materially to fair value which is assessed every year by an independent registered valuer. Unrealised gains and losses arising from changes in the value are recognised as at balance date.

A gain is credited to the Schedule of non-Departmental revenue to the extent that it reverses a loss previously charged to the Schedule of non-Departmental expenditure for the asset class. Otherwise, gains are credited to an asset revaluation reserve for that class of asset. Gains and losses between asset classes are not offset. Any loss is debited to the reserve to the extent that there is a balance in the asset revaluation reserve for that asset class. Otherwise, losses are reported in the Schedule of non-Departmental expenditure.

Accumulated depreciation at revaluation date is eliminated against the gross carrying amount so that the carrying amount after revaluation equals the revalued amount. The useful life of an asset is assessed following revaluation.

Specific asset class policies

The asset class specific policies are described below:

Land and residential buildings

Land and buildings are recorded at fair value less impairment losses and, for buildings, less depreciation accumulated since the assets were last revalued. Valuations are undertaken in accordance with the standards issued by the New Zealand Property Institute.

Depreciation on buildings is charged on a straight-line basis at rates calculated to allocate the cost or valuation of an item of property, less any estimated residual value, over its estimated useful life. The estimated useful lives for buildings range from 10 to 50 years. Depreciation is not charged on land. Assets under construction are not subject to depreciation. Depreciation method, useful lives, and residual value are reviewed at reporting date and adjusted if appropriate.

Boating facilities

Boating facilities are recorded at fair value less impairment losses and less depreciation accumulated since the assets were last revalued.

Depreciation on boating facilities is charged on a straight-line basis to allocate the cost or valuation to the estimated residual value over the asset estimated useful life. The estimated useful life for boating facilities range from 1 to 40 years.

Alexander Turnbull Library heritage collections

Section 11 of the National Library of New Zealand (Te Puna Mātauranga o Aotearoa) Act 2003 requires the Crown to own the collections held in the Alexander Turnbull Library in perpetuity.

The Alexander Turnbull Library heritage collections are measured at fair value. The methodology used to value the heritage collections was to take a sample of each category in the collection to analyse the variety and quality of each category to determine a benchmark market value to be extrapolated over the entire category. The market values are obtained from an independent valuer through market assessments and from other collections of a similar nature to Government collections.

The carrying value includes the value of purchases for the collections since the last revaluation and the value of material received through donations and legal deposits. The collections are not depreciated.

National Archives heritage collections

Non-exceptional National Archives Heritage Collection items are measured at fair value. The methodology used was to divide the collection into categories by format and age, to associate records that together could be said to have a broad commonality of value. Benchmark valuations were obtained from an independent valuer through market assessments and from other collections of a similar nature to government archives. Accessions since the date of valuation are valued based on these benchmarks.

Independent valuations of other exceptional items, including the Treaty of Waitangi are measured at fair value, and are based on market assessments from similar nature collections.

The valuation of the National Archives Heritage Collection includes only public archives in the possession of Archives New Zealand. Public archives held in other approved repositories do not form part of the valuation. The collection is not depreciated.

The National Archives Heritage Collection receives a large volume of records that are not clearly distinguished as public archives when received by the Chief Archivist. Significant resources are required to assess these records to determine if the records are accepted as public archives. Given the volumes involved, there is generally a volume of records held at year-end awaiting assessment and classification as public archives. These unclassified records are not included in the valuation reported for the National Archives Heritage Collection as the Department is unable to accurately categorise and appraise the archival value for reporting purposes.

Breakdown of property, plant and equipment and collections and further information

2019

Cost or valuation

Asset class	Balance at 1 July \$000	Additions \$000	Revaluation/ Impairments \$000	Disposals \$000	Transfers/ re-classification \$000	Balance at 30 June \$000
Property, plant and equipment						
Buildings - residential	6,123	700	(1,220)	-	-	5,603
Boating facilities	65,718	132	(69)	-	(302)	65,479
Land	12,500	-	550	-	-	13,050
Total cost property, plant and equipment	84,341	832	(739)	-	(302)	84,132
Heritage collections						
National Archives heritage collection	624,966	2,932	-	-	302	628,200
Total cost National Archives heritage collection	624,966	2,932	-	-	302	628,200
Alexander Turnbull Library heritage collections						
Archive of New Zealand music	171	-	-	-	-	171
Cartographic	86,611	49	-	-	-	86,660
Cartoon	4	1	-	-	-	5
Children's historical	104	-	-	-	-	104
Digital	8,298	5	-	-	-	8,303
Drawings and prints	369,281	264	-	-	3	369,548
Ephemera	11,965	39	-	-	2	12,006
Formed	1,194	-	-	-	-	1,194
General	7,418	3	-	-	-	7,421
Manuscripts/archives	145,494	845	-	-	1	146,340
Multi-format	285	133	-	-	9	427
Music	1,952	339	-	-	2	2,293
New Zealand and pacific	16,996	465	-	-	(57)	17,404
Newspapers	77,933	60	-	-	3	77,996
Oral history	17,484	91	-	-	17	17,592
Photographic	48,654	109	-	-	-	48,763
Rare books and fine prints	230,057	212	-	-	8	230,277
Serials	25,659	268	-	-	12	25,939
Short title	6,696	-	-	-	-	6,696
Total cost Alexander Turnbull Library heritage collections	1,056,256	2,883	-	-	-	1,059,139
Total cost heritage collections	1,681,222	5,815	-	-	302	1,687,339
Total cost	1,765,563	6,647	(739)	-	-	1,771,471

2019

Accumulated depreciation

Asset class	Balance at 1 July \$000	Depreciation \$000	Revaluation/ Impairments \$000	Disposals \$000	Transfers/ re-classification \$000	Balance at 30 June \$000
Property, plant and equipment						
Buildings - residential	491	246	(737)	-	-	-
Boating facilities	-	2,386	-	-	-	2,386
Land	-	-	-	-	-	-
Total accumulated depreciation property, plant and equipment	491	2,632	(737)	-	-	2,386

Asset class	Balance at 1 July \$000	Depreciation \$000	Revaluation/ Impairments \$000	Disposals \$000	Transfers/ re-classification \$000	Balance at 30 June \$000
Net book value						
Buildings - residential	5,632	454	(483)	-	-	5,603
Boating facilities	65,718	(2,254)	(69)	-	(302)	63,093
Land	12,500	-	550	-	-	13,050
Heritage collections	1,681,222	5,813	-	-	302	1,687,337
Total net book value	1,765,072	4,013	(2)	-	-	1,769,083

2018

Cost or valuation

Asset class	Balance at 1 July \$000	Additions \$000	Revaluation/ Impairments \$000	Disposals \$000	Transfers/ re-classification \$000	Balance at 30 June \$000
Property, plant and equipment						
Buildings - residential	6,020	103	-	-	-	6,123
Buildings - commercial	54,143	-	-	-	(54,143)	-
Boating facilities	-	13,797	(2,209)	(13)	54,143	65,718
Land	12,500	-	-	-	-	12,500
Total cost property, plant and equipment	72,663	13,900	(2,209)	(13)	-	84,341
Heritage collections						
National Archives heritage collection	614,947	10,019	-	-	-	624,966
Total cost National Archives heritage collection	614,947	10,019	-	-	-	624,966
Alexander Turnbull Library heritage collections						
Archive of New Zealand music	171	-	-	-	-	171
Cartographic	86,602	9	-	-	-	86,611
Cartoon	2	2	-	-	-	4
Children's historical	104	-	-	-	-	104
Digital	7,472	826	-	-	-	8,298
Drawings and prints	368,986	284	-	-	11	369,281
Ephemera	11,934	30	-	-	1	11,965
Formed	1,194	-	-	-	-	1,194
General	7,416	2	-	-	-	7,418
Manuscripts/archives	145,414	80	-	-	-	145,494
Multi-format	203	82	-	-	-	285
Music	1,810	138	-	-	4	1,952
New Zealand and pacific	16,716	312	-	-	(32)	16,996
Newspapers	77,901	31	-	-	1	77,933
Oral history	17,385	95	-	-	4	17,484
Photographic	48,028	624	-	-	2	48,654
Rare books and fine prints	229,899	153	-	-	5	230,057
Serials	25,414	241	-	-	4	25,659
Short title	6,696	-	-	-	-	6,696
Total cost Alexander Turnbull Library heritage collections	1,053,347	2,909	-	-	-	1,056,256
Total cost heritage collections	1,668,294	12,928	-	-	-	1,681,222
Total cost	1,740,957	26,828	(2,209)	(13)	-	1,765,563

2018

Accumulated depreciation

Asset class	Balance at 1 July \$000	Depreciation \$000	Revaluation/ Impairments \$000	Disposals \$000	Transfers/ re-classification \$000	Balance at 30 June \$000
Property, plant and equipment						
Buildings - residential	245	246	-	-	-	491
Buildings - commercial	1,649	486	-	-	(2,135)	-
Boating facilities	-	619	(2,741)	(13)	2,135	-
Land	-	-	-	-	-	-
Total accumulated depreciation property, plant and equipment	1,894	1,351	(2,741)	(13)	-	491
Net book value						
Buildings - residential	5,775	(144)	-	-	-	5,632
Buildings - commercial	52,494	(486)	-	-	(52,008)	-
Boating facilities	-	13,178	532	-	52,008	65,718
Land	12,500	-	-	-	-	12,500
Heritage collections	1,668,294	12,928	-	-	-	1,681,222
Total net book value	1,739,063	25,476	532	-	-	1,765,072

Capital work in progress

The total amount of property, plant and equipment in construction is \$0.825 million (2017/18: \$0.174 million).

Revaluation movements

Details of the valuations and revaluation movements are contained in [Note 8](#).

Restrictions of title

The ministerial properties comprising Premier House, Vogel House and Bolton Street are restricted for Government use. The carrying value of the restricted use land and buildings is \$18.653 million (2017/18: \$18.131 million).

5. Financial instruments

The carrying amounts of financial assets and financial liabilities are as follows:

Actual 2018 \$000		Note	Actual 2019 \$000
Financial assets at fair value through profit or loss			
12,858	Shares	3	14,830
12,858	Total financial assets at fair value through profit or loss		14,830
Loans and receivables			
33,599	Cash and cash equivalents		21,388
244	Debtors and other receivables	2	287
52,663	Receivable – repayable equity	9	68,490
86,506	Total loans and receivables		90,165
Financial liabilities measured at amortised cost			
7,109	Creditors and other payables	6	10,496
7,109	Total financial liabilities measured at amortised cost		10,496

The Department, on behalf of the Crown, is party to financial instrument arrangements as part of its daily operations. These include cash and cash equivalents, accounts receivable, repayable equity, accounts payable and foreign currency forward contracts.

The Department's activities, on behalf of the Crown, expose it to a variety of financial instrument risks, including market risk, credit risk and liquidity risk. There is a series of policies to manage the risks associated with financial instruments and the policies seek to minimise exposure from financial instruments. These policies do not allow any transactions that are speculative in nature to be entered.

Credit Risk

Credit risk is the risk that a third party will default on its obligations, causing a loss to be incurred. Credit risk arises from debtors and deposits with banks. Funds must be deposited with Westpac, a registered bank.

The maximum credit exposure for each class of financial instrument is represented by the total carrying amount of cash and cash equivalents, receivables, and shares. There is no collateral held as security against these financial instruments, including those instruments that are overdue or impaired. Other than Westpac bank, there are no significant concentrations of credit risk.

Liquidity Risk

Liquidity risk is the risk that the Department, acting on behalf of the Crown, will encounter difficulty raising liquid funds to meet commitments as they fall due.

In meeting its liquidity requirements, the forecast cash requirements are closely monitored against the expected drawdowns from the New Zealand Debt Management Office. The Department, on behalf of the Crown, maintains a target level of available cash to meet liquidity requirements.

The table below analyses the financial liabilities that will be settled based on the remaining period at balance date to the contractual maturity date. The amounts disclosed are the contractual undiscounted cash flows.

	Note	Total \$000	Less than 6 months \$000	Between 6 months and 1 year \$000	Between 1 year and 5 years \$000	Over 5 years \$000
2019						
Creditors and other payables	6	10,496	10,496	-	-	-
2018						
Creditors and other payables		7,109	7,109	-	-	-

6. Creditors and other payables

Actual 2018 \$000		Actual 2019 \$000
Creditors and other payables under exchange transactions		
6,903	Accrued expenses	9,866
206	Accrued heritage collection purchases	630
7,109	Total creditors and other payables	10,496

The carrying value of creditors and other payables approximates their fair value. Other payables and accrued heritage collection purchases are non-interest bearing and are normally settled on 30-day terms.

7. Provisions

The balance of the provisions account represents the estimated value of future benefits payable to former Governors-General and Prime Ministers over their expected lives payable under the Members of Parliament (Remuneration and Services) Act 2013 and Governor-General Act 2010 as at balance date.

Actuarial services were provided by Mercer (N.Z.) Ltd, fellow of the New Zealand Society of Actuaries.

The measurement of the estimated future benefits depends on several factors that are determined on an actuarial basis using a number of assumptions. Two key assumptions used in calculating this liability include the discount rate and the consumer price index. Any changes in these assumptions will affect the carrying value of the liability.

	2018	2019
Discount rate	3.05%	1.94%
Consumer price index	2.00%	2.00%

8. Revaluation of property, plant and equipment and collections

2019	Balance at 1 July \$000	Revaluation Movement \$000	Balance at 30 June \$000
Land and buildings	11,709	67	11,776
Boating Facilities	3,786	(69)	3,717
National Archives heritage collection	46,185	-	46,185
Alexander Turnbull Library heritage collections	479,484	-	479,484
Total revaluation reserves	541,164	(2)	541,162

2018	Balance at 1 July \$000	Revaluation Movement \$000	Balance at 30 June \$000
Land and buildings	14,662	(2,953)	11,709
Boating Facilities	-	3,786	3,786
National Archives heritage collection	46,185	-	46,185
Alexander Turnbull Library heritage collections	479,484	-	479,484
Total revaluation reserves	540,331	833	541,164

Critical accounting estimates and assumptions

Land and residential buildings – Ministerial properties

The land and building were revalued in June 2019, with the valuation being effective from 30 June 2019 by CBRE Ltd, a Licensed Real Estate Agent (REAA 2008) and registered independent valuer. The next valuation will be effective from 30 June 2022, which is in line with the Department's accounting policy.

Boating facilities – Lake Taupō and Waitangi Wharf (Chatham Island)

The most recent valuation of boating facilities was performed by Darroch Ltd, a Licensed Real Estate Agent (REAA 2008) and registered independent valuer in June 2018, with valuation effective as at 30 June 2018. In line with the Department's accounting policy, the next valuation will be effective 30 June 2021. The independent valuer confirmed that there is no material market movement in terms of revaluating boating facilities as at 30 June 2019, and the valuation in 2018 is deemed to be fair and reasonable.

National Archives heritage collection

The National Archives heritage collection was revalued in June 2017, with the valuation being effective from 30 June 2017 by an independent valuer, Dunbar Sloane, through market assessments and from other collections of a similar nature to government archives.

The Treaty of Waitangi and other exceptional items were revalued in June 2017, with the valuation being effective from 30 June 2017 by an independent valuer, Dunbar Sloane. These valuations were based on market assessments and from other collections of a similar nature. In line with the Department's accounting policy, the next valuation will be effective 30 June 2020.

The independent valuer confirmed that there is no material market movement in terms of revaluing heritage collection as at 30 June 2019, and the valuation undertaken in 2017 is deemed to be fair and reasonable.

Alexander Turnbull Library heritage collections

The Alexander Turnbull Library Heritage Collections were revalued in June 2017, with the valuation being effective from 30 June 2017 by an independent valuer, Ashley & Associates Ltd. These valuations were based on market assessments and from other collections of a similar nature to the government collection. In line with the Department's accounting policy, the next valuation will be effective 30 June 2020.

The independent valuer confirmed that there is no material market movement in terms of revaluing heritage collection as at 30 June 2019, and the valuation undertaken in 2017 is deemed to be fair and reasonable.

9. Receivable – repayable equity

Accounting policy

Repayable Equity has been designated as loan receivables. The loans at nil, or below-market, interest rates are initially recognised at the present value of their expected future cash flows, discounted using a rate for loans of a similar term and credit risk. They are subsequently measured at amortised cost using the effective interest method. The difference between the face value and present value of expected future cash flows of the loan is recognised as an equity investment.

Breakdown of receivable – repayable equity and further information

Actual 2018 \$000		Actual 2019 \$000
25,046	Balance at 1 July	52,663
38,320	Face value of repayable equity movement	28,569
(9,000)	Repayment of repayable equity	(12,000)
(2,196)	Less: fair value write-down at initial recognition	(1,711)
493	Interest unwind	969
52,663	Carrying value at 30 June	68,490
	Current and non-current apportionment	
11,541	Repayable equity – current	12,439
41,122	Repayable equity – non-current	56,051
52,663	Carrying value repayable equity	68,490

Further information

The face value of \$28.569 million in 2018/19 (2017/18: \$38.320 million) was provided as a repayable capital injection for the transition project costs to amalgamate rural and urban fire services into a new unified organisation, Fire and Emergency New Zealand (FENZ). \$12 million was paid back to the Department in 2018/19. The fair value of the repayable equity is \$68.490 million (2017/18: \$52.663 million). The fair value of the repayable equity is based on cash flows discounted using the spot discount rate.

Other disclosures

10. Explanation of significant variances against budget

Non-Departmental appropriations

Variances between the Main Estimates and the Supplementary Estimates

Explanations for significant variances between the Main Estimates and the Supplementary Estimates are detailed below:

Chatham Islands Wharves - Operational Costs

The increase in the budget between the Main Estimates and the Supplementary Estimates of \$260,000 was due to funding for additional depreciation associated with the revaluation of Waitangi Wharf in the Chatham Islands.

Community Funding Schemes MCA

Community Development Scheme

The increase in the expense budget between the Main Estimates and the Supplementary Estimates of \$160,000 is due to an expense transfer from 2017/18 to 2018/19 to maximise community outcomes of resilience and sustainability and enable the programme to settle into a regular cycle of new and existing partnerships (increase of \$180,000). This increase was partially offset by a transfer of funding to the departmental appropriation Administration of Grants to reflect the costs associated with the evaluation Hui with Community-led Development Programme Community Partners (decrease of \$20,000).

Digital Literacy and Connection

The decrease in the expense budget between the Main Estimates and the Supplementary Estimates of \$440,000 is due to return of funding to the Crown for reprioritisation to other priority areas in Budget 2019 to improve wellbeing for New Zealanders (decrease of \$540,000) partially offset by an expense transfer from 2017/18 to 2018/19 to support the establishment of the Digital Economy and Digital Inclusion Ministerial Advisory Group in 2018/19 (increase of \$100,000).

Disarmament Education Grants

The increase in the expense budget between the Main Estimates and the Supplementary Estimates of \$50,000 is due to a transfer of funding from Vote Foreign Affairs and Trade to Vote Internal Affairs to reflect an increase in the Consumer Price Index, inflation and other associated costs

Crown-owned Assets at Lake Taupō - Maintenance Costs

The increase in the budget between the Main Estimates and the Supplementary Estimates of \$362,000 was due to -funding for the additional depreciation associated with the revaluation of Crown-owned assets at Lake Taupō (increase of \$187,000), and an expense transfer from 2017/18 to 2018/19 to provide funding for the maintenance of Crown-owned assets at Lake Taupō (increase of \$175,000).

Former Prime Ministers - Annuities PLA

The increase in the budget between the Main Estimates and the Supplementary Estimates of \$2,000 was due to an increase in costs pursuant to the Parliamentary Annuities Determination 2018.

Miscellaneous Grants - Internal Affairs

The increase in the budget between the Main Estimates and the Supplementary Estimates of \$1.193 million was due to funding to recognise the Government's contribution towards the Te Puna Foundation.

Public Inquiries

The increase in the budget between the Main Estimates and the Supplementary Estimates of \$996,000 was due to the following:

- expense transfers from 2017/18 to 2018/19 for the Government Inquiry into Operation Burnham and Related Matters (increase of \$154,000) and the Government Inquiry into Mental Health and Addiction (increase of \$129,000);
- funding to meet the costs associated with the extension of the report back date for the Government Inquiry into Operation Burnham and Related Matters (increase \$90,000);
- funding for the Royal Commission of Inquiry into the Attack on the Christchurch Mosques on 15 March 2019 (increase of \$262,000);
- funding for the Government Inquiry into the Auckland Fuel Supply Disruption (increase of \$184,000);
- a transfer of funding from the Support for Statutory and Other Bodies MCA to meet the non-departmental costs associated with the Government Inquiry into Operation Burnham and Related Matters (increase of \$100,000);
- a transfer of funding from Vote Police to Vote Internal Affairs to meet the costs associated with the extension of the report back for the Government Inquiry into the Appointment Process for a Deputy Commissioner of Police (increase of \$35,000); and
- funding for the Government Inquiry into the Appointment Process for a Deputy Commissioner of Police (increase of \$34,000), and a transfer of funding from the Support for Statutory and Other Bodies MCA to reflect the actual expenditure associated with the extension of the report back for the Government Inquiry into the Appointment Process for a Deputy Commissioner of Police (increase of \$8,000).

Rates Rebate Scheme

The decrease in the budget between the Main Estimates and the Supplementary Estimates of \$2.700 million was due to the forecast lower uptake of the Rates Rebate Scheme in 2018/19.

Royal Commission into Historical Abuse in State Care and in the Care of Faith-based Institutions - Commissioners' Fees

This appropriation was established in 2018/19 to provide funding for the Commissioners' fees associated with the Royal Commission into Historical Abuse in State Care and in the Care of Faith-based Institutions.

Royal Commission into Historical Abuse in State Care and in the Care of Faith-based Institutions - Counselling Costs

This appropriation was established in 2018/19 to provide funding for the counselling costs for individuals participating in the Royal Commission into Historical Abuse in State Care and in the Care of Faith-based Institutions.

Settling-In Grants

The increase in the budget between the Main Estimates and the Supplementary Estimates of \$1.000 million was due to additional funding to support community-led responses and initiatives following the Christchurch Mosques Terror Attack.

Transfer of Crown Assets at Taupō Landing Recreation Reserve

This appropriation was re-established in 2018/19 due to an expense transfer from 2017/18 to 2018/19 to enable Crown-owned assets at the Taupō Landing Recreation Reserve which are not associated with the harbourmaster function, to be transferred to the Taupō District Council at nil consideration (increase of \$484,000).

Capital Investments – Lake Taupō

This appropriation was re-established in 2018/19 due to a reclassification of a workshop at Lake Taupō, previously classified as a departmental asset, as part of the non-departmental boating facilities at Lake Taupō (increase of \$113,000), and a capital transfer from 2017/18 to 2018/19 to provide funding for the upgrade of boating facilities at Lake Taupō (increase of \$108,000); these increases were partially offset by a capital transfer from 2018/19 to 2019/20 to provide funding for the upgrade of boating facilities at Lake Taupō (decrease of \$50,000).

Capital Investments – Official Residences

The increase in the budget between the Main Estimates and the Supplementary Estimates of \$536,000 was due to a capital transfer from 2017/18 to 2018/19 to reflect the expected timing of capital improvements at official residences.

Fire Service Reform - Capital Injection

The decrease in the budget between the Main Estimates and the Supplementary Estimates of \$746,000 was due to - adjustment in the funding sought by Fire and Emergency New Zealand for 2018/19 year compared to initial programme of contributions provided to the Department.

Non-Departmental schedule of revenue and expenditure

Variations between 2018/19 actuals and the Supplementary Estimates

The following major budget variances occurred between the 2018/19 Actuals and the 2018/19 Supplementary Estimates.

	Actual 2019 \$000	Unaudited Supp EST 2019 \$000	Variance \$000	Variance %
Schedule of non-Departmental revenue				
Total operating revenue	5,316	1,000	4,316	432%
Total other revenue	1,970	-	1,970	100%
Schedule of non-Departmental expenditure				
Total operating expenses	131,515	138,634	(7,119)	(5%)

Explanations for significant variances between the 2018/19 actuals and the Supplementary Estimates are detailed below:

Operating revenue

Operating revenue was higher than budget by \$4.316 million mainly due to higher value of accession of documents received by Archives New Zealand and interest unwind revenue from FENZ repayable equity repayment during 2018/19.

Other revenue

Other revenue was higher than budget by \$1.970 million mainly due to the re-measurement of the Crown investment in the LGFA as at 30 June 2019 and the revaluation impact from land and building asset categories.

Operating expenses

Operating expenses were lower than budget by \$7.119 million mainly due to the following:

- lower demand for the Rates Rebate Scheme,
- Lower expenditure for the Community Development Scheme due to flexible payable cycle for Community-led grants for which an in-principle expense transfer was approved,
- lower salaries and allowances expenditure due to the Government freezing remuneration and allowances increase for a year and reduced number of Ministers compare to previous year, and
- Lower expenditure on Royal Commission into Historical Abuse in State Care and in the Care of Faith-based Institutions due to the early stage of Royal Commission setup.

Schedule of non-Departmental assets and liabilities

Variations between 2018/19 actuals and the Supplementary Estimates

The following major budget variances occurred between the 2018/19 actuals and the 2018/19 Supplementary Estimates.

	Actual 2019 \$000	Unaudited Supp EST 2019 \$000	Variance \$000	Variance %
Schedule of non-Departmental assets				
Cash and cash equivalents	21,388	18,159	3,229	18%
Shares	14,830	12,858	1,972	15%
Schedule of non-Departmental liabilities				
Creditors and other payables	10,496	4,621	5,875	127%

Explanations for significant variances between the 2018/19 actuals and the Supplementary Estimates are detailed below:

Cash and cash equivalents

Cash and cash equivalents were higher than budget by \$3.229 million mainly due to higher creditors and other payables held as at 30 June 2019.

Shares

The actual value of shares was higher than budget by \$1.972 million due to the re-measurement of the Crown investment in the LGFA as at 30 June 2019.

Creditors and other payables

Creditors and other payables were higher than budget by \$5.875 million mainly due to the timing difference of accounts payables.

11. Payments to or in respect of benefits and privileges of former Governors-General and Prime Minister

The terms of the appointment of a person as Governor-General or Prime Minister may include an agreement for that person and his or her spouse or partner to be provided with specified benefits or privileges by way of payments in respect of domestic travel and the use of chauffeured cars when he or she no longer holds office as Governor-General or Prime Minister.

This statement sets out the details of any benefits or privileges paid to or in respect of any former Governor-General under an agreement made under section 11(1) or section 28(1)(d) of the Governor-General Act 2010, and former Prime Minister under an agreement made under section 17 and 32 (4) of the Member of Parliament (Remuneration and Services) Act 2013.

Former Governors-Generals

2019	FBT	Airfares	Surface Travel	Total
	\$	\$	\$	\$
Lady Beverley Reeves	619	574	6,148	7,341
Dame Catherine Tizard	-	-	6,317	6,317
The Rt Hon Sir Michael Hardie-Boys	-	-	5,708	5,708
Dame Sylvia Cartwright	4,962	4,962	10,361	20,285
The Rt Hon Sir Anand Satyanand	4,151	5,619	5,636	15,406
Lt Gen the Rt Hon Sir Jerry Mateparae	280	585	5,243	6,108
Total	10,012	11,740	39,413	61,165

2018	FBT	Airfares	Surface Travel	Total
	\$	\$	\$	\$
Lady Norma Beattie	391	545	4,226	5,162
Lady Beverley Reeves	73	491	4,934	5,498
Dame Catherine Tizard	-	-	5,394	5,394
The Rt Hon Sir Michael Hardie-Boys	-	-	5,110	5,110
Dame Sylvia Cartwright	4,120	7,530	8,665	20,315
The Rt Hon Sir Anand Satyanand	3,141	4,638	4,700	12,479
Lt Gen the Rt Hon Sir Jerry Mateparae	2,021	2,483	4,226	8,730
Total	9,746	15,687	37,255	62,688

Former Prime Ministers

2019	FBT	Airfares	Surface Travel	Total
	\$	\$	\$	\$
Lady Glen Elna Rowling	750	670	7,043	8,463
Margaret Pope	-	-	7,355	7,355
The Rt Hon Geoffrey Palmer	2,659	4,687	7,659	15,005
The Rt Hon Mike Moore	290	-	8,912	9,202
The Rt Hon Jim Bolger	6,054	7,453	13,213	26,720
The Rt Hon Jenny Shipley	9,051	14,693	9,121	32,865
The Rt Hon Helen Clark	1,064	704	11,149	12,917
The Rt Hon Sir John Key	1,518	-	7,784	9,302
The Rt Hon Sir Bill English	333	-	9,003	9,336
Total	21,719	28,207	81,239	131,165

2018	FBT	Airfares	Surface Travel	Total
	\$	\$	\$	\$
Lady Glen Elna Rowling	-	496	4,623	5,119
Margaret Pope	-	-	4,842	4,842
The Rt Hon Geoffrey Palmer	5,300	6,115	6,054	17,469
The Rt Hon Mike Moore	(323)	-	6,696	6,373
The Rt Hon Jim Bolger	4,505	7,559	15,546	27,610
The Rt Hon Jenny Shipley	5,917	7,413	5,217	18,547
The Rt Hon Helen Clark	1,378	2,551	9,678	13,607
The Rt Hon Sir John Key	381	2,894	8,510	11,785
The Rt Hon Sir Bill English	-	517	5,247	5,764
Total	17,158	27,545	66,413	111,116