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NEW ZEALAND
INSTITUTE OF
CHARTERED
ACCOUNTANTS

15 July 2008

Ms Stephenie Fox
Technical Director
International Public Sector Accounting Standards Board
International Federation of Accountants
277 Wellington Street West
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Email: edcomments@ifac.org

Dear Stephenie

ED34 Social Benefits: Disclosure of Cash Transfers to Individuals or Households

The Financial Reporting Standards Board (FRSB) of the New Zealand Institute of Chartered Accountants is pleased to submit its comments on ED34 *Social Benefits: Disclosure of Cash Transfers to Individuals or Households*.

The FRSB believes that the IPSASB should not proceed with the proposals in ED34, because it is not a useful first step towards accounting for social benefits and results in misleading information being disclosed. The amount proposed to be disclosed appears to comprise an amount that is legally due and payable (and therefore should be recognised as a liability in financial statements prepared under the accrual basis) and an amount for the future expected amount that will be paid out to beneficiaries that are eligible at the balance date only. The amount does not include beneficiaries that will become eligible in the future. The FRSB considers that users of the financial statements will not understand what the amount comprises and how it relates to the financial statements. The FRSB believes that the IPSASB's efforts should be concentrated on completing its work on long-term fiscal sustainability reporting before the end of 2009 and on continuing its work on a Conceptual Framework for the Public Sector and the recognition and measurement of social benefits, instead of a standard limited to the disclosure of cash transfer social benefits.

We have set out in the Appendix to this letter our detailed comments on the Exposure Draft.

If you have any queries or require clarification of any matters in this submission, please contact Annette Davis (annette.davis@nzica.com) in the first instance, or me.

Yours sincerely



Joanna Perry
Chairman – Financial Reporting Standards Board
Email: joannaperry@xtra.co.nz

Appendix: ED34 Questions

Question 1: Scope

Do you agree that the scope of this ED is appropriate (paragraphs 2–8)? If you do not think that the scope is appropriate please detail how you would modify the scope. Please state your reasons.

Scope

1. As set out in the covering letter, the FRSB believes that the IPSASB should not continue with the development of a disclosure standard for social benefits. In particular, the limited scope of ED34 further limits the usefulness of these disclosures for users of the financial statements as a significant portion of social benefits, such as collective social benefits, are excluded from its scope.
2. The FRSB believes that the IPSASB's efforts should be concentrated on completing its work on long-term fiscal sustainability reporting and continuing its work on a Conceptual Framework for the Public Sector and a standard on the recognition and measurement of social benefits. However, the FRSB has considered ED34 and has some suggestions as to how it could be improved.
3. The FRSB considers that disclosures regarding all social benefits would be much more useful to users of the financial statements so that an overview can be obtained of the types of social benefits that are provided by an entity. Having considered the International Monetary Fund's *Government Finance Statistics Manual* (GFSM) guidance on what it considers to be collective or individual social benefits, it seems clear from this that both collective and individual social benefits are important. The FRSB considers that disclosure of future obligations for individual and collective goods and services is just as important as disclosure of future obligations for cash transfers.
4. Furthermore, social benefits to individuals and households can be made either by distribution of goods and services or by cash transfer. This is a policy decision by the entity. To limit the scope of ED34 to cash transfers means that only a part of the total social benefits to individuals and households is disclosed. This will not give users of the financial statements a true picture of the types, and extent to which, social benefits are provided.
5. At a minimum, the scope should include individual goods and services so that there is comparability between jurisdictions, as the method by which benefits are distributed may vary (between cash transfers and transfers of goods and services) but the overall programme may be similar.
6. Paragraph 4 of the Basis for Conclusions also states that the IPSASB believes that the proposed disclosures will be useful staging posts in the adoption of approaches toward accounting for social benefits and long-term fiscal sustainability reporting and that the information provided will be worthwhile to users. The FRSB disagrees. The proposed amount to be calculated and disclosed does not appear to be meaningful. In New Zealand, this is not an amount that is currently calculated. The FRSB's views on whether the disclosures are an intermediate step are explained further in its response to Questions 3 and 4.

Application to which entities?

7. Paragraph 2 of ED34 currently requires an entity (in the public sector and preparing its financial statements using IPSASs) to disclose information about cash transfer programmes to eligible individuals or households. Notwithstanding the previous comments regarding the scope of the Exposure Draft, the FRSB considers that some explanation would be helpful as to which entities within a government that this Standard would apply. For example, in New Zealand, there are individual entities within the whole of government entity that administer cash transfer programmes on behalf of the whole of government. The FRSB asks the IPSASB whether it is necessary for the subsidiary entity to include, within its individual financial statements, the proposed disclosures. It appears to the FRSB that where a subsidiary entity administers the policy on behalf of the whole of government, then disclosure should only be necessary in the financial statements of the entity that determines the policy, which is, in this example, the consolidated financial statements of the whole of government.
8. Another example is where a subsidiary entity may set the specific policy on a community grants scheme, but it is the parent entity which has the policy objective. It needs to be clear how responsibility or

accountability for policy-setting relates to the financial statements of an entity, i.e. is an entity administering a policy on behalf of its parent entity or does it have “control” over the policy and therefore the transactions should be reflected in its financial statements.

9. The FRSB asks the IPSASB to make this point clear in any resulting Standard where the IPSASB consider it appropriate to continue with this project.

Question 2: Definitions

Do you agree that the new definitions in this ED at paragraph 10 are sufficiently clear and comprehensive. If you disagree, please indicate:

- (a) how these definitions should be modified and
- (b) which new terms should be defined.

Please state your reasons.

10. The FRSB agrees with the proposed definitions.

Question 3: Determination of amounts

Do you agree that the requirements for the determination of amounts expected to be transferred to eligible individuals or households are appropriate (paragraphs 30–44). If you do not think that they are appropriate please indicate what those requirements should be. Please state your reasons.

Disclosure amount limited to currently eligible beneficiaries

11. Paragraph 30 of ED34 proposes that the amount disclosed for cash transfer programmes to eligible individuals or households is the entity’s best estimate of the present value of amounts expected to be transferred (for those beneficiaries who are eligible at the balance sheet date). In paragraph 46, it states that this amount is the minimum amount expected to be transferred and does not include projections for future potentially eligible individuals or households. Thus, the amount disclosed relates only to these beneficiaries and not to the estimated total expenditure in future years, i.e. the amount to be disclosed is a sub-set of the total future expenditure. The FRSB is concerned that this amount will be misleading without also presenting additional information regarding a government’s commitment to beneficiaries who are not currently eligible at the balance sheet date but will fulfil all the eligibility criteria in the future. It may be that the amount disclosed is much less than the total social benefit payments to be transferred in the future, giving a false view of future expenditure.
12. The FRSB is also concerned that readers of the exposure draft will come to the conclusion that the IPSASB considers that this amount meets the definition of a liability and thus should be recognised, even though it is clear, through the publication of the consultation paper on issues in recognition and measurement, that the IPSASB has not developed a view in this area.
13. Furthermore, the FRSB considers that the amount is not one that an entity would use in managing a social benefit programme and, therefore, would be of no use to users of the financial statements. In addition, because the amount would need to be calculated, this work will be wasted if a future recognition and measurement standard requires a different amount. The FRSB considers that there is a significant risk that the amount proposed by ED34 will not be the same as the one required by a future recognition and measurement standard.

Disclosure amount limited to one discounted amount

14. The FRSB considers that disclosure of one discounted amount is not very useful to users of the financial statements. The disclosure of trend information is usually more useful than one number. Additionally, disclosure of undiscounted amounts is useful as these amounts show how much expenditure will occur and when that expenditure is expected to occur.

Question 4: Disclosures

Do you agree that the disclosure requirements in paragraph 45 are appropriate. If you think that they are unduly onerous, which disclosures should not be required? Conversely, if you think that the disclosures are inadequate, what further disclosures would you include? Please state your reasons.

15. The FRSB considers that it would be a better use of resources for the IPSASB to progress other projects rather than continue with this project dealing with disclosures only. However, if the IPSASB decides to proceed with developing a standard on the disclosure of social benefits, then in order to make a disclosure standard useful for the users of financial statements and so that this information can form the basis of requirements for future standards in this area, the FRSB makes the following recommendations:
 - that narrative disclosures should be required for all social benefits that the entity has committed itself to deliver, focused primarily on individual goods and services and cash transfers;
 - that quantitative disclosures should be limited to disclosure of expenditure and amounts accrued at the balance sheet date for social benefits; and
 - that the disclosures be differentiated between those that are related to long-term fiscal sustainability reporting and those relating to the financial statements.
16. The FRSB believes that its suggested approach for a disclosure standard would help comparability between jurisdictions as an overall view of social benefits is gained. Also, this suggested approach does not mislead users of the financial statements by disclosing an amount that is not meaningful, as explained in the response to Question 3 above.
17. The FRSB asks the IPSASB to consider whether disclosures relating to long-term fiscal sustainability reporting should be required to be presented in the financial statements. It may be appropriate for these disclosures to be in a stand-alone document, separate to the financial statements, but published at the same time and with the same frequency.

Question 5: Are the disclosures verifiable?

Do you agree that the disclosure requirements in paragraph 45 are going to provide information that is verifiable. If you think that the disclosure requirements are not going to provide information that is verifiable, please identify the specific disclosures and state what those implications are.

18. The FRSB considers that the quantitative disclosures that it has suggested above, i.e. expenditure and amounts accrued at the balance sheet date for social benefits, are verifiable. For the narrative disclosures that it has suggested, i.e. a description of the social benefits that the entity has committed itself deliver, the level of verifiability may be lower than that required for disclosures in the financial statements. Therefore, the FRSB considers that it is important that the IPSASB determine the most appropriate document for these disclosures, as suggested in Question 4 above.

Question 6: Implementation arrangements

Do you agree that the implementation arrangements are appropriate (paragraphs 50–53). If the implementation arrangements are inappropriate, please specify how you would change them. Please state your reasons.

19. The FRSB considers that the implementation arrangements are appropriate.

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Ms Stephenie Fox
 Technical Director
 International Public Sector Accounting Standards Board
 International Federation of Accountants
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 Toronto
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 CANADA

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Dear Stephenie

Consultation Paper *Social Benefits: Issues in Recognition and Measurement*

The Financial Reporting Standards Board (FRSB) of the New Zealand Institute of Chartered Accountants is pleased to submit its comments on Consultation Paper *Social Benefits: Issues in Recognition and Measurement*.

The FRSB holds the following views:

- that requiring long-term fiscal sustainability reporting is an essential part of public sector financial reporting;
- that the criteria for determining the appropriate accounting treatment for social benefits should be developed in conjunction with the conceptual framework project and applied consistently across all social benefits;
- that subject to the concepts or principles relating to the definition or recognition of a liability that emerge from the IPSASB's conceptual framework project, we consider that the recognition point for a liability arising from a social benefit is when the beneficiary has satisfied all eligibility criteria, which includes the "continuing existence" of a beneficiary; and
- that the development of a modified version of the executory contract accounting model is a useful way forward in developing recognition and measurement requirements for social benefits.

The FRSB believes that standards on the recognition and measurement for social benefits and long-term fiscal sustainability reporting are an essential component of the IPSASB's work relating to public sector specific standards. This complements the IPSASB's aim of completing an up-to-date set of standards based on IFRSs by 2009. We strongly encourage the IPSASB to have completed its work on long-term fiscal sustainability reporting before the end of 2009 and to continue its work on a Conceptual Framework for the Public Sector and a standard on the recognition and measurement of social benefits.

An aspect of the social benefits project that needs to be considered in further detail are two projects currently being undertaken by the IASB. The IASB is revising IAS 37 *Provisions, Contingent Liabilities and Contingent*

Assets and its conceptual framework. The FRSB considers that developments in these projects relating to the definition or recognition of a liability could have a significant effect on the development of a standard on the recognition and measurement of social benefits. The FRSB believes that the development of this standard should take account of the IASB's projects due to the fact that one of the IPSASB's strategies is to converge with IFRSs where appropriate. Much effort could be wasted if a standard is developed which then has to be immediately revised due to the IASB's completion of the liabilities project and/or the elements' component of the conceptual framework project.

We have set out in Appendix 1 to this letter our detailed comments on the Consultation Paper. In Appendix 2 we describe the information which is currently disclosed in New Zealand and in which documents it can be found.

If you have any queries or require clarification of any matters in this submission, please contact Annette Davis (annette.davis@nzica.com) in the first instance, or me.

Yours sincerely

A handwritten signature in black ink that reads "Joanna Perry". The signature is written in a cursive style with a long, sweeping underline.

Joanna Perry
Chairman – Financial Reporting Standards Board
Email: joannaperry@xtra.co.nz

Appendix 1: Consultation Paper Questions

Question 1: Sufficiency of financial statements for information regarding social benefits

Do you agree that, within the constraints of the current implied conceptual framework for general purpose financial reporting, current financial statements such as the statement of financial position and the statement of financial performance cannot convey sufficient information by themselves to users about the financial condition of governmental programs providing social benefits? Please state your reasons.

1. Yes. The FRSB responded to the IPSASB's predecessor organisation, IFAC's Public Sector Committee's Invitation to Comment (ITC) on *Accounting for Social Policies of Governments*¹. In that submission, the FRSB considered that there is an information gap in the financial reports of governments that cannot be filled solely by financial statements. Users of governmental financial statements also require information regarding the sustainability of a government's policies and the potential implications if there is a fundamental change in the underlying assumptions regarding these policies. The FRSB still holds these views and notes that, in conjunction with the publication of this Consultation Paper, a Project Brief on *Long-Term Fiscal Sustainability Reporting* has been issued. The FRSB considers that this project has a key role in filling the current information gap.
2. Whilst acknowledging that financial statements cannot fulfil all the information needs of users, the FRSB also believes that it is important to develop a standard on the recognition and measurement of social benefits, in conjunction with the development of a conceptual framework for the public sector. This is important as users need to know that a governmental entity has recognised all its liabilities. Uncertainty as to whether all liabilities have been recognised for social benefits does not help users assess a governmental entity's accountability or help in decision-making.

Question 2: Present obligations

Do you think that a present obligation to individuals or households arises at any time for:

- a) Collective goods and services; and/or
- b) Individual goods and services?

If you think a present obligation does arise for either (a) or (b) or both (a) and (b) please indicate when and indicate your reasons.

Present obligations

3. IPSAS 19 *Provisions, Contingent Liabilities and Contingent Assets*, defines liabilities as:

“present obligations of the entity arising from past events, the settlement of which is expected to result in an outflow from the entity of resources embodying economic benefits or service potential”.

The heart of this definition is whether an entity has any discretion in avoiding settlement. This definition has been developed for profit-oriented entities where most of the entities activities and transactions are undertaken as contractual arrangements and are exchange in nature. However, most governmental entities that have social benefit obligations are not-for-profit entities and the provision of social benefits are usually non-exchange transactions.
4. A present obligation can be a legal or constructive obligation. IPSAS 19 defines a legal obligations as:

“an obligation that derives from:

 - (a) A contract (through its explicit or implicit terms);
 - (b) Legislation; or
 - (c) Other operation of law.”
5. Part (b) of the definition of a legal obligation is where an obligation derives from legislation. Some social benefit obligations will be set out in legislation, e.g. an unemployment benefit. Where the other criteria of the recognition of a liability are met, this would result in the recognition of a liability.

¹ Invitation to Comment: *Accounting for Social Policies of Governments*, January 2004.

6. Some social benefit obligations may not be set out in legislation but a governmental entity provides them as part of its policy to do so. IPSAS 19 defines a constructive obligation, as follows.
- “A **constructive obligation** is an obligation that derives from an entity’s actions where:
- By an established pattern of past practice, published policies or a sufficiently specific current statement, the entity has indicated to other parties that it will accept certain responsibilities; and
 - As a result, the entity has created a valid expectation on the part of those other parties that it will discharge those responsibilities.”
7. A governmental entity may, by its past actions and policy announcements, indicate that the provision of a social benefit will continue into the future. Again, where the other criteria of the recognition of a liability are met, this would result in the recognition of a liability.
8. Thus, at face value, applying the definition of a constructive obligation to social policy obligations seems to imply that a liability exists. However, recognising such a “liability” does not provide useful information to the users of the financial statements. The public sector entity’s prima facie reason for existence and its primary purpose is the provision of cash, goods and services for community and social benefit. A governmental entity’s ongoing activities are the provision of non-exchange social benefits. These costs will be incurred in the future according to the policies and past practice of the entity, subject to policy changes. It can continue to operate as long as future non-exchange revenue is received from taxes, etc.
9. Paragraph 26 of IPSAS 19 states:
- “Financial statements deal with the financial position of an entity at the end of its reporting period and not its possible position in the future. Therefore, no provision is recognised for costs that need to be incurred to continue an entity’s ongoing activities in the future. The only liabilities recognised in an entity’s statement of financial position are those that exist at the reporting date.”
10. Paragraph 26 explicitly prohibits the recognition of a liability for expenditure related to an entity’s ongoing activities in the future and, for a governmental entity providing social benefits, this expenditure is in the future. Thus, no liability should be recognised.
11. This is where the suggestion in Question 5 as to whether developing the executory contract accounting model for application to social benefit obligations should be developed further is relevant. Executory contracts are contracts in which neither party has performed any of its obligations, or where both parties have partially performed their obligations to an equal extent. Thus, a liability for an executory contract is not recognised unless an entity has performed its obligations to a lesser extent than the other party. It may be helpful to consider applying this model to a non-exchange social benefit obligation. For example, one way of looking at this issue is that a governmental entity has a conditional liability to provide social benefits as well as a conditional asset to collect taxes in the future. The FRSB encourages the IPSASB to explore further this model. Additionally, the IASB’s tentative conclusion that a liability does not presently exist if a stand ready obligation is not presently enforceable may also help the IPSASB resolve this issue.

Present obligations for individual goods and services

12. The FRSB believes that “continuing existence” of an individual is part of the applicable eligibility criteria. For example, suppose an individual requires an operation. Where this individual that has met all other eligibility criteria for an operation at the balance sheet date, but is still waiting for that operation to be performed, no amount should be recognised as a provision. The FRSB considers that the individual’s continued existence is part of the satisfaction of applicable eligibility criteria, i.e. the individual has to be still alive and still have the relevant medical condition on the day of the operation to be truly eligible.

Present obligations for collective goods and services

13. Collective goods and services can be distinguished from individual goods and services in that they are provided to benefit the community as a whole, or to a portion of a community rather than an individual. It seems unlikely that collective goods and services will have eligibility criteria. Unless this is the situation, the FRSB does not believe that a present obligation arises for collective goods and services.

Question 3: Present obligations and contributory/non-contributory programs

Do you think that a present obligation to individuals or households in respect of cash transfers arises when all eligibility criteria have been satisfied for:

- a) Non-contributory programs; and/or
- b) Contributory programs?

If you think that a present obligation arises at an earlier point for (a) or (b) or both (a) and (b), please indicate that point and give your reasons.

14. As set out in its response to Question 2 above, the FRSB consider that a liability should be recognised for social benefit obligations when all eligibility criteria have been met. For example, for a pension, where a person was last paid 8 days before the balance sheet date, at the balance sheet date, assuming the person is still alive and still meets all the eligibility criteria, that a liability for 8 days of pension is recognised. This means that the recognition point for a liability is the same irrespective of whether the social benefit programme is contributory or non-contributory (except as noted in paragraph 15 below).

Contributory programmes

15. The FRSB believes that an additional issue needs to be considered where a social benefit programme is contributory. An assessment needs to be made to determine whether a legal or constructive obligation arises for the return of the contributions made by a beneficiary or potential beneficiary under certain conditions, e.g. where an individual withdraws from the programme before the eligibility conditions are satisfied. A legal or constructive obligation may also arise in other circumstances, e.g. where an individual contributes a certain amount to a programme and then is guaranteed an amount in return.

Question 4: Is revalidation a measurement or recognition criterion?

Where a cash transfer program requires individuals or households to revalidate their entitlement to benefits, do you think that revalidation is an attribute that should be taken into account in the measurement of the liability or a recognition criterion? Please state your reasons.

16. The FRSB considers that the reasoning in paragraph 52 is persuasive and agrees that revalidation is a recognition attribute. This is consistent with the FRSB's response to Question 2 above, that a liability for a social benefit obligation is recognised only when a beneficiary meets all eligibility criteria, which includes the implicit assumption of the continuing existence of an individual for both individual goods and services and cash transfer programmes.

Question 5: Use of executory contract accounting model

Do you think that in developing requirements for recognition and measurement of social benefits the IPSASB should further explore the executory contract accounting model briefly outlined in Key Issue 6. Please state your reasons.

17. The FRSB strongly believes that the IPSASB should further explore the use of the executory contract accounting model for developing the requirements for the recognition and measurement of social benefit obligations, as discussed in the response to Question 2 above.

Appendix 2: Current New Zealand Disclosures

1. In addition to answering the Specific Matters for Comment (in Appendix 1), the Consultation Paper asks for details of current policies for recognising and measuring liabilities for social benefit programmes. In New Zealand, this information can be found in the Financial Statements of the Government of New Zealand.
2. This appendix also contains information regarding the information available regarding New Zealand's long-term fiscal sustainability as the FRSB agrees with the IPSASB's view that this information is relevant to users in helping to form a view regarding the future viability of a government's social programmes.
3. The documents described in this appendix are also attached.

Financial Statements of the Government of New Zealand

4. From 1 July 2007, the financial statements of the Government of New Zealand are prepared using New Zealand IFRSs. Below are extracts from the monthly financial statements for the eleven months to 31 May 2008.
5. The general accounting policies plus the accounting policies for expenses and welfare benefits are as follows.

2 General Accounting Policies

These Financial Statements comply with generally accepted accounting practice and with New Zealand equivalents to International Financial Reporting Standards (NZ IFRS) as applicable for public benefit entities. The measurement base applied is historical cost adjusted for revaluations of property, plant and equipment (where appropriate), commercial forests; and marketable securities, deposits and equity investments held for trading purposes. The accrual basis of accounting has been used unless otherwise stated.

These Financial Statements have been prepared on a going concern basis. All other policies have been applied consistently throughout the period.

Expenses

General

Expenses are recognised in the period to which they relate.

Welfare benefits

Welfare benefits and entitlements, including New Zealand Superannuation, are recognised in the period when an application for a benefit has been received and the eligibility criteria met.

Grants and subsidies

Where grants and subsidies are discretionary until payment, the expense is recognised when the payment is made. Otherwise, the expense is recognised when the specified criteria have been fulfilled and notice has been given to the Crown.

6. The statement of financial performance includes a functional expense analysis, as follows.

Prior Year 11 Months to 30 June 2007		11 Months to 31 May 2007		Current Year Actual vs Forecast				Annual Forecast
Actual \$m	Actual \$m			Actual \$m	Forecast \$m	Variance \$m	%	\$m
Total Crown								
Total Crown expenses								
By functional classification								
19,829	19,282	Social security and welfare		19,049	19,951	902	4.5	22,274
645	609	GSF pension expenses		653	653	-	-	714
10,661	9,243	Health		9,723	9,783	60	0.6	10,765
9,853	9,207	Education		9,647	9,681	34	0.4	10,803
4,628	3,125	Core government services		2,680	2,843	163	5.7	3,163
2,822	2,519	Law and order		2,835	2,850	15	0.5	3,192
1,478	1,332	Defence		1,351	1,335	(16)	(1.2)	1,524
6,990	6,005	Transport and communications		6,345	6,224	(121)	(1.9)	7,185
4,723	4,722	Economic and industrial services		7,508	6,750	(758)	(11.2)	7,433
1,233	1,175	Primary services		1,216	1,200	(16)	(1.3)	1,404
2,043	1,797	Heritage, culture and recreation		2,125	2,127	2	0.1	2,366
865	786	Housing and community development		837	874	37	4.2	965
74	71	Other		58	70	12	17.1	84
2,885	2,611	Finance costs		2,808	2,793	(15)	(0.5)	2,954
-	-	Forecast new operating spending		-	-	-	-	-
-	-	Top-down expense adjustment		-	(120)	(120)	(100.0)	(240)
68,729	62,484	Total Crown expenses excluding losses		66,835	67,014	179	0.3	74,586

7. Note 3 of the notes to the financial statements analyses the line item 'social assistance and official development assistance' in the statement of financial performance, as follows.

NOTE 3: Social Assistance and Official Development Assistance								
6,810	6,219	New Zealand superannuation		6,722	6,724	2	-	7,347
1,468	1,349	Domestic purposes benefit		1,354	1,352	(2)	(0.1)	1,475
613	573	Unemployment benefit		422	422	-	-	455
1,132	1,037	Invalids benefit		1,109	1,109	-	-	1,214
1,699	1,559	Family tax credit		1,705	1,757	52	3.0	2,081
877	806	Accommodation supplement		817	815	(2)	(0.2)	888
573	524	Sickness benefit		534	533	(1)	(0.2)	580
382	342	Student allowances		345	343	(2)	(0.6)	384
270	248	Disability allowances		255	255	-	-	278
-	-	KiwiSaver		969	927	(42)	(4.5)	1,030
2,192	1,963	Other social assistance benefits		2,109	2,119	10	0.5	2,390
16,016	14,620	Total social assistance		16,341	16,356	15	0.1	18,122
330	306	Official development assistance		321	368	47	12.8	398
16,346	14,926	Total social assistance and official development assistance		16,662	16,724	62	0.4	18,520

8. Note 11 of the notes to the financial statements analyses the line item 'receivables' in the statement of financial position, as follows.

As at 30 June 2007 \$m	As at 31 May 2007 \$m		Current Year Actual vs Forecast				Annual Forecast
			Actual \$m	Forecast \$m	Variance \$m	%	\$m
NOTE 11: Financial Assets							
4,163	2,893	Cash and cash equivalents	4,922	5,014	(92)	(1.8)	5,217
6,368	7,614	Tax receivables	7,213	5,643	1,570	27.8	6,005
5,690	5,425	Trade and other receivables	6,718	5,397	1,321	24.5	6,321
6,011	5,827	Student loans	6,517	6,511	6	0.1	6,278
3,637	3,527	Kiwibank mortgages	5,435	5,602	(167)	(3.0)	5,751
2,110	2,015	Long-term deposits	1,927	1,951	(24)	(1.2)	1,741
183	292	Reserve position at the IMF	183	151	32	21.2	151
2,145	1,838	Other loans	1,625	1,886	(261)	(13.8)	1,878
13,581	14,359	Share investments	13,702	12,860	842	6.5	12,790
2,352	1,602	Derivatives in gain	1,966	1,548	418	27.0	1,167
27,480	29,696	Other marketable securities	35,685	34,132	1,553	4.5	33,306
73,720	75,088	Total financial assets	85,893	80,695	5,198	6.4	80,605

Financial statements of the Ministry of Social Development

9. The Ministry of Social Development has responsibility for administering various social benefits, including social security and welfare, on behalf of the New Zealand Government. The Ministry of Social Development does not publish monthly financial statements, however, the annual report of the Ministry of Social Development includes the financial statements of this government department, a statement of service performance for the functions it administers, and financial statements and schedules which record the non-departmental income, expenditure, assets and liabilities which it administers. The extracts below are from the financial statements for the year ended 30 June 2007.
10. An extract from the statement of non-departmental expenditure and appropriations is shown below and gives more detail than the whole of government financial statements regarding the types of social benefits provided during the year.

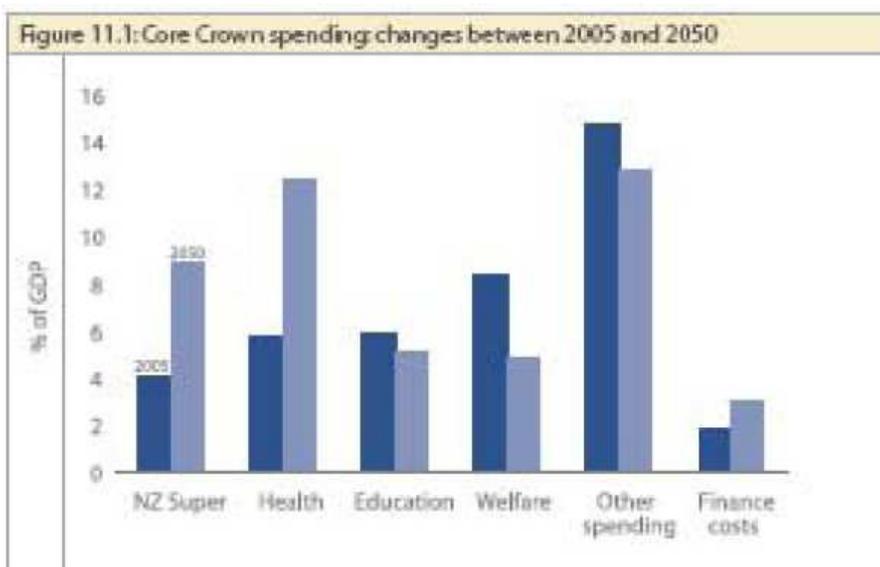
Statement of Non-Departmental Expenditure and Appropriations (extract)

ACTUAL 2006 \$000	TYPE OF APPROPRIATION (FIGURES ARE GST INCLUSIVE WHERE APPLICABLE)	ACTUAL 2007 \$000	SUPPLEMENTARY ESTIMATES 2007 \$000	UNAPPROPRIATED EXPENDITURE 2007 \$000
	Benefits and Other Unrequited Expenses:			
843,169	Accommodation Supplement	876,995	885,394	-
6,081	Assistance for People Requiring Care	6,494	6,606	-
79,638	Benefits Paid in Australia	71,472	71,472	-
69,872	Child Disability Allowance	77,763	78,047	-
109,615	Childcare Assistance	139,246	141,711	-
10,153	Defence Force Allowance	10,283	10,283	-
260,791	Disability Allowance	269,999	270,771	-
6,735	Disability Allowance Telephone Support	5,894	5,904	-
1,492,593	Domestic Purposes Benefit	1,467,726	1,471,542	-
223	Family Start/NGO Awards	345	465	-
16,406	Independent Youth Benefit	16,026	16,324	-
1,073,209	Invalid's Benefit	1,132,012	1,138,563	-
1,485	Merit Scholarships	4,323	4,500	-
6,413,619	New Zealand Superannuation	6,809,938	6,817,735	-
64,383	Orphan's/Unsupported Child's Benefit	70,371	70,662	-
127	Relocation Assistance	111	121	-
1,501	Residential Social Rehabilitation Assistance	1,593	1,593	-
2,159	Scholarship and NCF/NCEA Awards	2,922	3,625	-
541,143	Sickness Benefit	572,691	574,850	-
61	Special Annuities	39	49	-
160,290	Special Benefit	105,811	106,065	-
51,788	Special Needs Grant	49,587	50,627	-
199	Special Transfer Allowance	159	169	-
3,864	Step Up Scholarship	4,912	5,630	-
354,132	Student Allowances	382,324	387,979	-
5,127	TeachNZ Scholarship	7,283	14,082	-
1,335	Temporary Additional Support	26,589	28,112	-
32,191	Training Incentive Allowance	28,675	37,360	-
3,039	Transition to Work	5,516	4,861	655
27	Transitional Working for Families Supplement	1	15	-
711,812	Unemployment Benefit	612,525	617,537	-
82,542	Widow's Benefit	77,660	78,398	-
12,401,311	Total Benefit and Other Unrequited Expenses	12,837,285	12,901,052	655
14,128,838	Total Vote Social Development	14,896,996	15,142,248	655

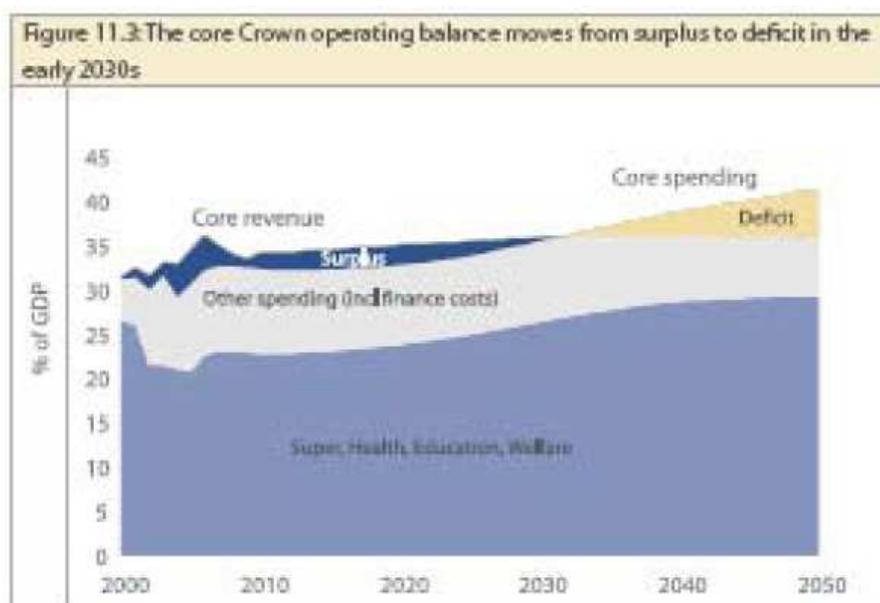
11. The statement of service performance discloses the type of output expense, a summarised statement of service performance and a statement of service performance which lists performance measures and expected and achieved percentages for these measures.

New Zealand's Long-Term Fiscal Position

12. The New Zealand Treasury has responsibility for preparing a statement on the New Zealand Government's long-term fiscal position. It must use a period of at least 40 consecutive financial years. The first statement was published in June 2006, using projections commencing from 1 July 2005. This statement must be prepared at least once every four years.
13. The statement contains projections for revenue and the main spending categories of health, education, New Zealand Superannuation, other welfare and other spending areas such as defence, and law and order. It uses information from Statistics New Zealand regarding the future size and structure of the population. The information is modelled as a percentage of Gross Domestic Product (GDP). The following two graphs demonstrate overall Crown spending and New Zealand's long-term fiscal position once that spending is taken into account.



Source: The Treasury



Source: The Treasury

14. Additionally, the Treasury is required to prepare an annual Fiscal Strategy Report including projections over at least ten years showing the likely progress against long-term fiscal objectives.