

Introduction

Purpose of *Information Supporting the Estimates*

The *Information Supporting the Estimates* provides members of Parliament with additional performance information to the *Estimates* in order to:

- support their examination of the appropriations and other authorities requested by the Government in the first Appropriation Bill for the forthcoming financial year, and
- provide a base against which they can later assess the actual performance of the Crown and individual departments and Offices of Parliament over that financial year.

The *Information Supporting the Estimates* is organised into 10 volumes by sector, each of which covers one or more Votes. The scope of each sector and the allocation of Votes to a sector reflect a balancing of three desired characteristics - namely that each volume should, where possible:

- reflect natural sectors
- keep together Votes administered by the same department, and
- keep together Votes allocated to a particular select committee of the House of Representatives for examination.

The number of sectors and coverage of each sector is set in consultation with the House of Representatives. The 10 sectors are:

- Economic Development and Infrastructure Sector
- Education and Science Sector
- Environment Sector
- External Sector
- Finance and Government Administration Sector
- Health Sector
- Justice Sector
- National Identity Sector
- Primary Sector
- Social Development and Housing Sector.

Votes and departments included in each sector are listed in the following table.

Votes and Departments in Each Sector

| Votes by Sector | Departments by Sector |
|--|--|
| Economic Development and Infrastructure Sector - B.5A Vol.1 | |
| Vote Economic Development | Ministry of Economic Development |
| Vote Commerce | |
| Vote Communications | |
| Vote Consumer Affairs | |
| Vote Energy | |
| Vote Tourism | |
| Vote Transport | Ministry of Transport |
| Vote Labour | Department of Labour |
| Vote ACC | |
| Vote Employment | |
| Vote Immigration | |
| Education and Science Sector - B.5A Vol.2 | |
| Vote Education | Ministry of Education |
| Vote Education Review Office | Education Review Office |
| Vote Research, Science and Technology | Ministry of Research, Science and Technology |
| Vote Crown Research Institutes (this Vote is administered by the Treasury, which is in the Finance and Government Administration Sector) | |
| Environment Sector - B.5A Vol.3 | |
| Vote Environment | Ministry for the Environment |
| Vote Climate Change | |
| Vote Conservation | Department of Conservation |
| Vote Local Government (this Vote is administered by the Department of Internal Affairs, which is in the National Identity Sector) | |
| Vote Parliamentary Commissioner for the Environment | Parliamentary Commissioner for the Environment |
| External Sector - B.5A Vol.4 | |
| Vote Foreign Affairs and Trade | Ministry of Foreign Affairs and Trade |
| Vote Official Development Assistance | |
| Vote Defence | Ministry of Defence |
| Vote Defence Force | New Zealand Defence Force |
| Vote Veterans' Affairs - Defence Force | |
| Vote Customs | New Zealand Customs Service |
| Finance and Government Administration Sector - B.5A Vol.5 | |
| Vote Prime Minister and Cabinet | Department of the Prime Minister and Cabinet |
| Vote Communications Security and Intelligence | Government Communications Security Bureau |
| Vote Security Intelligence | New Zealand Security Intelligence Service |
| Vote State Services | State Services Commission |
| Vote Finance | The Treasury |
| Vote State-Owned Enterprises | |
| Vote Revenue | Inland Revenue Department |
| Vote Ministerial Services (this Vote is administered by the Department of Internal Affairs, which is in the National Identity Sector) | |

| Votes by Sector | Departments by Sector |
|---|---|
| Finance and Government Administration Sector - B.5A Vol.5 (cont'd) | |
| Vote Office of the Clerk | Office of the Clerk of the House of Representatives |
| Vote Parliamentary Service | Parliamentary Service |
| Vote Audit | Controller and Auditor-General |
| Vote Ombudsmen | Office of the Ombudsmen |
| Health Sector - B.5A Vol.6 | |
| Vote Health | Ministry of Health |
| Justice Sector - B.5A Vol.7 | |
| Vote Justice | Ministry of Justice |
| Vote Courts | |
| Vote Corrections | Department of Corrections |
| Vote Police | New Zealand Police |
| Vote Serious Fraud | Serious Fraud Office |
| Vote Attorney-General | Crown Law Office |
| Vote Parliamentary Counsel | Parliamentary Counsel Office |
| National Identity Sector - B.5A Vol.8 | |
| Vote Arts, Culture and Heritage | Ministry for Culture and Heritage |
| Vote Sport and Recreation | |
| Vote Statistics | Statistics New Zealand |
| Vote National Archives | Archives New Zealand |
| Vote National Library | National Library of New Zealand |
| Vote Māori Affairs | Te Puni Kōkiri |
| Vote Treaty Negotiations (this Vote is administered by the Ministry of Justice, which is in the Justice Sector) | |
| Vote Pacific Island Affairs | Ministry of Pacific Island Affairs |
| Vote Women's Affairs | Ministry of Women's Affairs |
| Vote Internal Affairs | Department of Internal Affairs |
| Vote Community and Voluntary Sector | |
| Vote Emergency Management | |
| Vote Racing | |
| Primary Sector - B.5A Vol.9 | |
| Vote Agriculture and Forestry | Ministry of Agriculture and Forestry |
| Vote Biosecurity | |
| Vote Fisheries | Ministry of Fisheries |
| Vote Food Safety | New Zealand Food Safety Authority |
| Vote Lands | Land Information New Zealand |
| Social Development and Housing Sector - B.5A Vol.10 | |
| Vote Social Development | Ministry of Social Development |
| Vote Senior Citizens | |
| Vote Veterans' Affairs - Social Development | |
| Vote Youth Development | |
| Vote Housing | Department of Building and Housing |

Purpose and Nature of Appropriations

An appropriation is a statutory authority from Parliament allowing the Crown or an Office of Parliament to incur expenses or capital expenditure.

Neither the Crown nor an Office of Parliament can legally incur any expense or capital expenditure - as those terms are defined in the Public Finance Act 1989 (PFA) - unless it is expressly authorised by or under an Act of Parliament.

Limits Created by Appropriations

Each appropriation is allocated to, and managed as, one of six **types** of appropriation.

Each appropriation also has a defined **scope** that limits the uses or activities for which the expenses or capital expenditure can be incurred. The scope should be sufficient on its own to establish the nature and extent of the authority to incur expenses or capital expenditure. The wording of the appropriation scope should achieve the balance between being sufficiently precise to act as an effective constraint against non-authorised activities and not so specific that it inadvertently limits activity intended to be authorised.

In most cases an appropriation also limits the **amount** of expenses or capital expenditure that can be incurred, and the time **period** within which those expenses or capital expenditure can be incurred.

Aside from the very limited exclusions provided for in the PFA, the amount of expense or capital expenditure authorised by an appropriation is measured in accordance with generally accepted accounting practice.

As generally accepted accounting practice does not normally treat GST as an expense, appropriation amounts usually exclude GST. Prior to 2005/06, however, appropriations included applicable GST. All prior-year appropriation data - such as in the Summary of Trends table in the *Estimates* and the Summary of Financial Activity table for each Vote in *Information Supporting the Estimates* - have been adjusted to exclude GST and allow appropriate comparison.

Responsibility for Appropriations

Each appropriation is the responsibility of a designated Minister, who controls the right to use that appropriation within the limits authorised by Parliament. A department is also assigned to administer that appropriation in accordance with the Minister's wishes concerning its use.

A Vote is a group of appropriations (and can be a single appropriation) administered by a single department. Different appropriations within a Vote may be the responsibility of different Ministers.

Types of Appropriation

The PFA provides for six types of appropriation. Four appropriation types authorise the incurring of expenses; one type authorises the incurring of capital expenditure; the remaining type authorises both.

These appropriation types can be further differentiated by whether the expenses or capital expenditure are departmental or non-departmental transactions.

| Appropriation Type | Transaction Status | Description |
|---|--------------------|---|
| Output Expenses | Departmental | Authorises expenses to be incurred by a department or an Office of Parliament in supplying a specified category of outputs (goods and services). |
| | Non-Departmental | Authorises expenses to be incurred by the Crown (excluding departments) in purchasing a specified category of outputs (goods and services) from Crown entities or other third parties. |
| Benefits and Other Unrequited Expenses | Non-Departmental | Authorises expenses to be incurred by the Crown (excluding departments) in transferring resources (generally to individuals for their personal benefit) for which the Crown receives nothing directly in return. Examples include the Unemployment Benefit, student allowances and various scholarships and awards. |
| Borrowing Expenses | Departmental | Authorises the incurring of interest or other financing expenses for loans made to a department or an Office of Parliament, or public securities (undertakings that represent part of the public debt) issued by a department or an Office of Parliament. In practice, limitations on the rights of departments to borrow or issue securities mean that these are likely to be incurred only by Offices of Parliament. |
| | Non-Departmental | Authorises the incurring of interest or other financing expenses for loans made to the Crown (excluding departments), or public securities (undertakings that represent part of the public debt) issued by the Crown. Crown debt management is centralised, which means that most debt-servicing expenses appear in Vote Finance. |
| Other Expenses | Departmental | Authorises expenses to be incurred by a department or an Office of Parliament that are not either output expenses or borrowing expenses. Other expenses should be used only for events that cannot be related back to output production, such as redundancy costs arising from a government decision to cease purchasing certain types of outputs, or a loss on sale of assets made surplus by departmental restructuring. |
| | Non-Departmental | Authorises expenses to be incurred by the Crown (excluding departments) that are not structured or managed as output expenses, benefits or other unrequited expenses, or borrowing expenses. Other expenses is the residual expense appropriation type, which should not be used where an appropriation could be better classified or managed as one of the other appropriation types (eg, as output expenses). Examples include disposal of an asset for less than market value, grants to community organisations, subscriptions for membership of international bodies and remuneration of independent statutory officers. |
| Capital Expenditure | Departmental | Authorises capital expenditure to be incurred by a department or an Office of Parliament to acquire or develop assets for the use of the department. |
| | Non-Departmental | Authorises capital expenditure to be incurred by the Crown (excluding departments) to acquire or develop Crown assets, including the purchase of equity, or making a loan to a person or organisation that is not a department. |
| Expenses or Capital Expenditure Incurred by an Intelligence and Security Department | Departmental | Authorises both expenses and capital expenditure to be incurred by the New Zealand Security Intelligence Service or the Government Communications Security Bureau. |

Types of Output Expense Appropriations

A number of variations are possible for output expense appropriations. In particular, the constraint on the amount of expense that can be incurred is not always a fixed sum; and an output expense appropriation can cover more than one class of outputs.

| Output Expense Appropriation Type and Authority | Description, Constraints on Form and Typical Application |
|--|---|
| <p>Standard Output Expense Appropriation</p> <p>(section 7(1)(a), Public Finance Act 1989)</p> | <p>Departmental or non-departmental: Authorises a department or an Office of Parliament to incur expenses in supplying a specified class of outputs (goods and services), or the Crown (excluding departments) to incur expenses to purchase a specified class of outputs.</p> <p>Annual or multi-year: The authority lapses at the end of the financial year or multi-year period specified.</p> <p>Single output class only: The scope is limited to a single class of outputs (defined as a grouping of similar outputs).</p> <p>Amount limited by Appropriation Act: The amount of a standard output expense appropriation is limited to a set amount of New Zealand dollars specified in an Appropriation Act.</p> <p>Typical application: The normal or default form for an output expense appropriation, used for a wide range of outputs for which the flexibility offered by the other types of output expense appropriation is not required.</p> |
| <p>Multi-Class Output Expense Appropriation (MCOA)</p> <p>(section 7(3)(b), Public Finance Act 1989)</p> | <p>Departmental or non-departmental: Authorises a department or an Office of Parliament to incur expenses in supplying more than one specified class of outputs (goods and services), or the Crown (excluding departments) to incur expenses to purchase more than one specified class of outputs.</p> <p>A proposed MCOA must be approved by the Minister of Finance before it is presented in the <i>Estimates</i>. The information supporting the <i>Estimates</i> must explain why the Minister has allowed those classes of outputs to be grouped in one appropriation.</p> <p>Annual or multi-year: The authority lapses at the end of the financial year or multi-year period specified.</p> <p>Multiple output classes: The scope of an MCOA is determined by the combined scope of each of the output classes included in that appropriation.</p> <p>Amount limited by Appropriation Act: The amount of an MCOA is limited to a set amount of New Zealand dollars specified in an Appropriation Act. The amount of expense that can be incurred in relation to each component output class is flexible within the total amount of the MCOA, although expenses must be separately forecast and reported for each individual class in the <i>Estimates</i>, <i>Information Supporting the Estimates</i>, <i>Supplementary Estimates</i> and the department's annual report.</p> <p>Typical application: An MCOA is used where it is appropriate to give the responsible Minister or department ongoing discretion over the output mix across two or more classes of outputs. Such discretion will most commonly be sought where the output classes contribute to a common outcome, or use a common or closely related set of inputs or processes, and the circumstances that determine the appropriate output choice or mix are likely to vary during the appropriation period.</p> |
| <p>Revenue-Dependent Appropriation (RDA)</p> <p>(section 21(1), Public Finance Act 1989)</p> | <p>Departmental only: Authorises a department or an Office of Parliament to incur expenses in supplying a specified class of outputs (goods and services) that are not paid for directly by the Crown.</p> <p>A proposed RDA must be approved by the Minister of Finance before it is presented in the <i>Estimates</i>. Each class of outputs for which an RDA is approved is listed in an Appropriation Act for the relevant financial year.</p> <p>Annual only: The authority lapses at the end of the financial year specified.</p> <p>Single output class only: The scope of an RDA is limited to a single class of outputs (defined as a grouping of similar outputs).</p> <p>Amount limited by amount of revenue earned: The amount of an RDA is limited to the amount of revenue earned by a department or an Office of Parliament from other departments or from parties other than the Crown during a financial year. The Minister of Finance can further direct a department to incur expenses to a level lower than the amount of revenue earned, though such directions have been rare.</p> <p>Typical application: An RDA provides flexibility to respond to unanticipated changes in the level of external demand for a class of outputs, where the full cost of the outputs is met by external parties and not the Crown.</p> |

| Output Expense Appropriation Type and Authority | Description, Constraints on Form and Typical Application |
|--|--|
| Department-to-Department Appropriation (DDA) (section 20(2), Public Finance Act 1989) | <p>Departmental only: Authorises a department or an Office of Parliament to incur expenses in supplying specified outputs (goods and services) paid for by another department.</p> <p>Creation of a DDA requires an agreement between two departments. Implicitly, it also requires the approval of the Minister who will become responsible for the appropriation - namely, the Minister responsible for the supplying department - as the agreement has implications for the scope and risk of that department's operations.</p> <p>Annual or multi-year: The period of a DDA will depend on the negotiated terms of the agreement.</p> <p>Single or multiple output class(es): The scope of a DDA (and hence whether it covers one or more classes of outputs) will depend on the way in which the agreement defines what is to be delivered. In most cases, an agreement that provides for a range of different outputs is better treated as creating several single-class DDAs.</p> <p>Amount limited by departmental agreement: The amount of a DDA is limited to either the amount of revenue earned from the commissioning department, or the cost incurred by the supplying department in providing those outputs (if that cost is less than the amount of revenue earned under the agreement).</p> <p>Typical application: DDAs are intended to make collaboration between departments easier by reducing the time and effort otherwise required to obtain or adjust the relevant appropriations, while also allowing a commissioning department to retain full control over the resources it provides.</p> <p>The use of a DDA is not confined to bilateral agreements. A set of related DDAs could be used to enable one department to co-ordinate and manage the work of several departments that must together contribute to providing an integrated service to third parties, or to pool contributions from several departments to enable another department to provide a specific service to or on behalf of those departments.</p> |

Appropriation Period

The length of the appropriation period affects how appropriations are presented in the *Estimates* and *Supplementary Estimates*. Three kinds of appropriation can be distinguished on the basis of period - annual and multi-year (as referred to in the above table on output expense appropriations), and permanent:

- **Annual Appropriations** - Most appropriations listed in the *Estimates* and *Supplementary Estimates* allow expenses or capital expenditure to be incurred only during a particular financial year. The annual amounts for which parliamentary authority is sought are shown in **bold type** in Details of Annual and Permanent Appropriations in the *Estimates* and *Supplementary Estimates* for each Vote. The amounts for RDAs and annual DDAs are forecasts only, and so are not shown in bold type.
- **Multi-Year Appropriations (MYAs)** - The PFA also permits appropriations that allow expenses or capital expenditure to be incurred during a specified period that spans the whole or parts of more than one financial year, but no more than five financial years. The details of each MYA, including its commencement date and expiry date, are specified in Details of Multi-Year Appropriations in the *Estimates* and *Supplementary Estimates* for relevant Votes.
- **Permanent Appropriations** (sometimes referred to as permanent legislative authorities or PLAs) - Permanent appropriations are authorised by legislation other than an Appropriation Act and continue in effect until revoked by Parliament. Generally the authorising legislation will impose limits on the scope of the appropriation and not its amount. The usual legislative wording allows for expenses or capital expenditure to be incurred for the purpose specified in the legislation “without further appropriation than this section”. Details of permanent appropriations are included in Details of Annual and Permanent Appropriations in the *Estimates* and *Supplementary Estimates* for each Vote for completeness, though the amount specified is a forecast rather than a limit. The amounts of permanent appropriations are therefore not shown in bold type. The scope of a permanent appropriation will reference the relevant section of the authorising legislation.

Guide to Reading *Information Supporting the Estimates*

The *Information Supporting the Estimates* for each of the 10 sectors comprises five components, each of which is briefly described, below.

Sector Overview

The first component of the *Information Supporting the Estimates* may include a statement, agreed by all Ministers responsible for appropriations in Votes included in the sector, that presents an overview of the sector and a high-level summary of the Government's expectations and priorities. The Overview also includes Ministerial and Chief Executive Statements of Responsibility for the information provided on future operating intentions of departments in the sector.

Performance Information for Appropriations in Each Vote

The second component of the *Information Supporting the Estimates* presents performance information relating to each appropriation, ordered by Vote and appropriation type.

The title page for each Vote specifies the Minister(s) responsible for existing and proposed appropriations in the Vote, the administering department for the Vote, and the Responsible Minister for that department. The performance information meets the requirements of sections 15 and 41(1)(e) of the PFA and contains up to six parts. If particular information is not applicable to a Vote or a specific appropriation or type, or is otherwise unavailable, the relevant heading is not included.

Part 1 - Summary of the Vote

The Summary of the Vote comprises:

- **Part 1.1 - Overview of the Vote** - A plain-language summary of the focus of the appropriations through a brief explanation of the Vote. The Overview also appears at the start of the Vote in the *Estimates*.
- **Part 1.2 - High-Level Objectives of the Vote** - The objectives for the Vote presented through links and relationships between the appropriations and high-level priorities and outcomes to which they contribute. Where applicable, priorities and outcomes are drawn from the Government's themes and sub-themes, and published strategy documents. Links may also be made to specific Government objectives.
- **Part 1.3 - Trends in the Vote** - A presentation of actual and estimated trends in the Vote, comprising:
 - **Summary of Financial Activity** - A table showing financial information over the preceding five years (actual, budgeted or estimated actual), the current (Budget) year and the following three years (estimated) for types of appropriations and Crown revenue and capital receipts.
 - **Budget Policy Initiatives** - A table showing how new initiatives (and associated expenses or capital expenditure) are allocated to appropriations in the Vote. References are included where appropriations in other Votes are affected by the same initiative.
 - **Analysis of Significant Trends** - High-level analysis of appropriations and of Crown revenue and capital receipts by type over the nine financial years covered by the Summary of Financial Activity table, with graphical presentations and explanations of significant changes.
- **Part 1.4 - Reconciliation of Changes in Appropriation Structure** - A table providing a reconciliation and explanation of changes in the structure or classification of appropriations made in the Budget year. These changes are restated for the previous financial year to facilitate comparison.

Part 2 - Details and Expected Performance for Output Expenses

This Part provides further detail about appropriations and expected performance for output expenses.

- **Part 2.1 - Departmental Output Expenses** - Intended impacts, outcomes or objectives are presented for departmental output expense appropriations in the Vote. This is followed by information on each appropriation, including its scope, a table showing expenses and revenue (distinguishing between revenue from the Crown and others), a statement of reasons for change in the appropriation (if material), and tables detailing performance measures and standards for significant aspects of expected output performance, any conditions on use of the appropriation, any memorandum accounts (which record accumulated surpluses and deficits incurred in the provision of outputs on a full cost-recovery basis), and any current and past policy initiatives affecting the appropriation.

Information on impacts and outcomes or objectives to which the outputs contribute is provided where the relationships are direct or involve a small number of output expenses. Where the relationships are more complex, this information will be included in high-level objectives of the Vote outlined in Part 1.2. Conditions of use include administrative criteria and processes contained in legislation, regulations and Government decisions, which may be referenced in scope statements or performance measures. The current and past policy initiatives table provides a five-year history of announced initiatives that impact on the Budget year, the preceding year and the following three years.

For MCOAs, an explanation is provided as to why the classes of outputs have been grouped under a single appropriation, and the scope statement, expenses and revenue, and performance information is presented for each output class. Data provided for MYAs enables the original appropriation to be reconciled to the adjusted level if changes have been approved or are proposed, and the balance remaining to be derived taking account of actual or estimated actual expenses incurred to date.

The appropriation scope, expenses and revenue, and output performance measures and standards match information required to be included in a department's Statement of Forecast Service Performance with respect to departmental output expense appropriations used by the department.

- **Part 2.2 - Non-Departmental Output Expenses** - This sub-part contains comparable information to that presented in Part 2.1 on departmental output expense appropriations. The main differences are that details of third parties' other revenue is not relevant and a summary of service providers is included.

The service providers table shows Crown entities and non-governmental organisations providing outputs funded through the Vote, and (where applicable) the mechanism for reporting actual performance to Parliament and the expiry of the Government's resource commitment. The reporting mechanisms are typically an entity's annual report or a report by the responsible Minister required by section 32A of the PFA. Where the provider is a Crown entity that is required to produce a Statement of Intent, its annual report may contain more detailed performance information at the output class or output level. 'Section 32A' reports include a statement of service performance in relation to the appropriation.

Part 3 - Details for Benefits and Other Unrequited Expenses

Part 3 provides performance information about appropriations for benefits and other unrequited expenses incurred by the Crown. No departmental transactions arise under this appropriation type.

- **Part 3.2 - Non-Departmental Benefits and Other Unrequited Expenses** - Information on each appropriation includes impacts and outcomes intended to be achieved, a scope statement, expense components, reasons for material changes, any conditions of use, and details of any current and past policy initiatives over the five years up to and including the Budget year.

Part 4 - Details for Borrowing Expenses

This Part provides detail about appropriations for borrowing expenses. No departmental borrowing expense appropriations exist at present.

- **Part 4.2 - Non-Departmental Borrowing Expenses** - The set of performance information for these appropriations is the same as that for non-departmental benefits and other unrequited expenses, except that conditions on use of an appropriation are not specified.

Part 5 - Details and Expected Results for Other Expenses

Part 5 provides detail about appropriations for:

- **Part 5.1 - Departmental Other Expenses** - It is uncommon for this category of appropriation to be used. In the few cases where it occurs, the performance information is the same as that for non-departmental other expense appropriations except for a summary of reporting mechanisms.
- **Part 5.2 - Non-Departmental Other Expenses** - Information on other expenses incurred by the Crown covers intended impacts and outcomes, appropriation scope, expenses analysed by component, reasons for material changes in the appropriation, expected results and standards, any conditions on use, any current and past policy initiatives, and a summary of mechanisms for reporting actual performance to Parliament.

Part 6 - Details and Expectations of Capital Expenditure

This Part provides details about appropriations for capital expenditure.

- **Part 6.1 - Departmental Capital Expenditure** - The purchase or development of assets by a department is made under a permanent appropriation authorised by section 24(1) of the PFA. Capital expenditure is defined in section 2 as the cost of assets acquired or developed, including tangible, intangible or financial assets, and any ownership interest in entities, but excluding inventories. The appropriation appears in the Vote that contains appropriations belonging to the department's Responsible Minister.

Information is provided on intended impacts and outcomes of the appropriation, its scope, expenditure analysed by standard asset categories, reasons for material changes in the appropriation, and expected results. The scope statement is in a standard form for all departments. The performance information relates to the department as a whole and is not limited to any specific capital injection.

- **Part 6.2 - Non-Departmental Capital Expenditure** - Performance information for capital expenditure incurred by the Crown is the same as that for departmental capital expenditure except for not detailing asset categories and the addition of any conditions on use of the appropriation, any current and past policy initiatives, and a summary of the mechanism for reporting to Parliament.

The scope statement indicates the form of interest or asset acquired by the Crown, such as a capital injection (equity), loan or shares.

Overview of Performance Information

The following table summarises the performance information sought for a 'standard' appropriation in each sub-part.

| Standard Appropriations | Part 2.1 | Part 2.2 | Part 3.2 | Part 4.2 | Part 5.1 | Part 5.2 | Part 6.1 | Part 6.2 |
|---|----------|----------|----------|----------|----------|----------|----------|----------|
| <i>For each sub-part:</i> | | | | | | | | |
| Intended impacts, outcomes or objectives | √ | √ | √ | √ | √ | √ | √ | √ |
| <i>For each appropriation:</i> | | | | | | | | |
| Scope of appropriation | √ | √ | √ | √ | √ | √ | √ | √ |
| Expenses and revenue | √ | N/A | N/A | N/A | N/A | N/A | N/A | N/A |
| Expenses | N/A | √ | √ | √ | √ | √ | N/A | N/A |
| Capital expenditure | N/A | N/A | N/A | N/A | N/A | N/A | √ | √ |
| Reasons for change in appropriation | √ | √ | √ | √ | √ | √ | √ | √ |
| Output performance measures and standards | √ | √ | N/A | N/A | N/A | N/A | N/A | N/A |
| Expected results | N/A | N/A | N/A | N/A | √ | √ | √ | √ |
| Conditions on use of appropriation | √ | √ | √ | N/A | √ | √ | N/A | √ |
| Memorandum account | √ | √ | N/A | N/A | N/A | N/A | N/A | N/A |
| Current and past policy initiatives | √ | √ | √ | √ | √ | √ | N/A | √ |
| Summary of service providers | N/A | √ | N/A | N/A | N/A | N/A | N/A | N/A |
| Reporting mechanism | N/A | N/A | N/A | N/A | N/A | √ | N/A | √ |

Information on reasons for change, conditions of use, current and past policy initiatives, and reporting mechanisms appears where applicable or material. Memorandum accounts are relevant only in Part 2. Some variations exist for non-standard appropriations, including MCOAs in Parts 2.1 and 2.2 and MYAs in Parts 2.2, 5.2 and 6.2. Furthermore, performance information may not be available for some appropriations.

Statement of Forecast Service Performance of Departments

The third component of the *Information Supporting the Estimates of Appropriations* comprises the Statement of Forecast Service Performance of each department included in the sector, by reference to performance information set out in Part 2.1 of Votes containing appropriations proposed to be used by the department. This Statement is of particular importance for those departments proposing to use appropriations in more than one Vote.

Forecast Financial Statements of Departments

The fourth component of the *Information Supporting the Estimates* begins with a Statement of Common Accounting Policies applicable to all departments. The forecast financial statements for the forthcoming financial year for each department covered by the sector includes a:

- Statement of Forecast Financial Performance
- Statement of Forecast Changes in Taxpayers' Funds
- Statement of Forecast Financial Position
- Statement of Forecast Cash Flows
- Statement of Significant Assumptions.

Each department will include a Statement of Entity-Specific Accounting Policies detailing policies for any matters not addressed by the Statement of Common Accounting Policies (such as a “going concern” statement) or where its policies are more specific than the common policies (such as capitalisation thresholds and estimated useful lives of individual classes of assets). Notes to the Financial Statements provide additional details to assist interpretation of the accounts and to meet disclosure requirements outlined in legislation and accounting standards.

Statements of Intent of Departments

The final component of the *Information Supporting the Estimates* presents the Statements of Intent of departments included in each sector. These Statements contain information required by section 40 of the PFA. They focus on the medium term and generally cover:

- **Nature and scope of the department’s functions** - A brief high-level description of the department’s functions, addressing its role(s) and purpose and how it intends fulfilling them.
- **Strategic direction - impacts and outcomes** - A brief high-level overview of the department’s strategic direction covering both the impacts and outcomes the department is seeking to achieve (or contribute to) and the strategic environment in which the department operates through, in particular, its responses to the Government’s priorities.
- **Operating intentions** - Information that describes how the department intends to achieve (or contribute to) those desired impacts and outcomes through its operations. This section should also include the main measures and standards the department will use to assess and demonstrate what it has achieved, including measures of outcome achievement, impact and cost-effectiveness.
- **Managing in a changeable operating environment** - Information on the risks to achievement of the desired outcomes and priorities, and the department’s mitigation strategies.
- **Assessing organisational health and capability** - The department’s intentions for building and strengthening its internal capability, including its responses to the development goals for the State services and its strategic approach to managing its asset base and forecast capital expenditure in the medium term.
- **Additional information and statutory reporting requirements** - As required either by the responsible Minister or Minister of Finance, or by specific legislation.

Terms and Definitions

The table below contains terms that are used in the *Estimates* and the *Information Supporting the Estimates*.

| | |
|------------------------------------|--|
| Appropriation | An appropriation is a parliamentary authorisation for the Crown or an Office of Parliament to incur expenses or capital expenditure. |
| Appropriation scope | One of the defining terms of an appropriation that establishes limits on the activities for which the Crown or an Office of Parliament is authorised to incur expenses or capital expenditure under that appropriation. |
| Capital expenditure | The cost of assets acquired or developed including any ownership interest in entities, but excluding inventory. |
| Crown revenue and capital receipts | Flows accounted for as revenue and capital receipts on behalf of the Crown rather than as departmental revenue. |
| DDA | Department-to-department appropriation - as authorised by section 20(2) of the PFA. |
| Expenses | Amounts consumed or losses of service potential or future economic benefits, other than those relating to capital withdrawals, in a financial year. Expenses are an accrual concept measured in accordance with generally accepted accounting practice. |
| GST | Goods and services tax. Appropriations are stated GST-exclusive. |
| MCOA | Multi-class output expense appropriation. |
| MYA | Multi-year appropriation. |
| N/A | Not applicable. |
| Outcomes | States or conditions of society, the economy or the environment, including changes in those states or conditions. |
| Outputs | Goods or services supplied by departments and other entities to external parties. Outputs are a variety of types, including policy advice, administration of contracts and grants, and the provision of specific services. |
| PFA | Public Finance Act 1989 |
| PLA | Permanent legislative authority - a traditional term for a permanent appropriation, ie, one that is authorised for an indefinite period by legislation other than an Appropriation Act. |
| Minister | The Minister responsible for specific appropriations being sought within a Vote. As several Ministers may hold appropriations within a single Vote, each appropriation has a tag (M1, M2, etc) identifying the Minister responsible for that line item. |
| RDA | Revenue-dependent appropriation - as authorised by section 21(1) of the PFA 1989. |
| Responsible Minister | The Minister responsible for the financial performance of a department or Crown entity. In relation to an Office of Parliament, the Office of the Clerk of the House of Representatives, and the Parliamentary Service, the Speaker is the Responsible Minister. |
| Revenue from the Crown | Revenue earned by a department from the Crown for the provision of outputs to or on behalf of the Crown. These flows are accounted for as departmental revenue. Revenue from the Crown is eliminated for purposes of reporting the Crown's overall financial performance and position. |
| Revenue from Others | Revenue earned by a department from other departments and from third parties. Revenue from other departments is eliminated for purposes of reporting the Crown's overall financial performance and position. |
| Vote | A grouping of one or more appropriations that are the responsibility of one or more Ministers of the Crown and are administered by one department. |

Useful Links

The suite of Budget 2008 documents can be accessed in the Budgets section of the website: www.treasury.govt.nz/budget/2008. Documents providing guidance on the PFA and the public sector financial management system can be accessed in the Public Finance Overviews section of the Treasury's website: www.treasury.govt.nz/publications/guidance/publicfinance.