

Performance Expectations – “What Is Intended to Be Achieved”

All agencies should have an internal demand for high quality performance information so they can operate in the best possible way. This guidance assists agencies to think and write about what they want to achieve in their external reporting. Your Treasury team or your monitoring agency can help. Talk to them. Questions about this guidance can be emailed to: performanceinfo@treasury.govt.nz

The 2013 amendments to the Public Finance Act 1989 (PFA) and the Crown Entities Act 2004 (CEA) requires agencies to focus on what is most meaningful and useful for external reporting. In this guidance, external reporting means information agencies provide to Parliament in supporting information to the Estimates and Supplementary Estimates on Budget Day, in statements of intent (SOIs), and in Crown entity statements of performance expectations.

What has gone?

The PFA and CEA still require agencies to assess and describe their performance, but are less prescriptive in how this may be done. Phrases such as “set out the specific impacts, outcomes or objectives” an agency seeks to achieve and words such as “measures and standards” have been removed.

What is new?

- ▶ **For strategic intentions** – each agency’s SOI needs to set out the strategic objectives that the agency “intends to achieve or contribute to” over a minimum 4-year period.
- ▶ **For expenditure** – unless otherwise stated in the PFA or the CEA or a CEA exemption is in place, agencies must provide a concise explanation of “what is intended to be achieved” for the following expenditure:

Related link: The [How performance will be assessed](#) guidance discusses the choices now available to agencies in assessing performance. The connection between “what is intended to be achieved” and “how performance will be assessed” should be self-evident. If not self-evident agencies must be able to demonstrate the connection.

Expenditure	Explanation provided by
Appropriations (This explanation is distinct from the appropriation scope statement, which provides the legal boundary for what the appropriation can be spent on.)	Administering department
Categories of multi-category appropriations (also known as MCAs)	Administering department
Reportable outputs, which includes use of funds from appropriations	Crown entity

A brief overview of the legislative requirements and exemptions is in the Appendix.

How to express “what is intended to be achieved” with a strategy or with expenditure

The explanation on “*what is intended to be achieved*” should clearly inform Parliament and others about the benefit New Zealanders, the taxpayer or the recipient will get from the strategy or expenditure (or put another way – what difference will the strategy or expenditure make?) Agencies should select the best and most meaningful ways to express their intentions while also ensuring the explanations are concise and coherent.

As agencies become familiar with expressing strategic intentions and expenditure intentions in this new way, we expect that thinking on how to report on performance will mature and change.

Some ways to think about this are shown in the table below. Agencies are not limited to these examples, and it is possible for agencies to have explanations expressed in more than one way.

Ways to express “ <i>what is intended to be achieved</i> ”	For explaining strategic intentions or expenditure
What contribution is intended to be made	Expenditure performance or part of strategic intentions
What results <i>or</i> outcome <i>or</i> impacts <i>or</i> objectives are intended to be achieved	Expenditure performance or part of strategic intentions
What is intended to be delivered	Expenditure performance
In some instances, it may be most informative to explain in input terms (eg, for some permanent legislative authorities, such as salaries of statutory officers, the explanation may relate to the number of officers engaged)	Expenditure performance

Where to find examples of well articulated strategies

The PFA and CEA amendments do not effect what “good” can look like. Examples of better reporting of strategic intentions are available in Parts 4 and Part 5 of the Office of the Auditor General’s 2009 [Statements of Intent: Examples of reporting practice](#). The examples were selected from SOIs produced between 2008 and 2011.

Expenditure examples to think about...

Example 1 – MCA in Vote Social Development

Multi-category appropriations (MCAs) require an explanation for “*what is intended to be achieved*” for the whole appropriation and for each category of the MCA.

The Ministry of Social Development administers an MCA relating to the investment approach to welfare. The overarching purpose of the MCA is to operate the benefit system and associated interventions in such a way as to improve client outcomes (employment and social) to move them closer to independence, with a focus on those at risk of long-term benefit receipt. The example below shows “*what is intended to be achieved*” explanations for this MCA as a whole and for one of its categories.

MCA: Improved Employment and Social Outcomes Support	
Title of MCA	Improved Employment and Social Outcomes Support
What is intended to be achieved with the whole MCA	This appropriation is intended to achieve a reduction in long-term valuation and achievement of Better Public Services Result 1.
One of the categories of this MCA	
Title of the category	Administering Income Support
What is intended to be achieved with the category	This category is intended to achieve accurate and efficient operation of the benefit system so that the correct amount is paid to the correct people on time.

Example 2 – Annual appropriation with the result in year 5

Agencies can use the principles of this example to think about strategic intentions, and for Crown entities, other reportable outputs.

The concise explanation for annual appropriations on “*what is intended to be achieved*” will usually relate to one financial year, as the funding will need to be approved by Parliament annually. However, there will be some cases when the “*what is intended to be achieved*” explanation for an appropriation may take more than one year to achieve because there can be a difference between spending, delivery and results. In this circumstance:

- ▶ a meaningful explanation on “what is intended to be achieved” may cover a period longer than a year, and
- ▶ the companion explanation on “how performance is assessed,” will require milestones for each year and, in the final year, an additional explanation of how the performance over the whole 5 years will be assessed.

The fictitious Vote Science and Innovation example below demonstrates this scenario.

An appropriation may be agreed in Vote Science and Innovation for a particular research project with the intention that in 5 years time a particular result will be achieved. Each year Parliament is asked to agree to the annual appropriation.	
Year 1	The concise explanation on <i>what is intended to be achieved</i> has a 5 year time horizon. <i>How performance will be assessed</i> in Year one could relate to establishment issues, such as letting of contracts.
Year 2	The concise explanation on <i>what is intended to be achieved</i> is unchanged (although now it has a 4-year horizon). <i>How performance will be assessed</i> in Year 2 could relate to milestones.
Years 3 & 4	The concise explanation of <i>what is intended to be achieved</i> remains the same as the Year 1 explanation. The concise explanations of <i>how performance will be assessed</i> may change or be added to ie, by Year 3 all the contracts could have been set up and the explanations move to progress against those contracts.
Year 5	The concise explanation of <i>what is intended to be achieved</i> remains the same as the Year 1 explanation. The concise explanations of <i>how performance will be assessed</i> could include milestones to assess the last 12 months, and how the whole 5 years will be assessed.

Example 3 – Consistency across Votes for similar functions

Appropriations

The following provides suggested wording for “*what is intended to be achieved*” and “*How performance will be assessed*” for appropriations relating to:

- ▶ departmental capital expenditure
- ▶ permanent legislative authorities for salaries and allowances, and
- ▶ non-departmental write-offs and depreciation.

It also includes 3 examples where exemptions have been granted from end-of-year-performance reporting.

Departments should adapt this wording as required to ensure that the concise explanations are relevant to their circumstances.

Departmental capital expenditure

Where a department’s capital expenditure is exclusively part of a regular programme of renewals to maintain levels of service, as well as upgrades or redesign to meet service delivery needs, the following wording could be used:

What is intended to be achieved with this appropriation

This appropriation is intended to achieve the [*renewal, upgrade or redesign*] of assets in support of the delivery of the department’s services.

How performance will be assessed

Expenditure is in accordance with the department’s intention to [*list the particular intentions from the relevant asset management/capital expenditure plan*].

If a department’s capital expenditure includes any significant projects or programmes (ie, initiatives that meet the Better Business Case criteria), departments should also disclose the related key milestones.

Departments could also consider providing information on the proportion of departmental capital expenditure spent on planned renewals to maintain levels of service, versus upgrades or redesigns in response to changes in service delivery needs.

For example, “*Expenditure is in accordance with the department’s capital asset management plan, of which 60 per cent has been spent on planned renewals to maintain levels of service, and 40 per cent has been spent on upgrade [and/or redesign] of assets in response to service delivery needs.*”

Departmental appropriations - Permanent legislative authorities for salaries and allowances

For departmental permanent legislative authorities (PLAs) which provide for remuneration for statutory office-holders (eg, Auditor-General, Ombudsmen, Parliamentary Commissioner for the Environment), the following wording could be used:

What is intended to be achieved with this appropriation

This appropriation is intended to contribute to the independence of the e.g., [Parliamentary Commissioner for the Environment] by providing for payment of remuneration to the office holder as determined by the Remuneration Authority.

How performance will be assessed

The [insert office-holder eg, Parliamentary Commissioner for the Environment] leads the performance of the Office. The performance of the Office's activities is captured in the information for (the) departmental output appropriation(s).

Non-departmental appropriations - Permanent legislative authorities for salaries and allowances

For non-departmental permanent legislative authorities (PLAs) for salaries and allowances for statutory offices (eg, judges' salaries, coroners' salaries) the "what is intended to be achieved" statement should reflect why the salary or allowance has been permanently appropriated. For example:

What is intended to be achieved with this appropriation

This appropriation is intended to contribute to the independence of the judiciary by providing payment of salaries and allowances to judges as determined by the Remuneration Authority.

Non-departmental PLAs for salaries and allowances should be exempt from providing end-of-year performance information on the basis that end-of-year performance information is "not likely to be informative" [s15D(2)(b)(ii) PFA]. Appropriation Ministers should have sought exemptions for these appropriations in accordance with Treasury Circular 2013/11. Otherwise, exemptions can be sought as part of the March Baseline Update each year or when seeking approval for a new appropriation.

End of year Performance Reporting

An exemption was granted under s15D(2)(b)(ii) of the PFA, as additional performance information is unlikely to be informative because this appropriation is solely for payments of [salaries and allowances] in accordance with [insert legislative reference providing for such payments if not already stated in scope statement].

Where applicable, it may be useful to indicate where performance information relating to the administration of the payment is provided.

Non-departmental appropriations for write offs and write downs

For non-departmental appropriations limited to technical accounting expenses (eg, write off or write down of Crown assets) when explaining “*what is intended to be achieved*” the following wording could be appropriate:

What is intended to be achieved with this appropriation

This appropriation is intended to achieve recognition of the expense so that the [asset] is valued in accordance with generally accepted accounting practice.

Most technical accounting changes will be eligible for exemption from providing end-of-year performance information under the following criteria:

End of year Performance Reporting

An exemption was granted under s15D(2)(b)(ii) of the PFA, as additional performance information is unlikely to be informative because this appropriation is solely for [write down] expenses.

Non-departmental appropriations for depreciation

For non-departmental appropriations limited to technical accounting expenses (eg, depreciation of Crown assets) when explaining “*what is intended to be to be achieved*” the following wording could be appropriate:

What is intended to be achieved with this appropriation

This appropriation is intended to achieve recognition of the expense related to consuming the [asset] over its useful life.

Most technical accounting changes will be eligible for exemption from providing end-of-year performance information under the following criteria:

End of year Performance Reporting

An exemption was granted under s15D(2)(b)(ii) of the PFA, as additional performance information is unlikely to be informative because this appropriation is solely for [depreciation] expenses.

Appendix – Legislation at a glance

It is important to familiarise yourself with the full requirements by reading the legislation. If you are in any doubt as to how the law is applied, talk to your legal team.

Table 1 – Appropriations

Legal requirement	Legislation	Document	Coverage
“a concise explanation of what the appropriation is intended to achieve”	PFA s15A(2)(a)	Annually in the Supporting Information in the Estimates	For each annual, multi-year or permanent appropriation (other than an appropriation for expenses and capital expenditure to be incurred by an intelligence and security department PFA s15A(4)(a) . This includes the use of funds from appropriations by Crown entities or other agencies.
“a concise explanation of what the category is intended to achieve”	PFA s15A(3)(a)	Annually in the Supporting Information in the Estimates	For each category of a multi-category appropriation.

Table 2 – Reportable outputs in the CEA, which includes appropriations

Legal requirement	Legislation	Document	Coverage
“For each reportable class of outputs, the statement of performance expectations must –include a concise explanation of what the class of outputs is intended to achieve”	CEA s149E(2)(a)	Annually in the Statement of Performance expectations	Reportable outputs, means a class of outputs that is funded (in whole or in part) by the Crown in accordance with: <ul style="list-style-type: none"> ▶ an appropriation (there should be a link between the class or outputs and the Table 1 explanation) or ▶ by grants distributed under any Act or ▶ by levies or ▶ by fees or ▶ by charges prescribed under any Act. (Unless exempted by the Minister of Finance under CEA s149F .)

Table 3 – Agency strategic intentions

Legal requirement	Legislation	Document	Coverage
“Set out the strategic objectives that the department intends to achieve or contribute to (strategic intentions)”	PFA s40(1)	Statement of Intent	Strategic intentions must cover a minimum of four years, PFA s38(2) .
“A statement of intent must, for the period to which it relates, set out the strategic objectives that the entity intends to achieve or contribute to (strategic intentions)”	CEA s141(1)	Statement of Intent	Strategic intentions must cover a minimum of four years, CEA s139(2) .

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