

# Overview guidance on the administration and use of appropriations

The purpose of this guidance for departments is to provide an overview of the administration and use provisions for appropriations as provided for in the 2013 amendments to the Public Finance Act. For more detail, please read the Technical Guide referenced in the related link.

From 18 July 2013, the legislative changes to the Public Finance Act (PFA) allow for more flexible funding to support results through clearly permitting one department to incur expenses against an appropriation administered by another department – referred to as administration and use.

Administration and use is the distinction between the department:

- administering an appropriation, and
- using an appropriation.

This guidance summarises the administration and use approach and its application, including permissions, the roles and responsibilities of Ministers and administering departments, and reporting against an appropriation used in this way. It should be read in conjunction with the information and guidance referenced in the related links.

Any agency-specific questions should be addressed to your Treasury sector team.

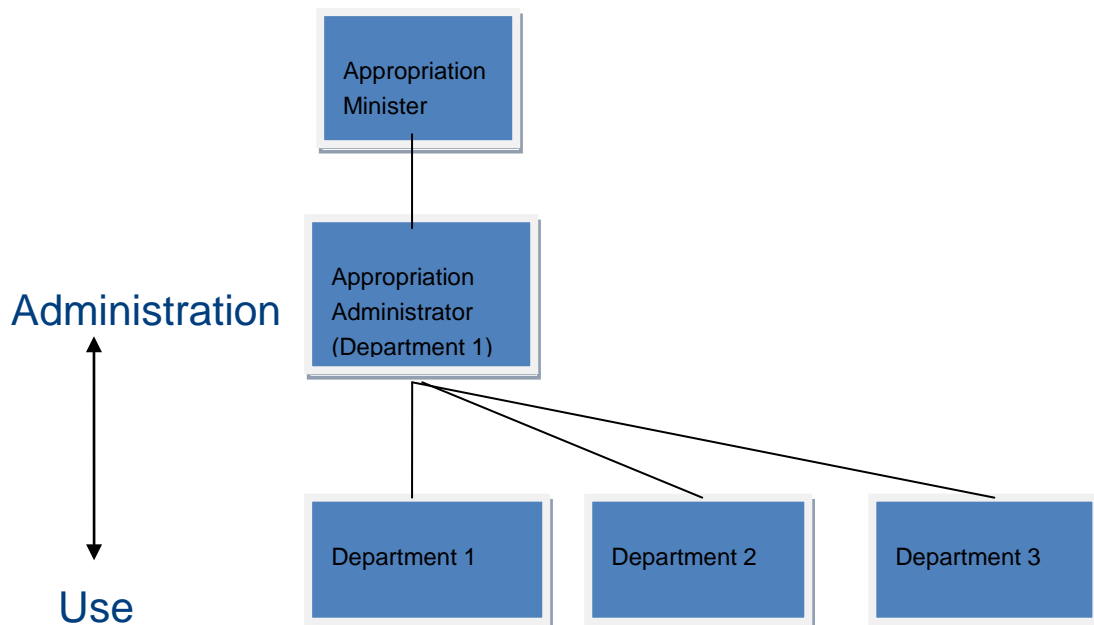
General enquiries about the information contained in this guidance, can be directed to [performanceinfo@treasury.govt.nz](mailto:performanceinfo@treasury.govt.nz).

## Related links

- Technical guide to the Administration and Use of appropriations:  
<http://www.treasury.govt.nz/statesect/2013reform/pdfs/sspfr-admin-guidance.pdf>
- Responsibilities of an appropriation Administrator:  
<http://www.treasury.govt.nz/statesect/2013reform/pdfs/sspfr-respadmin.pdf>
- Treasury PFA/CEA resource page:  
<http://www.treasury.govt.nz/statesect/2013reform/>

## Overview of administration and use and definitions

Administration and use applies only to expenses incurred by a department against departmental expense appropriations, including multi-year departmental expense appropriations, or departmental categories of multi-category appropriations.



The appropriation must be the responsibility of one Minister and must be administered by one department.

**Appropriation Minister** – the Minister responsible for the appropriation.

**Appropriation Administrator (Administrator)** – the department that administers the appropriation on behalf of the Minister.

**Appropriation User (User)** - another department that incurs expenses against the departmental appropriation or departmental category of a multi-category appropriation:

- at the direction of the appropriation Minister, or
- with the agreement of the Administrator.

## Applying administration and use to an appropriation - permissions, responsibilities and reporting

Departments intending to apply administration and use to an appropriation in the 2013/2014 financial year should talk to their Treasury sector team.

### Obtaining permission from the appropriation Minister or the Administrator

Before expenditure is incurred against an appropriation administered by another department, the User must obtain permission by either:

- a direction by the appropriation Minister or
- a memorandum of understanding (MOU) with the Administrator.

#### Related links

- Cabinet Office Circular CO(11)6 Guidelines and Requirements for Proposals with Financial Implications:  
<http://www.dpmc.govt.nz/cabinet/circulars/co11/6>

### The Administrator is responsible for:

- ensuring expenditure remains within the amount, scope and period of the appropriation
- monitoring compliance with the MOU or direction between the User and the appropriation Minister/Administrator
- reporting during and at the end of the year actual expenditure incurred against the appropriation
- ensuring that all start-of-year and end-of-year financial and non-financial reporting on the appropriation is completed
- reporting on overspends where responsibility lies with the Administrator (see Annex 3 of the Technical guide to the Administration and Use of appropriations).

#### Examples of situations where administration and use may be applied include:

- Collaborating on delivering outputs as part of a joint work programme.
- A direct charge for delivering outputs on behalf of, or contributing inputs to another department.
- The temporary transfer of functions from one department to another.
- Shared services arrangements.
- Contestable funds.

### The User:

- must comply with the terms of the appropriation Minister's direction or MOU between the Administrator and the User.
- is directly accountable to the appropriation Minister, if use is at the direction of the appropriation Minister, for what is achieved with the appropriation.

- the User is responsible to the Administrator, where use is by MOU with the Administrator, for what is achieved with the appropriation. The Administrator remains directly responsible to the Minister for this expenditure.
- must report on overspends where responsibility lies with the User (see Annex 3 of the Technical guide to the Administration and Use of appropriations).

### **Making changes to appropriations**

Requests to amend appropriations are made by the Administrator and submitted by the appropriation Minister in accordance with CO (11) 6.

Existing rules allowing for joint Ministers to approve the retention of underspends, front-loading of spending, expense and capital transfers and technical adjustments, apply to administration and use as per CO(11) 6. The MOU should set out retention of surplus arrangements between the User and Administrator.

### **End-of-year performance reporting**

- The Estimates/Supplementary Estimates must state the department that will be providing the end-of-year performance information on each appropriation.
- The Administrator must provide end-of-year performance information on what has been achieved with multi-category appropriations.
- The chief executive of the relevant department (Administrator or User) is responsible for the accuracy of end-of-year performance information prepared by his or her department.