



TE TAI ŌHANGA
THE TREASURY

Consolidating Appropriations

Technical and Process Guide for Departments

September 2019

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The Treasury URL at September 2019 for this document is
<https://treasury.govt.nz/publications/guide/consolidating-appropriations>

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About this guidance

This guidance document sets out requirements for:

- the smallest 20 departments to move towards a single departmental output expense appropriation (per department)
- all departments to consolidate departmental and non-departmental expense appropriations of less than \$10 million (within, not across appropriation types and Ministerial portfolios), and
- exempting corporate shared services appropriations from performance reporting.

This guidance document should be read by chief financial officers, finance teams, planning and reporting teams, and those responsible for preparing Estimates documents.

The requirements outlined in this document are to be implemented with effect from 2020/21 or 2021/22, as indicated, and then apply on an ongoing basis.

This document has been written by the System Design and Strategy team in the Treasury. Other Treasury teams, the Office of the Auditor General and the Department of the Prime Minister and Cabinet provided comments on previous drafts. The Ministry of Social Development, Land Information New Zealand and Education Review Office also reviewed the document.

Questions

You should use this document as your first port of call for consolidating small appropriations and exempting corporate shared service appropriations from performance reporting.

General enquiries about the information contained in this guidance and any agency-specific questions can be directed to your Treasury Vote Analyst.

Further information

Other useful information can be found at:

- *A Guide to Appropriations*
<https://treasury.govt.nz/publications/guide/guide-appropriations>
- *Performance Expectations – What is Intended to be Achieved*
<https://treasury.govt.nz/publications/guide/performance-expectations-what-intended-be-achieved>
- *Performance Expectations – How Performance will be Assessed*
<https://treasury.govt.nz/publications/guide/performance-expectations-how-performance-will-be-assessed>
- *Estimates, Supplementary Estimates and their Supporting Information: Technical Guide for Departments (December 2018)*
<https://treasury.govt.nz/publications/guide/estimates-supplementary-estimates-technical-guide-departments>
- *Writing Financial Recommendations for Cabinet and Joint Minister Papers*
<https://treasury.govt.nz/publications/guide/writing-financial-recommendations-cabinet-joint-minister-papers>
- *Cabinet Office Circular CO (18) 2 – Proposals with Financial Implications and Financial Authorities*
<https://dpmc.govt.nz/publications/co-18-2-proposals-financial-implications-and-financial-authorities>

Overview

In April 2019, Cabinet agreed to a work programme to modernise the public finance system [CAB-19-Min-0214 refers]. This included making changes to appropriation structures and accountability settings over two steps. This guidance supports implementation of step 1.

The intent of this work is to enable more strategic oversight of the value of public spending and whether it is helping to achieve the Government's objectives and priorities. Over time, this will likely mean fewer, larger appropriations with more flexible funding rules but more meaningful performance information.

Consolidation of appropriations

On 2 September 2019, Cabinet agreed to the following proposals as the first step to modernising the public finance system [CAB-19-MIN-0439.01 refers]:

- moving the 20 smallest departments¹ (by departmental spend) onto a single departmental output expense appropriation (per department), effective from 1 July 2020, and
- consolidating annual departmental and non-departmental expense appropriations of less than \$10 million for all departments (within, not across appropriation types and Ministerial portfolios), with phased implementation over 2020/21 and 2021/22.

As part of these proposals, Cabinet also rescinded the previous Cabinet directive [CAB Min (11) 16/16] that required departments separate policy advice appropriations from related outputs such as ministerial servicing or Crown entity monitoring.

While Cabinet has directed departments to undertake the work to consolidate appropriations, it has also authorised portfolio Ministers to exercise their discretion in implementing the directives provided they outline their reason(s) for doing so in their March Baseline Update (MBU) letter to the Minister of Finance.

It is expected that portfolio Ministers are actively engaged in the development of new appropriation structures, and that these are finalised before final joint Minister approval is sought through MBU.

See page 4 for the departments impacted by these proposals.

Exempting corporate shared services appropriations from performance reporting

As part of this first step, the Minister of Finance will also exempt corporate shared services appropriations through from end-of-year performance reporting under section 15D(1) of the Public Finance Act 1989 (PFA), with effect from the 2019/20 end-of-year performance reporting. See section 4 on pages 15-16 for more information on this proposal.

Broader review of appropriation structures

While the scope of the proposals outlined in this guidance is targeted, it is best practice to review appropriation structures every year to ensure they are still fit-for-purpose. If your department would like to undertake a more comprehensive review of the structure of its Vote(s) and appropriations, please talk to your Vote Analyst. As with the proposals outlined in this guidance, broader changes to Votes and appropriations need to be finalised by December and approved by joint Ministers through MBU.

¹ The smallest 20 departments are those whose departmental output expenses are 1 percent or less of total Government departmental output expenses.

Impacted departments for appropriation consolidation

The table below outlines which departments are required to implement which proposals by when.

Department	Moving to a single departmental output expense appropriation	Consolidating annual appropriations less than \$10m	
		Implement for 2020/21	Phased implementation over 2020/21 and 2021/22
Smallest spending departments			
Crown Law Office*	✓	-	-
Department of the Prime Minister and Cabinet	✓	✓	-
Education Review Office*	✓	-	-
Ministry for Culture and Heritage	See table on page 5	✓	-
Ministry for the Environment	✓	✓	-
Ministry for Pacific Peoples	See table on page 5	✓	-
Ministry for Women*	✓	-	-
Ministry of Defence	See table on page 5	-	✓
Ministry of Housing and Urban Development	✓	✓	-
Ministry of Transport	✓	✓	-
Parliamentary Counsel Office*	✓	-	-
Parliamentary Service	✓	✓	-
State Services Commission	✓	✓	-
Te Puni Kōkiri	✓	✓	-
Medium and large spending departments			
Department of Conservation	-	-	✓
Department of Corrections	-	-	✓
Department of Internal Affairs	-	-	✓
Land Information New Zealand	-	-	✓
Ministry for Primary Industries	-	-	✓
Ministry of Business, Innovation and Employment	-	-	✓
Ministry of Education	-	-	✓
Ministry of Foreign Affairs and Trade	-	-	✓
Ministry of Health	-	-	✓
Ministry of Justice	-	-	✓
Ministry of Social Development	-	-	✓
New Zealand Customs Service	-	-	✓
New Zealand Defence Force	-	-	✓
New Zealand Police	-	-	✓
Oranga Tamariki	-	-	✓
The Treasury	-	-	✓

* These departments also have appropriations less than \$10 million, which will be consolidated through moving to a single departmental output expense appropriation.

For the smaller departments moving to a single departmental output expense appropriation, these changes need to be implemented with effect from 1 July 2020. If these departments also have non-departmental output or other expense annual appropriations that are less than \$10 million, these also need to be consolidated with effect from 1 July 2020.

For the medium and large spending departments consolidating appropriations that are less than \$10 million, Cabinet has directed the Treasury to work with these departments to determine the best way to phase the implementation of changes over 2020/21 and 2021/22. For example, if a department is currently going through an external review that could result in changes to its role and functions and/or appropriations, then implementation of these proposals would happen in 2021/22 rather than 2020/21. For medium and large spending departments, your Vote teams will be in touch to discuss the timing of implementation.

Departments not required to consolidate

The table below outlines the departments that are not required to consolidate some or any of their appropriations, and the rationale for each.

Size	Departments	Rationale for not consolidating
Smallest spending departments (by departmental spend)	Ministry for Culture and Heritage	Currently trialling a multi-year multi-category appropriation for departmental funding. However, is within scope for non-departmental appropriations or categories of a multi-category appropriation (MCA)
	Ministry for Pacific Peoples	Currently trialling a multi-year multi-category appropriation for departmental funding. However, is within scope for non-departmental appropriations or categories of an MCA
	Ministry of Defence	Currently part of Defence Sector Baseline Review so will need to implement changes for 2021/22
	Office of the Auditor-General	An Office of Parliament and therefore cannot be directed to undertake this work
	Office of the Clerk	As per the scope of the proposals and exclusions, cannot consolidate appropriations any further
	Office of the Ombudsman	Cannot consolidate appropriations any further, and an Office of Parliament and therefore cannot be directed to undertake this work
	Parliamentary Commissioner for the Environment	Cannot consolidate appropriations any further, and an Office of Parliament and therefore cannot be directed to undertake this work
	Serious Fraud Office	As per the scope of the proposals and exclusions, cannot consolidate appropriations any further
	Te Kāhui Whakamana Rua Tekau mā Iwa — Pike River Recovery Agency	As per the scope of the proposals and exclusions, cannot consolidate appropriations any further
Medium and large spending departments	Government Communications Security Bureau	Only has one appropriation, so cannot consolidate any further
	Inland Revenue Department	As per the scope of the proposals and exclusions, cannot consolidate appropriations any further
	New Zealand Security Intelligence Service	Only has one appropriation, so cannot consolidate any further
	Statistics New Zealand	As per the scope of the proposals and exclusions, cannot consolidate appropriations any further

1 Step-by-step guide to consolidating appropriations

The table below outlines the key steps to consolidating appropriations for all departments.

For medium and large spending departments that elect to implement changes for 2021/22, the same steps should be followed. Although the development phase could begin earlier.

Date	Step
Step for medium and large departments only	
September 2019	<p>Department and the Treasury meet and agree the best way to implement the proposals. Either:</p> <ul style="list-style-type: none"> • implement all changes for 2020/21, or • implement all changes for 2021/22, or • phase implementation over 2020/21 and 2021/22.
Steps for all departments	
September – November 2019	<p>For departments implementing some or all changes for 2020/21, over this period you will need to identify the appropriations in scope, and develop your new appropriation structures and the following Coredata information:</p> <ul style="list-style-type: none"> • title and scope of the new appropriation, and/or • title and purpose statement of the MCA, and titles and scopes of the categories. <p>Over this period, you should also be thinking about the non-financial information required for any new appropriations (and existing appropriations, as per best practice).</p> <p>Appropriation Ministers, auditors and Crown entities should be engaged on the development of the new structures, as appropriate.</p> <p>The Treasury will provide support to help develop the structures and Coredata information.</p>
December 2019	<p>By this point, departments will need to have finalised their appropriation structures, and agreed them with their appropriation Minister and the Treasury.</p>
Late January – early February 2020	<p>Department lodges relevant Coredata change requests in CFISnet, and drafts MBU letter for their appropriation Minister(s):</p> <ul style="list-style-type: none"> • seeking the Minister of Finance's approval to establish new appropriations and fiscally neutral adjustments, and • if required, outlining which appropriations are not going to be consolidated and the rationale for doing so. <p>See Appendix B for text to include in the MBU letter.</p>
February 2020 (date will be advised in a Treasury circular)	<p>Department submits MBU letter to their appropriation Minister(s) for approval. Once approved appropriation Minister(s) submits their MBU letter to the Minister of Finance.</p>
February – March 2020	<p>Minister of Finance approves MBU letters. Appropriation Ministers and departments are informed of the decisions.</p>
March – April 2020	<p>Department completes <i>Reconciliation of Changes in Appropriation Structure</i>, and <i>Comparators for Restructured Appropriation</i> tables in the Estimates of Appropriations document for each Vote they administer. See the <i>Comparative information requirements</i> section on page 13 for more detail, and Appendix C for examples.</p> <p>Department finalises non-financial information for new appropriations.</p> <p>Scope statements for consolidated appropriations may need to be revised based on Budget decisions. If changes are required, these can be made via the Budget Cabinet paper.</p>

2 Summary of appropriation consolidation proposals

This section provides an overview of the proposals focused on consolidating appropriations.

2.1 Scope of proposals

Moving to a single departmental output expense appropriation (per department)

This proposal is focused on moving the 20 smallest departments (by departmental spend) to a single departmental output expense appropriation (per department).

The following appropriation types are in scope for consolidation:

- annual departmental output expense appropriations, and
- annual departmental output expense categories within a MCA.

Consolidating annual appropriations less than \$10 million

This proposal is focused on consolidating annual appropriations of less than \$10 million for all departments. These appropriations can be consolidated with other appropriations (of the same type) that are either less than \$10 million or over \$10 million – whichever is more appropriate, given the nature and type of the respective appropriations.

The following appropriation types are in scope for consolidation:

- annual departmental output expense appropriations
- annual departmental output expense categories within an MCA
- annual non-departmental output and other expense appropriations, and
- annual non-departmental output and other expense categories within an MCA.

Out of scope

The following list clarifies the types of appropriations or scenarios that are out of scope for one or both proposals (with some potential exceptions explained below):

- **Permanent legislative authority appropriations (PLAs)** – as PLAs are established in Acts other than an Appropriation Act, they cannot be within scope of this proposal. However, if your department is undertaking policy work leading to legislation that may enable the consolidation of some PLAs, please talk to your Vote Analyst.
- **Revenue dependent appropriations (RDAs)** – as a RDA is a distinct appropriation with expenses incurred limited to the amount of revenue that is earned by a department from other departments or entities other than the Crown during the period of the appropriation, they are not within scope of these proposals.
- **Multi-year appropriations (MYAs)** – funding that is currently in an MYA is out of scope for consolidation. However, please talk to your Vote Analyst, if:
 - you have an MYA that is expiring at 30 June 2020 or 2021, or
 - you have some funding that is currently in an annual appropriation, but would be more appropriate in an MYA because the amount and outputs are well defined and self-contained but the timing between years is uncertain.

- **Funding for departmental agencies** – departmental funding for a departmental agency (eg, the Social Investment Agency and Te Arawhiti) or similar arrangement (eg, the Joint Venture Family Violence and Sexual Violence) is not in scope to be consolidated with funding for the respective host department.
- **Non-departmental capital expenditure and benefits or related expenses appropriations** – while consolidation within non-departmental capital expenditure, and benefits or related expenses appropriations is not within scope of consolidating appropriations less than \$10 million, departments may elect to undertake consolidation within these appropriation types, where appropriate.
- **Consolidation between different appropriation types** – consolidation between different appropriation types is not within scope of this work, unless it is determined (and agreed with the Treasury and joint Ministers) that some funding within an existing appropriation should be reclassified to a different appropriation type as a result of reviewing appropriations. For example, some non-departmental other expense appropriation funding may more appropriately belong in a non-departmental output expense appropriation.

If you have an appropriation that is within scope of the proposals but the funding will cease by 30 June 2021, and is unlikely to receive additional funding again, then it can be treated as out of scope.

Policy advice appropriations

Policy advice funding no longer has to be in a separate appropriation. As such, it can be consolidated with other departmental output expense appropriations. For example, Ministerial services and Crown entity monitoring appropriations.

Departments are still, however, required to include the policy advice performance measures developed by the Treasury and the Department of the Prime Minister and Cabinet (DPMC) Policy Project under the relevant appropriation, and to report performance in their annual report. These are²:

- assessment of the quality of a sample of the agency's policy advice papers, and
- satisfaction of the portfolio Minister(s) with the policy advice service.

See section 3.3 on page 11 for more information around scope statements for consolidated appropriations containing policy advice and related outputs.

Third-party revenue funded appropriations

Appropriations that are partially or completely funded by third-party revenue or cost recovery can be consolidated with appropriations funded by revenue Crown (as long as it is not a specified RDA). Such funding would still need to be tracked by a department internally through memorandum accounts, where applicable.

Multi-category appropriations (MCAs)

MCAs must have two or more categories of output or other expenses, or non-departmental capital expenditure. It is important to keep this in mind when consolidating categories within an MCA or with other appropriations, so that there is not an MCA with only one category remaining.

² Departments are no longer required to report on the cost of producing policy advice.

Appropriations funding Crown entities

Non-departmental appropriations that fund Crown entities should not be consolidated with other appropriations. Appropriations for different Crown entities should also not be consolidated together. However, if a Crown entity is funded via multiple appropriations and would like to consolidate these, please talk to your Vote Analyst.

As administration of such appropriations is the responsibility of the monitoring department, a Crown entity Board is not required to approve the structure of appropriations that fund a Crown entity. However, monitoring departments should engage and consult with their Crown entities on the consolidation of any appropriations that will affect the respective Crown entities.

2.2 Ministerial portfolios

The proposals are focused on consolidating appropriations within, not across, Ministerial portfolios. This ensures that portfolio Ministers are still accountable to Parliament for what is being achieved within their portfolio, particularly for appropriations that fund the delivery of programmes (and associated administration funding).

However, portfolio Ministers may, at their collective discretion, consolidate appropriations across different Ministerial portfolios (within a Vote) where the funding is focused on servicing the Executive. For example, policy advice, Ministerial services, and Crown entity monitoring.

2.3 Ministerial discretion in implementing proposals

It is important that these proposals still result in fit-for-purpose appropriation structures (i.e. appropriation structures that balance accountability to Parliament, flexibility for departments and control for Ministers). Therefore, appropriation Ministers can exercise their discretion in implementing the proposals. For example:

- rather than moving completely to a single departmental output expense appropriation for smaller departments, it may be more appropriate to have related departmental and non-departmental funding grouped under a MCA, and
- in some cases, it may not be possible to consolidate an appropriation of less than \$10 million as the funding may be very discrete or there needs to be a level of independence maintained.

If a Minister wishes to apply discretion to consolidating certain appropriations, they must outline which appropriations are not going to be consolidated and their rationale for doing so in their MBU letter to the Minister of Finance. Discretion should be applied on an appropriation-by-appropriation basis, as opposed to a wholesale exemption.

Please advise your Vote Analyst as soon as possible if your Minister(s) is considering applying discretion and writing to the Minister of Finance.

3 Key considerations for consolidating appropriations

This section details the key considerations and factors when consolidating appropriations.

3.1 Principles for appropriation structures

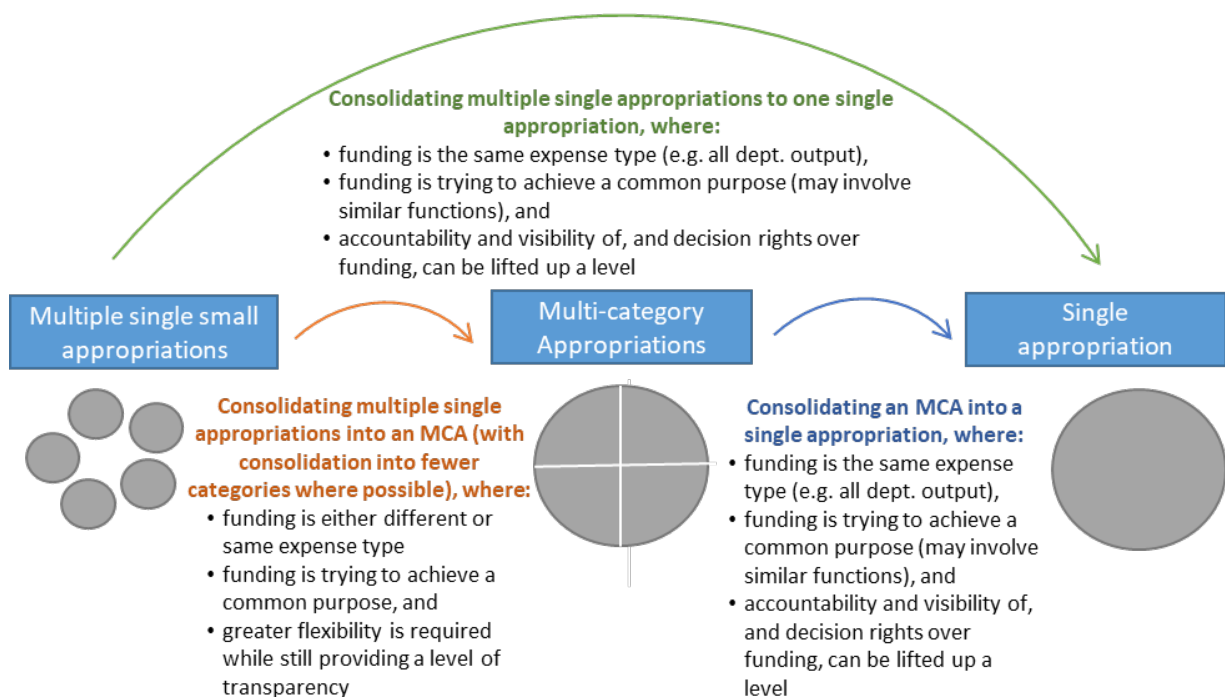
The following principles summarise what makes a good appropriation structure, and should be kept in mind as you consolidate appropriations:

- enables effective Parliamentary authorisation and scrutiny, and provides transparency over key areas of Government spending
- enables Ministers and departments to effectively oversee and administer appropriations, and allocate resources to meet the objectives and priorities that they are accountable to Parliament for, and
- supports a clear and meaningful basis for reporting on performance that provides a connection between what the funding can be used for (scope), what is intended to be achieved, how performance will be assessed, what has been achieved and relevant strategic intentions.

In summary, there needs to be a balance between transparency for, and accountability to, Parliament, flexibility for departments, and control for Ministers.

3.2 Single appropriation vs multi-category appropriation

The diagram below outlines the key aspects when determining whether to consolidate funding into a single appropriation or multi-category appropriation.



3.3 Scope statements

Each appropriation or category of an MCA is required to have a scope statement. A scope statement provides the legal boundary of what an appropriation can be used for and, by omission, what it cannot.

The following table outlines what a scope statement should and should not be.

A scope statement should be...	A scope statement should not be...
...meaningful, with a defined boundary of what is being delivered so that is easy to make judgements on what is in, and what is out of, scope	...so restrictive that it inappropriately constrains activity intended to be authorised
...clear, meaning that it should be well written, informative and jargon-free	...a “laundry list” of itemised activities that are within the defined boundary
...verifiable, so that an auditor and Parliament can be sure that a department has not exceeded its authority	...an expression of the results desired from the appropriation
...future-proofed, as much as possible	

All scope statements should include a stem of “This appropriation [or category] is limited to...”

Where a consolidated appropriation includes funding for policy advice, Ministerial services or Crown entity monitoring, it should include the following wording at the end of the scope statement: “... and the provision of advice and services to support Ministers to discharge their portfolio responsibilities relating to [name portfolio].”

Your Vote Analyst and the System teams within Treasury can assist in developing scope statements. Departments should also engage with their auditors and Office of the Auditor General contacts on the development of scope statements.

Appendix A provides examples of what scope statements for consolidated appropriations could look like.

3.4 Supporting information for each appropriation

As part of consolidating appropriations, departments will need to develop supporting information for each new appropriation or category (or revise this information, where funding is merged into an existing appropriation). As per sections 15A³ and 15C⁴ of the PFA, the following supporting information is required:

- a concise explanation of what the appropriation (or category) is intended to achieve
- a concise explanation of how performance against the appropriation (or category) will be assessed (unless the Minister of Finance has granted an exemption under section 15D⁵ of the PFA)
- who will provide information at the end of the financial year on what has been achieved with the appropriation, and
- the document in which the end-of-year performance information will be presented to the House of Representatives.

³ <http://www.legislation.govt.nz/act/public/1989/0044/latest/DLM6184211.html>

⁴ <http://www.legislation.govt.nz/act/public/1989/0044/latest/DLM6184215.html#DLM6184215>

⁵ <http://www.legislation.govt.nz/act/public/1989/0044/latest/DLM6184216.html#DLM6184216>

How performance will be assessed

The following characteristics are important to keep in mind when describing how performance will be assessed.⁶ Performance information should demonstrate:

- **relevance** – be relevant and material, which means considering what, and how much, to report on service performance
- **faithful representation** – be complete, neutral, and free from material error
- **understandability** – be communicated simply and clearly
- **timeliness** – reported before it loses its capacity to be useful for accountability and decision-making purposes
- **comparability** – provide users with context to compare a department's performance over time, and against planned performance, and
- **verifiability** – be measurable, capable of independent verification and described consistently.

The explanation of how performance will be assessed should also be:

- consistent with the scope of the appropriation or category
- linked to the what is intended to be achieved statement, and enable a meaningful end-of-year performance story to be told on what is being achieved with the funding that Parliament has appropriated, and
- focused on what is useful for Parliament to perform its role of authorising and scrutinising expenditure. More detailed information can be decided between a department and Minister, and reported on an agreed basis.

See 'Policy advice appropriations' on page 8 for the performance information required for appropriations that fund policy advice.

Exemptions from end-of-year performance information requirements

There are currently several non-departmental expense appropriations, or categories of non-departmental expenses within an MCA that are exempt from performance reporting under section 15D(2)(b)(iii) of the PFA, if:

- the funding is provided to a person or an entity other than a department, a departmental agency, an Office of Parliament, or a Crown entity, and
- the value of the annual appropriation or category is less than \$5 million.

If, and when, these appropriations are consolidated and funding exceeds \$5 million, Ministers will then need to provide end-of-year performance information on these appropriations.

⁶ See page 7 of the NZ Accounting Standards Board Service Performance Reporting standard <https://www.xrb.govt.nz/accounting-standards/public-sector/pbe-frs-48/> for more information.

Treasury guidance on supporting information

The Treasury encourages agencies to regularly review their supporting information in the Estimates to enable meaningful end-of-year performance reporting, and is also looking at how it can support improvement across the system. The relevant requirements in the PFA (following the 2013 amendments) provide significant flexibility in this area, however, to date, there are very few examples of a range of different approaches being used. The Treasury considers that the predominant current approach, which consists of a table of performance measures and targets, is unlikely to be best suited for every type of activity.

The Treasury is seeking to work with agencies interested in piloting or applying other approaches (where appropriate to the activity and in consultation with key reporting stakeholders). The insights from this work, including examples, will be used to update Treasury guidance on *What is Intended to be Achieved* and *How Performance will be Assessed*. In the meantime, please refer to the existing guidance:

- <https://treasury.govt.nz/publications/guide/performance-expectations-what-intended-be-achieved>
- <https://treasury.govt.nz/publications/guide/performance-expectations-how-performance-will-be-assessed>

3.5 Comparative information requirements

Section 15B of the PFA⁷ requires departments to provide comparative information for new appropriations or categories of an MCA (to the extent practicable), where the expenses fell within the scope of a different appropriation or category in the previous financial year. This information ensures that spending can be traced and that Members of Parliament can see how appropriations have changed from one year to the next.

This information is required in two sections within the Estimates of Appropriations for each Vote that is restructured⁸:

- *Part 1.4: Reconciliation of Changes in Appropriation Structure* – this table summarises all the changes to appropriation structures within a Vote. Note the order of this table is less important than being readily able to follow changes across the table.
- *Comparators for Restructured Appropriation* table – this table identifies the following information under each new appropriation or category:
 - each previous appropriation or category that includes comparable expenses or capital expenditure (including the Vote, appropriation type and title of the appropriation), and
 - the amount of comparable expenses or capital expenditure for that previous appropriation or category.

This comparative information is required for all restructured appropriations, including the consolidated appropriations covered by the proposals in this guidance.

Appendix C provides some introductory text for when you include the tables above in your Vote's Estimates of Appropriations. It also provides some examples of how the tables should be completed.

⁷ <http://www.legislation.govt.nz/act/public/1989/0044/latest/DLM6184212.html>

⁸ See pages 19-25 and 32-33 of *Estimates, Supplementary Estimates and their Supporting Information: Technical Guide for Departments* (<https://treasury.govt.nz/publications/guide/estimates-supplementary-estimates-technical-guide-departments>) for more information on how the tables should be completed and for examples.

3.6 Options to provide visibility of outputs

There are several options available to continue to provide visibility to Parliament and Ministers of the different outputs funded within a consolidated appropriation. These include:

- using the *Components of the appropriation* table below in the Estimates of Appropriations document⁹, which allows departments to break down the funding of different outputs within an appropriation while enabling authorisation of expenditure at a more aggregated level, and

	2019/20		2020/21
	Final Budgeted \$000	Estimated Actual \$000	Budget \$000
Name of Output A	7,000	7,000	8,000
Name of Output B	6,500	6,500	6,500
Name of Output C	750	750	500
Total	14,250	14,250	15,000

- using performance information to highlight, and track the performance of, key outputs.

⁹ See page 32 of *The Estimates, Supplementary Estimates and their Supporting Information: Technical Guide for Departments* (<https://treasury.govt.nz/sites/default/files/2018-12/techguide-est-19.pdf>) for more information.

4 Guidance for exempting corporate shared service appropriations from performance reporting

4.1 Departments impacted

Any department with a departmental output expense appropriation (or departmental output expense category within an MCA), which exclusively funds outputs supplied by the department to one or more other departments.

4.2 Scope

In scope

The scope of this proposal is set by section 15D(1) of the PFA, which states:

The Minister [of Finance] may grant an exemption from the end-of-year performance information requirements in respect of an appropriation for departmental output expenses, or a category of departmental output expenses within a multi-category appropriation, if the Minister is satisfied that the appropriation or category relates exclusively to outputs supplied by a department to 1 or more other departments.

This proposal covers appropriations that fund corporate or back office type shared services. For example, the Corporate Support Services appropriation in Vote Social Development, or the Shared Support Services appropriation in Vote Finance.

This proposal takes effect from the end-of-year performance reporting for 2019/20.

Out of scope

Departmental output expense appropriations (or departmental output expense categories within an MCA) that do not **exclusively** fund outputs supplied by a department to one or more departments are not candidates for an exemption from end-of-year performance reporting.

This proposal does not cover departmental appropriations for departments whose services to other departments are broader than corporate or back office support, or relate to their core role. For example, Crown Law or the Parliamentary Counsel Office.

4.3 Step-by-step guide

The following table outlines the key steps for implementing this proposal.

Date	Step
By early November 2019	Department identifies any potential appropriation(s) that may fall within the scope of this proposal, as per the description above, and discusses with their Vote Analyst.
By early December 2019	Confirmation from Vote Analyst that the appropriation can be exempt from end-of-year performance reporting.
By early-mid March 2020	Appropriation Ministers do not need to seek an exemption, as the Minister of Finance will grant exemptions via his response letter to Ministers' MBU letters (Treasury will insert the text).
By mid-March 2020	Department includes the following sentence under the heading " <i>How performance will be assessed and end of year reporting requirements</i> " for the exempted appropriation in the 2019/20 Supplementary Estimates of Appropriations and the 2020/21 Estimates of Appropriations: <i>An exemption was granted under s.15D(1) of the PFA, as this appropriation relates exclusively to outputs supplied by [include name of department] to one or more other departments.</i>
August 2020	Department includes the following sentence under " <i>How performance will be assessed for this appropriation</i> " for the exempted appropriation in their 2019/20 Annual Report: <i>An exemption was granted under s.15D(1) of the PFA, as this appropriation relates exclusively to outputs supplied by [include name of department] to one or more other departments.</i>

4.4 Duration of the exemption

The exemption from performance reporting will apply as long as the requirements of section 15D(1) of the PFA are met. For example, if the appropriation is no longer used to *exclusively* fund outputs supplied by a department to one or more departments, the exemption will no longer apply and a measure will need to be included under the relevant appropriation in the Estimates of Appropriations and performance reported in the department's Annual Report.

4.5 Tracking performance internally

Departments can still track performance against exempted appropriations internally, if they wish. For example, whether services are meeting the standards and timeframes agreed with the department receiving the services.

Appendix A – Illustrative examples

Below are illustrative examples of titles and scope statements that could be used for consolidated appropriations. The departments included in the examples below are able to develop their own revisions if desired.

Vote Women

<i>Current titles and scopes</i>	<i>Example of revised titles and scopes</i>
<p>Policy Advice and Related Services MCA</p> <p>Ministerial Services</p> <p>This category is limited to providing services to the Minister for Women to enable her/him to discharge their portfolio responsibilities.</p> <p>National Advisory Council on the Employment of Women</p> <p>This category is limited to providing administrative, advisory and research support for the National Advisory Council on the Employment of Women.</p> <p>Nomination Services</p> <p>This category is limited to providing suitable women nominees for appointment to state sector boards and committees.</p> <p>Policy Advice</p> <p>This category is limited to providing advice (including second opinion advice and contributions to policy advice led by other agencies) to support decision-making by Ministers on government policy matters relating to improving the lives of New Zealand women.</p>	<p>Improving the Lives of New Zealand Women</p> <p>This appropriation is limited to providing women nominees for appointment to state sector boards and committees, support for the National Advisory Council on the Employment of Women, and advice and services to support Ministers to discharge their portfolio responsibilities relating to improving the lives of New Zealand women.</p>

Vote Parliamentary Counsel

<i>Current titles and scopes</i>	<i>Example of revised titles and scopes</i>
<p>Drafting and Access to Legislation MCA</p> <p>Access to Legislation</p> <p>The category is limited to providing free public access to legislation and disclosure statements via the internet, supplying Government Bills and Supplementary Order Papers; publishing and distributing legislation; reprinting legislation with the amendments incorporated.</p> <p>Law Drafting Services</p> <p>This category is limited to drafting legislation, examining and reporting on local Bills and private Bills and drafting amendments to them, providing advice on the drafting of legislation and on disallowable instruments that are not drafted by the PCO, providing legislative drafting assistance to Pacific Island nations, undertaking 3-yearly programmes of statute law revision, and administering the Legislation Act 2012 and any other legislation PCO is responsible for.</p>	<p>Drafting and Access to Legislation</p> <p>This appropriation is limited to the drafting and publishing of, and providing access to, legislation for the Government, Parliament, and the public.</p>

Vote State Services

<i>Current titles and scopes</i>	<i>Example of revised titles and scopes</i>
<p>Policy Advice and Leadership of the Public Sector MCA</p> <p>Leadership of the Public Management System</p> <p>This category is limited to ensuring the Public Management System has the design, capability and performance to deliver public services.</p> <p>Policy Advice</p> <p>This category is limited to the provision of advice (including second opinion advice and contributions to policy advice led by other agencies) to support decision-making by Ministers on government policy matters relating to the Public Management System.</p>	<p>Leadership of the Public Management System</p> <p>This appropriation is limited to ensuring the Public Management System has the design, capability and performance to deliver public services, and providing advice and services to support Ministers to discharge their portfolio responsibilities relating to the Public Management System.</p>

Vote Education Review Office

<i>Current titles and scopes</i>	<i>Example of revised titles and scopes</i>
<p>Quality of Education: Evaluations and Services MCA</p> <p>Early Childhood Learning Services</p> <p>This category is limited to evaluations of the performance of early childhood learning services.</p> <p>National Evaluations and Other Services</p> <p>This category is limited to the provision of national education evaluation and other publications, policy services, ministerial services and contractual evaluation services.</p> <p>Schools and Other Education Service Providers</p> <p>This category is limited to evaluations of the performance of schools, Communities of Learning and other education service providers.</p>	<p>Evaluation of Education</p> <p>This appropriation is limited to national education evaluations, evaluations of the performance of early childhood learning services, schools and other education service providers, and providing advice and services to support Ministers to discharge their portfolio responsibilities relating to the evaluation of education.</p>

Appendix B – Text to include in MBU letter

Standard text

In your appropriation Minister’s MBU letter to the Minister of Finance, please include the following heading and paragraph to signal which proposals relate to implementing this first step of the public finance system modernisation work programme.

Appropriation structure changes relating to step 1 of the public finance system modernisation work programme

I am seeking your approval to the following changes to appropriation structures in Vote [name of Vote]. These changes relate to Cabinet’s directive to consolidate appropriations as the first step of modernising the public finance system [CAB-19-MIN-0439.01 refers]. [Name of department] has worked with the Treasury to develop the new appropriation structures.

Additional text if changes are phased over two financial years

If your department has further changes to implement for 2021/22, please additionally include the following sentences to the paragraph above:

Changes to Vote [name of Vote]’s appropriation structure will be phased over two Budgets. As such, I will be seeking your approval to further changes for 2021/22.

Additional text if a broader review of appropriations was completed

If your department and Minister have undertaken a broader review of your appropriations, please include the following sentence (where appropriate) in the MBU letter:

I have taken this opportunity to review Vote [name of Vote]’s appropriation structure more widely. Therefore, I am also seeking your approval to the following additional changes to Vote [name of Vote]’s appropriation structure.

Additional text if appropriation Minister wishes to apply discretion in some instances to implementing proposals

The following appropriations are within scope of the proposals that Cabinet agreed to on 2 September 2019 [CAB-19-MIN-0439.01 refers]. However, I do not intend to consolidate these appropriations for the reasons outlined in the table.

Name of appropriation or category	Reasons for not consolidating

Appendix C – Text and examples for comparative information requirements

Introductory text for comparative information tables

For the *Part 1.4: Reconciliation of Changes in Appropriation Structure* table, please include the following text before the table:

The following changes to appropriations are the result of combining appropriations for small amounts as an initial part of modernising the public finance system.

For the *Comparators for Restructured Appropriation* table, please include the following text before the table:

This appropriation results from combining the appropriations listed in the *Comparators for Restructured Appropriation* table below as an initial part of modernising the public finance system.

Example of Comparators for Restructured Appropriation table

Example from Vote Internal Affairs

Ethnic Communities Grants (M30)

Scope of Appropriation

This appropriation is limited to providing grants to assist ethnically diverse communities to participate in New Zealand society.

Expenses

	2018/19		2019/20
Total Appropriation	-	-	520

Comparators for Restructured Appropriation

	2018/19		2019/20
Vote, Type and Title of Appropriation	Final Budgeted \$000	Estimated Actual \$000	Budget \$000
Vote Internal Affairs			
Non-departmental Other Expense			
Settling-In Grants	1,520	1,513	-
Total	1,520	1,513	520

The comparators table above shows that funding in the *Ethnic Communities Grants* appropriation used to be within the *Settling-In Grants* appropriation. It shows how much was appropriated in the existing appropriation in 2018/19 (and the projected estimated actual), as well as the total amount appropriated for the new appropriation in 2019/20.

Example of Part 1.4: Reconciliation of Changes in Appropriation Structure table

Example from Vote Education

The table below shows where some funding was transferred from an existing appropriation (Support and Resources for Education Providers) to establish a new appropriation (Payroll Services).

2013/14 Appropriations in the 2013/14 Structure	2013/14 (Current) \$000	Old structure		New structure		
		Appropriations to which expenses (or Capital Expenditure) have been moved from or to)	Amount Moved \$000	2013/14 Appropriations in the 2014/15 Structure	2013/14 (Restated) \$000	2014/15 \$000
Departmental Output Expenses						
Support and Resources for Education Providers	112,842	Transferred to Payroll Services	(43,157)	Support and Resources for Education Providers	69,685	69,809
	-	Transferred from Support and Resources for Education Providers	43,157	Payroll Services	43,157	15,763
Total changes in appropriations	112,842		-		112,842	85,572

Example from Vote Social Development

The table below shows where an appropriation was disestablished (Prevention Services) and the funding was transferred to an existing appropriation (Care and Protection Services).

2014/15 Appropriations in the 2013/14 Structure	2014/15 (Current) \$000	Old structure		New structure		
		Appropriations to which expenses (or Capital Expenditure) have been moved from or to)	Amount Moved \$000	2014/15 Appropriations in the 2015/16 Structure	2014/15 (Restated) \$000	2015/16 \$000
Departmental Output Expenses						
Prevention Services	4,035	Transferred to Care and Protection Services	(4,035)			
Care and Protection Services	378,848	Transferred from Prevention Services	4,035	Care and Protection Services	382,883	391,831
Total changes in appropriations	382,883		-		382,883	391,831