

The Treasury

Management of Cluster Underspends - Adjustment of Existing Rules Information Release

September 2023

This document has been proactively released by **Minister of Finance (Hon Grant Robertson)** on the Treasury website at

<https://treasury.govt.nz/publications/information-release/finance-portfolio-cabinet-material>

Cabinet Document Details

Title: **Cabinet Minute: CBC-23-MIN-0011: Management of Cluster Underspends: Adjustment of Existing Rules**

Date: **3 July 2023**

Creator: Cabinet Office

Information Withheld

No information has been withheld.

Copyright and Licensing

Cabinet material and advice to Ministers from the Treasury and other public service departments are © **Crown copyright** but are licensed for re-use under **Creative Commons Attribution 4.0 International (CC BY 4.0)** [<https://creativecommons.org/licenses/by/4.0/>].

For material created by other parties, copyright is held by them and they must be consulted on the licensing terms that they apply to their material.

Accessibility

The Treasury can provide an alternate HTML version of this material if requested. Please cite this document's title or PDF file name when you email a request to information@treasury.govt.nz.



Cabinet Business Committee

Minute of Decision

This document contains information for the New Zealand Cabinet. It must be treated in confidence and handled in accordance with any security classification, or other endorsement. The information can only be released, including under the Official Information Act 1982, by persons with the appropriate authority.

Management of Cluster Underspends: Adjustment of Existing Rules

Portfolio **Finance**

On 3 July 2023, the Cabinet Business Committee, having been authorised by Cabinet to have Power to Act [CAB-23-MIN-0299]:

Background

- 1 **noted** that on 30 August 2021, Cabinet agreed to pilot two multi-agency Clusters (the Natural Resources Cluster and the Justice Cluster), with operating funding provided for the next three Budgets as part of Budget 2022 [CAB-21-MIN-0349];
- 2 **noted** that a key goal of the pilot is that the Clusters manage within their multi-year Budget 2022 operating funding over the three-year life of the pilot;
- 3 **noted** that to support this intent, on 29 September 2022, the Cabinet Government Administration and Expenditure Review Committee:
 - 3.1 agreed to new multi-year funding arrangements, and planning and reporting requirements for the Clusters;
 - 3.2 authorised Cluster Ministers (all Cluster Ministers for the Justice Cluster, and portfolio Ministers responsible for appropriations for each agency for the Natural Resources Cluster) to retain (subject to certain rules) actual/audited departmental operating underspends additional to those allowed under Cabinet Office Circular (18) 2;

[GOV-22-MIN-0033]
- 4 **noted** that Cluster agencies have indicated there are that they face challenges with only being able to make use of their additional financial flexibility to manage funding decisions after confirmation of audited financial statements at the October Baseline Update;
- 5 **noted** that the current Cluster delegations agreed by Cabinet [GOV-22-MIN-0033] do not provide for Cluster Ministers to seek early agreement (from Joint Ministers) to retention and allocation of the additional underspends;

Adjustment of existing rules for the management of Cluster underspends

- 6 **authorised** Cluster Ministers (all Cluster Ministers for the Justice Cluster, and portfolio Ministers responsible for appropriations for each agency for the Natural Resources Cluster) to seek early agreement (from Joint Ministers) to the retention and allocation of a conservative portion of expected departmental operating underspends before audited financial statements are available, where early decisions are necessary, subject to the condition stated below:

Financial decisions must be fiscally neutral:

- 6.1 at the time of seeking the early agreement, the Clusters (Justice Cluster collectively, individual agencies in the Natural Resources Cluster) must confirm that the amount being sought is conservative, ie it is less than expected actual/audited underspends;
- 6.2 if the conservative unaudited portion exceeds actual/audited underspends, the Clusters (Justice Cluster collectively, individual agencies in the Natural Resources Cluster) will (at the next available baseline update) reduce their appropriations or offset the increase through reprioritisation, agreed as part of GOV-22-MIN-0033, to ensure all underspend decisions are fiscally neutral;
- 6.3 must not create an implicit or explicit precommitment for net additional expenditure (within or after the three-year Cluster pilot period), except with the approval of Cabinet;
- 7 **noted** that if the amount agreed is lower than the actual/audited underspends, the difference can subsequently be confirmed and added to the respective tagged contingency through the October Baseline Update;

Delegation for the Minister of Finance

- 8 **authorised** the Minister of Finance to make technical changes to rules for Clusters (set out in paragraphs 7-37 of GOV-22-MIN-0033 and in paragraphs 6 and 7 above), subject to the changes not representing ‘significant policy issues’, as defined in Cabinet Office Circular (18) 2.

Janine Harvey
Committee Secretary

Present:

Rt Hon Chris Hipkins (Chair)
Hon Carmel Sepuloni
Hon Kelvin Davis
Hon Grant Robertson
Hon Dr Megan Woods
Hon Jan Tinetti
Hon Dr Ayesha Verrall
Hon Willie Jackson
Hon Damien O’Connor
Hon Andrew Little
Hon Nanaia Mahuta
Hon Rachel Brooking

Officials present from:

Office of the Prime Minister
Department of the Prime Minister and Cabinet