

# OIA 20220028

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BM-2-2-2009

19 December 2008

Treasury Circular 2008/14

Unrestricted Departmental Distribution

Chief Executives  
Directors of Finance/Chief Accountants  
Senior Private Secretaries  
Policy Managers  
Planning Managers

Contact for Enquiries: Departmental: Treasury Vote Analysts or Vote Managers  
Ministerial Offices: Cat Moody or Bryan Dunne – Office of the  
Minister of Finance

**IMPROVING VALUE FOR MONEY AND 2009 BUDGET: KEY FEATURES AND  
TIMETABLE**

1. This circular sets out:
  - **The key features for Budget 2009:** This includes an outline of the forthcoming initiatives phase of Budget 2009, which is significantly different from previous years.
  - **Other information related to the 2009 Budget and beyond:** This Circular also outlines fiscal forecasting advice and future guidance.
2. This circular is available on CFISnet and on Treasury's website. We ask CFISnet users to please ensure it is appropriately distributed and handled within your department.
3. As with previous Budgets, the guidance is again released in three parts.
  - *Budget Process Technical Guide Part 1: Initiatives Phase* provides detailed advice about what is required of departments and Vote Teams through the initiatives phase of the Budget Process. Information is given about timeframes and deadlines, and how to go about undertaking the tasks required. CFISnet technical information is highlighted in boxes. Links to detailed information are provided where they are relevant and available.
  - *Budget Process Technical Guide Part 2: Final Decisions and Budget Documentation* will cover the remaining technical aspects of the Budget process and **will be released in the New Year**. This part of the guidance

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will include, among other things, the financial recommendations process and the March Baseline Update. The Estimates guidance will also be released in the New Year.

- *Budget Process Overview* provides background information for departments and Vote teams, including a brief description of the product and its purpose, and the respective roles of the participants. The Overview provides useful contextual information, particularly for people new to the process.
4. This guidance is available on CFISnet as attachments to this Circular and the Treasury Website, with the exception of the *Budget Process Overview*, which is only available on the website <http://www.treasury.govt.nz/budgetprocessguide/>. This guidance is a live document, and will be updated electronically if there are any changes to the process or timing. We will notify you if and when changes occur.

### FEATURES OF THE 2009 BUDGET

#### Budget process

5. Budget 2009 will be significantly different from those of the last few years.
6. Consistent with the letter sent from the Minister of Finance to Vote Ministers on 18 December 2008<sup>1</sup>. The Government's priorities for Budget 2009 are:
- meeting election commitments;
  - working with CEs to identify an initial round of savings; and
  - reversing unfunded commitments of the previous government.
7. Ministers have been invited to submit bids to meet any costs associated with these priorities beyond what can be afforded from within existing baselines.
8. There will also be a process for Ministers to work with Chief Executives to identify savings that can be found from reprioritising funding from programmes which do not align with Government priorities or are inefficient and/or ineffective. In very specific cases, Ministers are able to submit bids to request additional funding to address emergency pressures which cannot be deferred or funded from baselines.
9. To assist with the Government's longer term focus on improving value for money, Chief Executives are required to identify areas, for future reviews, where there may be opportunities for improved efficiency and effectiveness.
10. A panel of Senior Executives will be convened to provide input to the Treasury to inform their advice to Ministers on the savings identified in the line-by-line reviews (see below) and the emergency pressures submitted as part of the Budget process.

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<sup>1</sup> This letter was circulated to the relevant chief executive.

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11. At this stage, it is expected that some savings will be used to fund emergency pressures across government; some may be returned to the sector from which they came to allow other policy priorities to be met; and some will be used to reduce debt.
12. The full mix of initiatives to meet election commitments, savings and emergency pressures will be considered by Budget Ministers, who will set objectives for the Budget bilateral. Portfolio Ministers and the Minister of Finance will then discuss the funding mix of their portfolio areas in Budget bilateral. Final decisions on the Budget package will be made by Cabinet.
13. The Minister of Finance will hold a series of bilateral meetings with specific Ministers to discuss the respective Minister's new initiative submission. Prior to these bilaterals, Budget Ministers will meet to set the objectives for these meetings with advice from Treasury.

### Budget Initiatives

14. Ministers are invited to submit all their Budget initiatives<sup>2</sup> in hard copy to the office of the Minister of Finance by **Thursday 5 February 2009**.
15. Departments will be required to complete the Word-based budget initiative template as they have done for previous years. This is an attachment to this Circular.

### Fiscal Forecasts

16. Five-year fiscal forecasts, supplied along with the Estimates and baseline updates, are a crucial part of the Budget and fiscal management cycle. Consolidated forecasts inform Ministers about the affordability of the Budget package at the whole of Crown level.
17. Given the importance of fiscal forecast to inform decisions, particularly in the current economic environment, it is very important that your forecast process is robust and it produces supportable and credible five-year forecasts. Your management review and quality assurances of the forecasts are a vital part of the process.
18. Treasury will be providing Departments with feedback on their forecasting performance at the end of each financial year.

### Further Guidance

18. Treasury will be issuing further guidance throughout the Budget process. Future Treasury Circulars and/or guidance to be aware of are:
  - *Technical Guide for Estimates* (released early in the New Year)
  - *Style Guide for Estimates* (released early in the New Year);

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<sup>2</sup> This includes requests for additional funding, savings and the areas identified for potential future review.

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- *Budget Process Technical Guide Part 2 (released January); and*
- *Guidance on Unappropriated Expenditure (released April/May).*

**Timetable**

At this stage, the only significant date Ministers' Offices and departments should be aware of is that the new initiative submissions are due with the Minister of Finance by **Thursday 5 February 2009 at 1 p.m.**

Part 1 of the Guidance for departments and Ministers' Offices includes dates when the Monthly Actuals are due. The definitive timetable will be included in Part 2 of the Guidance which will be released in the New Year.

Chris Bunny  
for Secretary to the Treasury

BM-2-2-2009

5 February 2009

Treasury Circular 2009/1

Unrestricted Departmental Distribution

Chief Executives  
Chief Financial Officers/Chief Accountants  
Ministerial Principal Private Secretaries  
Policy Managers  
Planning Managers

Contact for Enquiries:

Departmental: Treasury Vote Analysts or Vote Managers  
Ministerial Offices: Cat Moody or Bryan Dunne – Office of the Minister of Finance  
CFISnet: HelpDesk (04) 917 6198

## **2009 BUDGET: PART 2 – KEY FEATURES AND TIMETABLE FOR DEPARTMENTS**

1. This Circular follows Part 1 of the Budget Process Guidance released on 18 December 2008 (TC 2008/14). Part of the Guidance released with this Circular outlines the remaining information for Budget 2009 and other elements of the Budget Economic and Fiscal Update, including:
  - Information on bilaterals;
  - Information on the Estimates documents;
  - The March Baseline Update;
  - Financial recommendations;
  - The Value for Money review;
  - The Fiscal Forecast Reporting Requirements for the 5-year fiscal forecast; and
  - The Budget timetable outlining key dates and deliverables.
2. This circular also outlines other information related to Budget 2009, such as additional guidance and training that will be provided to departments and the 2009/10 capital charge rate.
3. Appendix 1 sets out the timetable from now to early June with all the key dates and deliverables from departments.
4. This circular is only available on CFISnet. We ask CFISnet users to please ensure it is appropriately distributed and handled within your department.

5. The *Budget Process Technical Guide Part 2: Final Decisions and Budget Documentation* (released today) covers the remaining technical aspects of the Budget process. It includes, among other things, the financial recommendations process, the March Baselines Update (MBU), the Value for Money reviews and the Estimates production process. Part 2 of the guidance also provides information about timeframes and deadlines and how to go about undertaking the tasks required.

6. The *Budget Process Technical Guide Part 1: The Initiatives Phase* and the *Budget Process Overview* documents were released in December 2008. Budget 2009 is significantly different from previous Budgets, so we strongly suggest you make time and familiarise yourself with how the process is going to run this year. As mentioned in Treasury Circular TC 2008/14, there is a process for Ministers to work with Chief Executives to identify savings that can be found from reprioritising funding from programmes which do not align with Government priorities or are inefficient and/or ineffective. As part of this process, Ministers need to report back on savings which can feed into Budget 2009. There is the additional ongoing Value for Money component that departments need to be aware of, which is explained in more detail below.

7. A public version of the guidance is available on CFISnet (under Info > Circulars) and the Treasury website <http://www.treasury.govt.nz/budgetprocessguide>. This guidance is a live document, and will be updated electronically if there are any changes to the process or timing. We will notify you if and when changes occur.

#### **Line-by-line Value for Money Reviews**

8. Central agencies and a group of senior officials will review the line-by-line submissions from departments during February and March. Senior officials will then prepare advice for the Minister of Finance and the Cabinet Expenditure Control Committee (ECC) that will:

- Summarise the results of the line-by-line reviews; and
- Propose areas for possible in-depth reviews.

9. Selected departments will be asked to appear before ECC to discuss their line-by-line reviews and how they intend to manage their expenditure in the current tight fiscal environment. The relevant departments will be contacted at the appropriate time. Prior to appearing before ECC, these departments will appear before the group of senior officials, allowing departments to prepare before the ECC meeting.

10. At the end of the line-by-line review process, the Minister of Finance will submit a paper to ECC by 31 March that summarises the results of the line-by-line reviews, proposes areas for in-depth reviews and outlines departmental expectations over the next 12 months and beyond.

## FISCAL FORECASTING REPORTING REQUIREMENTS

### 2009 Five-Year Fiscal Forecast Requirements

11. Five-year fiscal forecast information is required twice annually for inclusion in the Budget Update and the Half Year Update. For the upcoming 2009 Budget, the information to be provided includes:

- 2009 Budget five-year fiscal forecasts;
- Statement of Representation (new requirement); and
- Financial instruments elimination spreadsheet (if applicable).

12. Submission dates are set out in Appendix 1 below. We would appreciate it if entities would contact us prior to the reporting deadline if they envisage any difficulty in meeting it.

13. Departments are required to provide best estimates for their fiscal forecasts. It is important that the fiscal forecasts are accurate as the information is critical to:

- Assess fiscal head-room for decision-making by Ministers;
- Maintain our reputation as prudent managers of taxpayer funds;
- Determine the Government's borrowing requirements for the remainder of this year and for the next financial year; and
- Assist the Reserve Bank in its day-to-day primary liquidity cash management processes.

14. The fiscal forecasts (both departmental and non-departmental) should be prepared on a basis of best professional judgement, reflecting information and circumstances at the date the forecasts are provided. They must be completed in a manner consistent with the Crown accounting and forecasting policies outlined in Treasury Instructions, which are available on the Treasury website at: (<http://www.treasury.govt.nz/publications/guidance/instructions/2008>). As with the previous year we will be reporting back to departments after year end regarding the accuracy of the fiscal forecasts compared with actual results.

15. A statement of representation, similar to that required for the Half Year Update, is also required for this Budget Update on **Friday 24 April 2009**. A template for this statement is attached in Appendix 2. The statement should be faxed to: Don Rangi, Fiscal Reporting (fax number s9(2)(k) ) by the due date.

16. Eliminating inter-entity transactions and balances is critical to our consolidation. The Budget Process Technical Guide Part 2 includes further guidance on completing the CFISnet schedules correctly with regards to inter-entity elimination lines. Please ensure you comply with these requirements.

### Forecast Tracks

17. Forecast Tracks for April and May 2009 will be required on **Friday 1 May 2009**. These tracks should be based on estimated actual (Outyear 0) information submitted as part of the Budget 2009 exercise 334. We have brought this deadline forward from last year to ensure it does not clash with the April month end exercise.



18. Forecast Tracks for September and October 2009 will also be required on **Friday 1 May 2009**. These tracks should be based on Outyear 1 information submitted as part of the Budget 2009 exercise 334. We are collecting the September and October forecast tracks at the same time as April and May this year because they should both be based on the same Budget exercise.

19. We recommend that you prepare the forecast tracks at the same time as preparing the 5 year fiscal forecasts.

#### **OTHER INFORMATION**

##### **Capital Charge Rate**

20. The capital charge rate is expected to be maintained at 7.5% for 2009/10, pending the Minister of Finance's agreement.

21. It is expected the Minister of Finance will agree that the deposit interest rate will be 4.5% and the drawdown interest rate will be 9.4% respectively for 2009/10.

##### **Budget Workshop**

22. The annual CFISnet Budget/Estimates seminar will be on Thursday, 12 February at 2.00pm. This will run for one to one and a half hours in our conference facilities on L5 of Treasury. There is no need to RSVP your attendance.

23. Have a look at the CFISnet News Page for other CFISnet Budget training opportunities.

##### **Feedback and Contacts**

24. If you have any questions or problems uploading your CFISnet information, please contact the CFISnet HelpDesk on (04) 917-6198.

Chris Bunny  
for Secretary to the Treasury

## APPENDIX 1 – BUDGET 2009 TIMETABLE

Please note that all deadlines are **1 pm** unless otherwise stated. Keeping to this deadline will allow the next steps in each of the processes to begin the same day and significantly assist in the production of the Budget.

	Budget Initiatives	Baseline Updates and Other Baseline Changes	Estimates and SOI Production
Tue 3 Feb 09			
Wed 4 Feb 09			
Thu 5 Feb 09	Final date for Vote Ministers to submit Budget initiatives, emergency pressures and savings to the Minister of Finance. Final date for departments to update CFISnet.		
Fri 6 Feb 09		<b>WAITANGI DAY</b>	
Sat 7 Feb 09			
Sun 8 Feb 09			
Mon 9 Feb 09			
Tue 10 Feb 09			
Wed 11 Feb 09		January actuals due (5pm)	
Thu 12 Feb 09			
Fri 13 Feb 09	1st Senior Executives Group (SEG) Meeting		
Sat 14 Feb 09			
Sun 15 Feb 09			
Mon 16 Feb 09		Structural core data changes agreed between departments and VAs	
Tue 17 Feb 09			
Wed 18 Feb 09		Last date to make core data requests for the March Baseline Update	
Thu 19 Feb 09	2nd SEG Meeting		
Fri 20 Feb 09			
Sat 21 Feb 09			
Sun 22 Feb 09			
Mon 23 Feb 09			
Tue 24 Feb 09			
Wed 25 Feb 09			
Thu 26 Feb 09	Approx date for 3rd SEG Meeting		

	Budget Initiatives	Baseline Updates and Other Baseline Changes	Estimates and SOI Production
Fri 27 Feb 09			
Sat 28 Feb 09			
Sun 1 Mar 09			
Mon 2 Mar 09			
Tue 3 Mar 09			
Wed 4 Mar 09	Approximate start date for bilaterals		
Thu 5 Mar 09		March Baseline Update submissions due to the Minister of Finance.	
Fri 6 Mar 09			
Sat 7 Mar 09			
Sun 8 Mar 09			
Mon 9 Mar 09	<b>Approx date for Budget Ministers Meeting 1</b>		
Tue 10 Mar 09		February actuals due (5 pm)	
Wed 11 Mar 09			
Thu 12 Mar 09			Departments complete collection of Ministers' signatures
Fri 13 Mar 09			
Sat 14 Mar 09			
Sun 15 Mar 09			
Mon 16 Mar 09			
Tue 17 Mar 09		Last date for TSY to advise depts about update status. Last date to update CFIS for changes	
Wed 18 Mar 09			
Thu 19 Mar 09			
Fri 20 Mar 09	Approx date for end of bilaterals	Minister of Finance's letter on Baseline Updates to Vote Ministers	Last date for Coredata requests for Estimates. Departments strongly encouraged to provide a draft of SOI to their Minister for review
Sat 21 Mar 09			
Sun 22 Mar 09			
Mon 23 Mar 09			
Tue 24 Mar 09			
Wed 25 Mar 09	Final date for draft financial recommendations due from departments by 1 pm		

	Budget Initiatives	Baseline Updates and Other Baseline Changes	Estimates and SOI Production
Thu 26 Mar 09			
Fri 27 Mar 09			
Sat 28 Mar 09			
Sun 29 Mar 09			
Mon 30 Mar 09	<b>Approx date for Budget Ministers meeting 2</b>		
Tue 31 Mar 09			
Wed 1 Apr 09			
Thu 2 Apr 09			
Fri 3 Apr 09		Budget baseline submissions finalised in CFISnet. Departments complete Estimates documents (i.e. Core Estimates/Information Supporting Estimates; Supps/Information Supporting Supps) in CFISnet, including forecast depts by 1 pm. All departments (including Reserve Bank) complete fiscal forecasts by 1 pm.	
Sat 4 Apr 09			
Sun 5 Apr 09			
Mon 6 Apr 09			
Tue 7 Apr 09	TSY finalise QA of fin recs		
Wed 8 Apr 09			
Thu 9 Apr 09		March actuals due (5pm)	SOIs: Departments send near-final draft to Treasury for final check of financial information for consistency with other Budget information only. The URL for where their SOI will be held on their website needs to be provided to Treasury on this date.
Fri 10 Apr 09			

	Budget Initiatives	Baseline Updates and Other Baseline Changes	Estimates and SOI Production
Sat 11 Apr 09			
Sun 12 Apr 09			
Mon 13 Apr 09			
Tue 14 Apr 09			
Wed 15 Apr 09	<b>Cabinet Strategy Committee considers Budget Package Cabinet paper</b>		
Thu 16 Apr 09			
Fri 17 Apr 09			
Sat 18 Apr 09			
Sun 19 Apr 09			
Mon 20 Apr 09	<b>Cabinet considers Budget</b>		Final date for Treasury to sign off Core Estimates/Information Supporting the estimates and Supplementary Estimates documents to seek Vote Minister sign-off.
Tue 21 Apr 09			
Wed 22 Apr 09			<b>Final date for Vote Minister to sign off their Core Estimates/Information Supporting the estimates.</b> Deliver documents to the Minister of Finance's Office by 1pm. Departments with output expenses affected by sections 21 and 32A of the PFA submit info to
Thu 23 Apr 09			Vote Minister to sign any changed Core Estimates/Information Supporting the Estimates resulting from Cabinet decisions. Deliver the documents to the Minister of Finance's Office by 1pm.
Fri 24 Apr 09		Forecasting departments final date for fiscal forecasts	

	Budget Initiatives	Baseline Updates and Other Baseline Changes	Estimates and SOI Production
Sat 25 Apr 09			
Sun 26 Apr 09			
Mon 27 Apr 09			
Tue 28 Apr 09			Core estimates and Supporting Information with Fiscal Forecasts due (for forecasting depts)
Wed 29 Apr 09			
Thu 30 Apr 09			
Fri 1 May 09			
Sat 2 May 09			
Sun 3 May 09			
Mon 4 May 09			
Tue 5 May 09			
Wed 6 May 09			
Thu 7 May 09		April actuals due (5 pm)	
Fri 8 May 09			
Sat 9 May 09			
Sun 10 May 09			
Mon 11 May 09			
Tue 12 May 09			
Wed 13 May 09			
Thu 14 May 09			
Fri 15 May 09			
Sat 16 May 09			
Sun 17 May 09			
Mon 18 May 09			SOIs: Departments deliver SOIs to PrintLink for distribution. Placeholder page for SOI created on Departmental website
Tue 19 May 09			
Wed 20 May 09			
Thu 21 May 09			
Fri 22 May 09			
Sat 23 May 09			
Sun 24 May 09			
Mon 25 May 09			
Tue 26 May 09			
Wed 27 May 09			
Thu 28 May 09			
Fri 29 May 09			

**APPENDIX 2**

**2009 BUDGET ECONOMIC AND FISCAL UPDATE**

**STATEMENT OF REPRESENTATION**

Department: **[INSERT NAME]**

The CFISnet schedules (departmental and non-departmental) have been prepared to provide information for the preparation of the 2009 Budget Economic and Fiscal Update. We verify that:

- a. The forecasts have been prepared on the basis of our best professional judgement, reflecting information and circumstances as at the date the information is provided.
- b. The forecasts have been completed in a manner consistent with the accounting and forecast policies of the Government and generally accepted accounting practice for the applicable years, except for:
  - 
  -
- c. There are no other matters that you should be aware of in the preparation of the forecast Government financial statements except for (itemise assumptions/exclusions if applicable) –
  - 
  -
- d. Transactions and balances with agencies within the Government reporting entity greater than \$10 million have been confirmed with the other agency.

Signed

Signed

**[INSERT NAME]**  
Chief Executive  
Date: **[INSERT DATE]**

**[INSERT NAME]**  
Chief Financial Officer  
Date: **[INSERT DATE]**

# *Template Guide*

## CFISnet Initiative Template Guidance

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2009



Released 19 December 2008





## Budget 2009 CFISnet Initiative Template Guidance

The CFISnet Budget initiative template is an information gathering tool that will provide a standardised set of details to Ministers allowing them to compare, assess and prioritise across a wide range of initiatives.

Departments should be aware that **the information in the CFISnet template will be provided verbatim to Ministers** to use when negotiating Budget priorities so it needs to be:

- clear
- concise, and
- error free.

In completing the CFISnet Budget initiative template, departments should provide Ministers with sufficient information to allow them to engage in discussions on their initiatives.

There will still be a requirement for a well-articulated Word-based Budget Initiative template and/or business case. A template for additional information requirements is provided.

For publishing purposes (i.e., so that Ministers can have one A4 page per initiative), there are still character limits in some fields. Noted in the relevant field heading boxes are character 'goals' - the length you should be aiming for; and 'limits' - recognising that some initiatives may take longer to explain.

CFISnet will not allow an initiative to be submitted until all fields have been completed. It will be possible to enter 'N/A' into fields, however it is difficult to envisage situations where the information requested is not applicable.

Budget initiatives will be able to be revised and withdrawn in a similar manner to previous years. It is imperative that the CFISnet based initiative summary is kept up to date as initiatives are negotiated (e.g., if they are scaled or declined by Ministers).

The following explanations of fields are intended as guidance only.

## Vote

Select your Vote from the drop-down list.

In the case of cross-Vote initiatives, each Vote should submit a bid for the funding that corresponds to their part of the initiative. It is critical that the title of the initiative is the same for each Vote concerned, so that when all initiatives are reported to Ministers they can be bundled together. In the accompanying Word document, note the other Votes that are involved.

## Title

**Characters: Goal 40, limit 80**

The title needs to be brief but informative, and of sufficient quality to be published in the Estimates of Appropriations (the Estimates guidance will be released in the New Year). The title should have correct spelling, grammar and capitalisation and should avoid containing acronyms unless they are widely used and understood.

Given that Ministers are generally not familiar with all portfolios; it would be helpful if the title is stand-alone for someone not familiar with the sector.

## Description

**Characters: Goal 200, limit 300**

The description should provide a concise summary of what the funding will be used for. It will be used by Ministers when prioritising across a large number of bids, so it needs to be succinct, informative and of publishable quality.

In all cases this field should describe the *results* expected from the initiative, even where the initiative may already have informal agreement, e.g., if it forms part of an agreement between political parties.

## Initiative Type

Select the most appropriate Initiative Type from the drop-down box options:

- ⇒ Policy Priority
- ⇒ Emergency Pressure
- ⇒ Technical Change
- ⇒ Savings

CFISnet will allow departments to select any Initiative Type for their bids.

## Priority Area

This is only applicable for the Initiative Type - "Policy Priority".

Select the priority area from the drop-down list.

Leave this field blank for all other Initiative Types.

## Portfolio Minister

Select the portfolio Minister's name from the drop-down list.

If the initiative is a request for departmental capital or a generic capability bid across a whole department, choose the 'Responsible Minister' for the department.

## Ranking

The default option is to enter the ranking number of the initiative within the Vote, however if departments have prioritised more widely, or in a way other than by Vote (e.g., by sector, Initiative Type, portfolio etc) they should state this in the word document for the initiative as the ranking field is numeric only.

Do not rank initiatives as being of equal priority.

## Funding Sought

Enter the gross funding sought in each year in thousands.

The 'Savings/Offsetting Revenue' line in the template should be used to enter offsetting savings that are directly related to the initiative, or revenue earned as a result of the initiative.

When entering savings only, amounts are entered as positive integers so the net amount is a negative.

The net impact on the operating balance will self-populate and will reconcile as follows:  
Gross – Savings = Net.

Departments requesting funding for multi-year appropriations should enter the indicative spending profile of the MYA. If funding is approved, the technical aspects will be dealt with later on in the financial recommendations for Cabinet.

Any changes in funding beyond 2012/13 should be noted in the initiative's accompanying word document.

## Performance Specification - Table

The quantity and quality measures used in the table should be specific, measurable, achievable, relevant to the proposal, and time-bound. You can add more rows to include more than one quantity, quality or timeliness measure. Please fill in the expected levels of

each measure for every year that funding is sought. You can also include results and intermediate or final outcomes to support the output or expense information provided.

If the proposal is for an extension to an existing programme, please enter in the existing quantity, quality and timeliness measures, and create a second line for the marginal change that this initiative will deliver. This will enable Ministers to put the extension into context, e.g., if the extension is a small change or a doubling of the programme.

If possible (and appropriate) use the quantity, quality and timeliness measures currently used in the relevant Output Plan or Statement of Intent.

If the initiative is for a capital contribution to improve capability, Ministers expect to see the output impact of improving capability in quantity or quality measures.

If the initiative is for an 'other expense' or a benefit then we still expect there to be a description in quantity, quality and/or timeliness terms.

The table should be completed for all initiatives unless the initiative is only for an output price increase. In that very limited case there would be no change in the performance information.

## Performance Specification - Text

**Characters: Goal 400, limit 500**

You can supplement the quantity, quality and timeliness in the table with a text-based description. However, please do not repeat information you have included in the table as the tabular format is the preferred option.

If the initiative relates to a price increase or is for maintaining capability, then please include a description of the outputs within the output plan that would not be provided if the funding sought is not received.

If the initiative is identifying savings, please use this space to identify any programmes that will cease.

There is a 500 character limit to this box, although you can use a Word document to add more detail. However, please ensure that the quantity, quality and timeliness information in the template is stand alone as Ministers may only refer to this.

## Problem Definition (Provide Evidence)

**Characters: Goal 400, limit 500**

Clearly define the problem, who is affected, why it is an issue for government, and include any quantifiable evidence of the problem. There is a preference for quantifiable evidence whenever it is available.

The detail included should be commensurate with the size and significance of the funding sought. For example, a small agency might not put together a full analysis of their staffing issue to justify a price increase but they would include all the relevant information they have to support the initiative.

If there has been a report to Cabinet on the nature and scope of the problem, please feel free to include a reference to the relevant Cabinet paper/minute to support the case for action.

## How do we know this Initiative will Deliver the Outcomes? (Intervention Logic)

**Characters: Goal 300, limit 500**

This section of the template should contain a description of how the proposed approach will address the problem identified above. It should detail any research or pilot results that support that the chosen approach will achieve its goals. This is the intervention or policy analysis that gets included in every Cabinet policy paper.

This should be as succinct as possible while still enabling Ministers to understand why this option is the best option to achieve the desired outcome.

## Evaluation of Initiative's Contribution to Outcome (Specify Outcome Measures to be Used)

**Characters: Goal 200, limit 300**

This section should describe **what** immediate results or intermediate and final outcomes for the initiative will be monitored. The results, intermediate outcomes and final outcomes to be monitored should be detailed in SMART terms – specific, measurable, achievable, relevant and time-bound. If not specified in the performance specification table above, the specification should be included here.

Departments should think of this as an ex-post evaluation of what this particular initiative has achieved for the funding it received. This should not be an ex-ante intervention logic exercise, as this should have been done in the previous section.

If there is not going to be any monitoring then please explain why.

## Scaling Options

**Characters: Goal 200, limit 300**

Departments should provide options on how the initiative could be scaled, and what effect this would have on quality, quantity and/or timeliness dimensions of the performance information.

This information will help Ministers to negotiate a balanced Budget package without compromising the quality of the agreed programmes.

For example:

- There may be a minimum level of funding, below which the programme would be ineffective.
- An initiative may be easily split into parts.
- The programme could be run as a pilot.
- The funding could be scaled proportionately with a corresponding reduction in outputs.
- Operating funding could be scaled but Capital could not (or vice versa), and
- Possible phasing/deferral options.

Please be aware that as negotiations progress, departments may need to provide more detail on scaling options – for example, alternative costings and performance information.

## Word-based Initiative Template

The Word-based Budget initiative template should be a stand-alone document, containing all the information from the CFISnet template plus further details where necessary. No character limits apply for the Word template.

The following additional supporting information is mandatory:

- Financial impacts beyond 2012/13
- Detailed costing information, and
- Funding options (e.g., third party revenue).

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[This Word-based Budget initiative template should be a stand-alone document, containing all the information from the CFISnet template plus further details where necessary. No character limits apply for the Word template.

The last three fields for supporting information are mandatory:

- Financial impacts beyond 2011/12
- Detailed costing information
- Funding options (e.g. third party revenue)]

**Vote:**

**Co-Votes:** [If this is a cross-Vote initiative, include all other Votes involved]

**Title:** [Same as CFISnet initiative template]

**Brief Description:** [Same as CFISnet initiative template - elaborate on the description in a second paragraph if necessary]

**Initiative Type:** [Same as CFISnet initiative template]

**Priority Area:** [Same as CFISnet initiative template]

**Initiative Ranking:** [Same as CFISnet initiative template plus an explanation if initiative is ranked wider than by Vote]

**Funding sought (\$ thousands)**

<i>\$000*</i>	<b>2008/09</b>	<b>2009/10</b>	<b>2011/12</b>	<b>2012/13</b>	<b>2012/13 and outyears</b>
<b><i>Gross operating impact**</i></b>	A				
<b><i>Offsetting savings/revenue**</i></b>	B				
<b>Net operating impact (GST excl)</b>	C				
<b><i>Gross capital impact**</i></b>	D				
<b><i>Offsetting capital saving**</i></b>	E				
<b>Net capital impact</b>	F				

The figures in the table above should reconcile as follows:

$$A - B = C$$

$$D - E = F$$

\* note that although normal financial recommendations express funding in millions, this template expresses funding in thousands. This is because CFISnet deals with thousands to enable Treasury to generate the Appropriation Bills for Parliament.

\*\* delete these rows if not required



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**Performance Specification (Option 1): Where performance/outputs can be expressed in a table**

[Same as CFISnet initiative template plus any additional information if necessary]

**Performance Specification (Option 2): Where outputs/performance are best expressed as text**

[Same as CFISnet initiative template plus any additional information if necessary]

**Problem Definition (Provide Evidence)**

[Same as CFISnet initiative template plus any additional information if necessary]

**How do we know this initiative will deliver the outcomes? (Intervention logic)**

[Same as CFISnet initiative template plus any additional information if necessary]

**Evaluation of Initiative's contribution to Outcome (departments should think of this as more of an ex-post evaluation rather than ex-ante intervention logic)**

[Same as CFISnet initiative template plus any additional information if necessary]

**How could the initiative be scaled?**

[Same as CFISnet initiative template plus any additional information if necessary]

**Impacts Beyond 2012/13**

[Note any changes in funding beyond 2012/13, e.g. if funding ends in 2012/2013 or increases/decreases in relation to 2012/13]

**Detailed Costings**

[Provide a detailed break-down of costing information, including any assumptions used]

**Funding Options**

**IN-CONFIDENCE**

[Include options for funding:

- Savings – include details/trade-offs and level of certainty (i.e. what is lowest priority programme in baseline that would drop off to fund this)
- 3rd party sources (including user pays options)
- Crown]

# *Budget Process*

## Technical Guide Part 1: Initiatives Phase for Departments and Ministerial Offices

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# 2009



**THE TREASURY**  
Kaitohutohu Kaupapa Rawa

Released 19 December 2008



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For specific questions on any aspect of the Budget process, please contact your Treasury Vote Team.  
Feel free to email any general comments and suggestions for improvements to the Guide to:

[frederic.ernst@treasury.govt.nz](mailto:frederic.ernst@treasury.govt.nz)



## 1. Introduction

The guide is the primary source of advice for departments and ministerial offices about the Budget process. It contains essential information about key dates, responsibilities and requirements. It also provides links and references to more detailed technical guidelines, Cabinet Office and Treasury Circulars, and relevant information on the Treasury's website.

The Circular released with the guidance outlines the points that either ministers or Treasury would like to emphasise to officials as they develop the Budget, and highlights any significant changes from previous years. The Circular is available on CFISnet.

## 2. The 2009 Budget Process

The Government's priorities for Budget 2009 are:

- meeting election campaign commitments;
- working with Chief Executives to identify an initial round of savings; and
- reversing unfunded commitments of the previous government.

Budget 2009 is divided into two parts:

1. Policy priorities announced during the election campaign
2. Line-by-line reviews and emergency pressures.

The Minister of Finance expects the \$1.75 billion operating allocation to be reserved for policy priorities announced during the election campaign. Any other spending is to be met from reprioritisation of existing baselines across Government.

### Policy priorities announced during the election campaign:

The Minister of Finance has written to all Ministers inviting them to submit initiatives in line with the policy priorities that the Government wishes to advance in Budget 2009.

In particular, bids should be developed for any costs associated with initiatives within the Government's 100-day agenda, which cannot be met from baseline funding. Submissions should be strictly limited to those policies announced during the election campaign.

The Prime Minister has also written to Ministers asking them to inform him of their work programme for the forthcoming year – initiatives submitted for consideration in the 2009 Budget should be in line with that work programme.

Policy priority submissions are due with the Minister of Finance at 1pm on 5 February 2009.

### Line-by-line reviews and emergency pressures:

#### *Line-by-line reviews*

The Minister of Finance has written to all Ministers asking them to instruct Chief Executives to undertake a line-by-line review of the expenditure in the Votes which they administer.

The reviews will require Chief Executives to make their best judgement on the efficiency, effectiveness and alignment with the Government's priorities of the expenditure in the Votes they administer. Through the reviews chief executives are expected to identify:

- savings that can be freed up for Budget 2009;
- programmes that are inconsistent with the Government's priorities and should be discontinued;
- programmes that may be inconsistent with the Government's priorities and should be looked into;
- programmes and expenditure that are not efficient or effective; and



- areas where performance information is insufficient to make a judgement about efficiency and effectiveness, and actions agencies should take to make improvements by the next review period.

2 copies of the line by line review submissions are due with the Minister of Finance at 1pm on Thursday 5 February 2009, with 2 copies to be provided to the Chair of the Officials Committee to the Expenditure Control Committee (the Secretary to the Treasury).

#### *Emergency Pressures*

In rare cases, bids to fund emergency pressures may be submitted by Ministers.

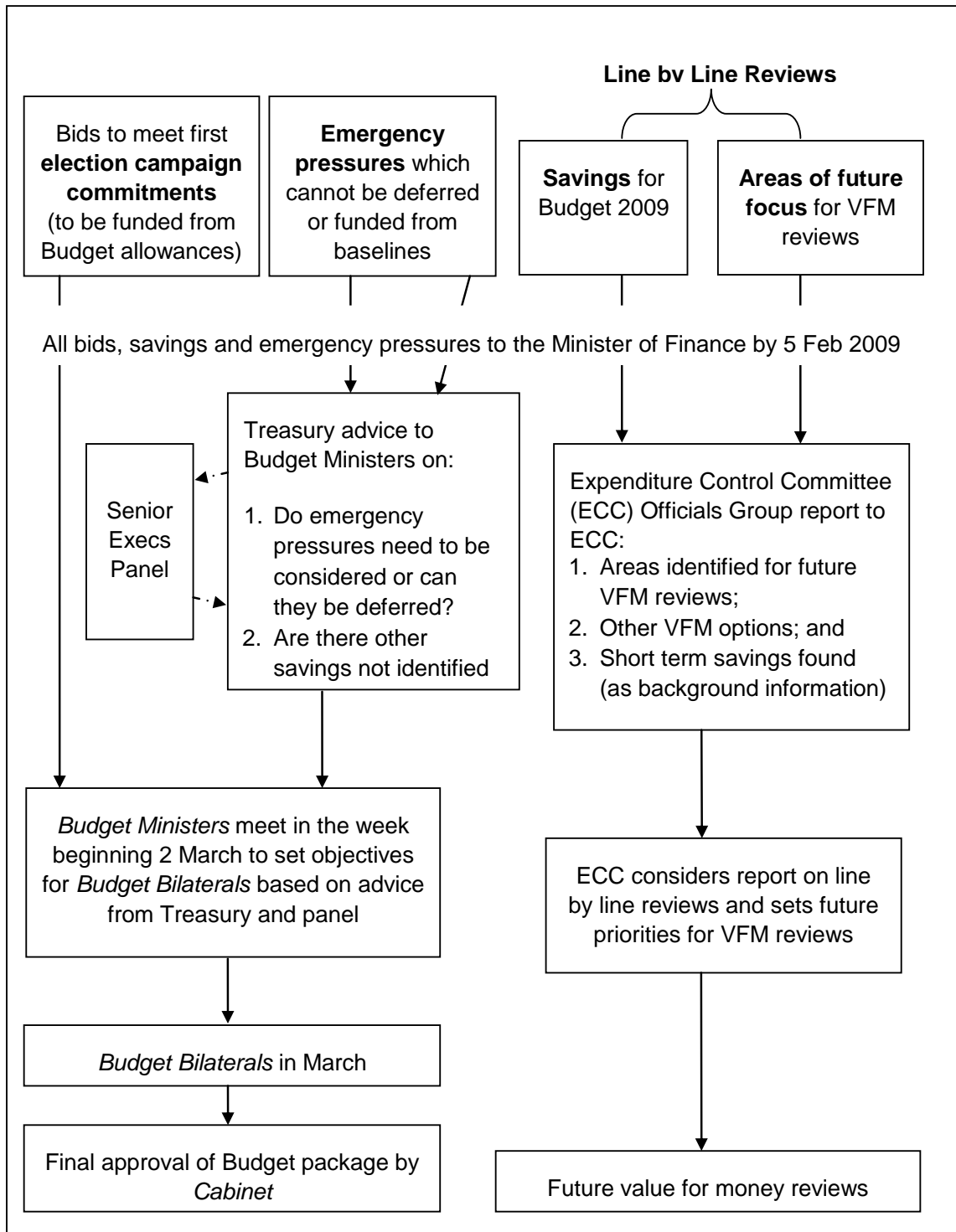
Bids to fund emergency pressures should only be submitted for consideration where there is no other funding or delivery option available and where the decision to cease delivery would directly result in an unacceptable service failure to the public.

It is expected that each Minister will submit no more than one emergency pressures bid for each department they administer. Any submissions should represent the sum of all costs that cannot be met from within the votes administered by the department after having made all possible reprioritisation decisions.

Emergency pressures submissions are due with the Minister of Finance at 1pm on 5 February 2009.

The process for Budget 2009 is outlined in a diagram on the next page. A timeline is attached at Annex 1.

## Budget process diagram



## Senior executives panel

The Minister of Finance has asked the Secretary to the Treasury to convene a panel of senior executives to inform its advice to Ministers on the savings and emergency pressures submissions. As shown on the budget process diagram, this panel will inform and test the Treasury's advice to Ministers on savings and emergency pressures submissions.

As with all Budget decisions, final decision making rights rest with Ministers.

## Initiative development and submission

Ministers are required to submit all their initiatives in hard copy (using the Word-based template) to the office of the Minister of Finance by **1 p.m. Thursday 5 February 2009**.

Departments will need to provide summary information about initiatives directly into CFISnet, so that it can be reported in a more manageable form to Ministers. Treasury has prepared separate guidance on this. This has been uploaded to CFISnet, so that you can forward it to your policy teams. A spreadsheet version of the CFISnet initiative template has also been uploaded so that departmental policy analysts can provide their finance teams with the necessary information to load into CFISnet.

Additionally, departments will still be required to complete the Word-based Budget initiative template, as they have done in previous years. The Word-based template should have the same information as the CFISnet template, plus additional supporting information. Both templates should be able to be used as stand-alone documents and are attached at Annex 2.

### *Performance Information*

In order for Ministers to prioritise between initiatives, they need sufficient information about each initiative, its objectives, performance measures, costs and risks. Treasury can recommend that an initiative be supported only if it has good information about the initiative, therefore it is essential for departments to provide enough meaningful information for Ministers to make a funding decision on each initiative.

Departments are required to complete all parts of both templates, bearing in mind that the amount of information provided should be appropriate to the size, significance and risks of the proposal. The templates are information tools, and departments are encouraged to provide additional information in the Word document. Treasury, Ministers and their office staff may also seek further information should they consider this necessary.

Performance information specification is a **requirement** for all new initiatives, and as such, departments should clearly describe what the intended or likely impacts of new initiatives will be, in terms of measurable indicators of intermediate outcomes or likely impacts. In other words, the new initiative should have an ex-post focus on what the Government will be delivered and/or achieved with the funding.

### *Keeping Information up-to-date*

Throughout the initiative phase, bids are discussed by Ministers and can be agreed, scaled, declined or deferred. In past years, we have required departments to alter their submissions to replicate the most up-to-date decision by Ministers. Until a final decision is made by Ministers, it will be critical for departments to keep the funding sought in the CFISnet template up-to date. Ultimately, departments will need to ensure the output and performance information is updated to reflect the final decisions.

## Requirements for specific types of proposal

### *Capital initiatives*

Capital initiatives are often complex, and carry risk that the Crown's investment will not result in the identified benefits, savings or returns. All capital initiatives require a business case.

In addition, two-stage business cases are required for all capital investment proposals with an expected *whole-of-life* cost of \$25 million or more which:

require Cabinet approval, or

are assessed as high risk by the responsible Minister, based on the Gateway risk profiling methodology.

More information on two stage business cases is contained in CAB Min (07) 44/11. Initiatives including stage two business cases should only be submitted where Cabinet has previously approved a stage one business case.

Treasury has prepared a [Cost-Benefit Analysis Primer](#)<sup>1</sup> that can assist departments for developing their business cases. The primer can be found on Treasury's website.

### *IT Initiatives*

In addition to the requirements for capital initiatives noted above, all initiatives for major information technology (IT) projects have additional monitoring requirements given their high levels of risk in terms of failure to achieve identified benefits.

More information on the criteria for major IT projects and the ongoing management and monitoring arrangements for these projects is contained in [Cabinet Office Circular CO\(01\)4](#)<sup>2</sup>.

### *Cross-Vote initiatives*

Where a proposed initiative has costs that fall in several Votes it should be submitted as one initiative to the Minister of Finance by the 'lead' Minister, in consultation and agreement with the other relevant Ministers. This submission should detail the full costs of the proposal. However, in CFISnet each department needs to load their own funding component. In doing this, please ensure a consistent title is used.

It is up to the Ministers and departmental officials to determine who the most appropriate 'lead' Minister is. The initiative then 'belongs' to the lead Minister, who is responsible for advancing the proposal through the Budget decision-making process. The lead Minister's officials are responsible for co-ordinating and liaising with other affected agencies.

The lead department is responsible for ensuring the other agencies have been fully consulted on the initiative, and have enough information to complete their responsibilities as outlined below.

The following table summarises the responsibilities of the lead and other departments involved in preparing a cross-Vote initiative:

---

<sup>1</sup> <http://www.treasury.govt.nz/publications/guidance/costbenefitanalysis/>

<sup>2</sup> <http://www.dpmc.govt.nz/cabinet/circulars/co01/4.html>

Product/Process	Lead department	Other agencies
Written submission to Minister of Finance	Yes – must also attach this to their entry in CFISnet	No
Initiative entry in CFISnet	Yes - for the costs in their Vote(s),	Yes - for the costs in their Vote(s)
Bilateral with Minister of Finance	Yes - the lead department's Vote Minister is responsible for discussing the initiative with the Minister of Finance	No - although their Vote Minister(s) may attend the bilateral, if the lead Vote Minister and Minister of Finance agree.
Financial recommendations	Yes - for their Vote(s) and ensuring entries have been made in other votes	Yes - for their Vote(s)

The Word-based Budget initiative proposal should specify the total fiscal implications for **all** Votes affected by the initiative, and

Only the lead department needs to upload the initiative Word document in CFISnet. However, financial information should be entered separately into CFISnet for each Vote affected. Use the co-votes field in the Word document to note that the initiative is part of a cross-Vote initiative, and specify the lead department.

## Annex 1 – Timeline

Key Task	Period	Additional Information
Minister of Finance releases Budget Policy Statement	<b>18 December</b>	
Departments and Portfolio Ministers develop new initiatives	December - January	Engagement with Treasury at this stage may be useful.
Departments discuss draft Budget initiative proposals with Treasury Vote Teams	December - January	Focus is on overall package of proposals from Dept and resolving any issues/ concerns relating to specific initiatives.
Departments complete Budget initiative templates for each new initiative proposal.	January	There are two initiative templates: CFISnet based and Word based. The CFISnet template is a summary of the initiatives for submission to Portfolio Ministers and the Word-based template is a basis for discussions between departments and Treasury Vote teams.
Departments complete line by line reviews	January	Identifying savings for Budget 2009, programmes inconsistent with government priorities, and expenditure that is not efficient or effective.
December Actuals due	<b>5 pm. 16 January</b>	
Line by line review submissions due with the Minister of Finance, and the Chair of the Officials Group of the Expenditure Control Committee	<b>by 1pm 5 February</b>	2 copies to the Minister of Finance, 2 copies to the Chair of the Officials Group of the Expenditure Control Committee (the Secretary to the Treasury)
Portfolio Ministers submit Budget initiative proposals to Minister of Finance.	<b>by 1 pm. 5 February</b>	Portfolio Ministers submit <u>two hard copies</u> of Budget initiative proposals – policy priorities and any emergency pressures to the Minister of Finance.
Departments upload initiative information	<b>by 5 February</b>	Enter summary information in to the CFISnet 'Initiatives' module, and Upload an electronic copy of each Word-based Budget proposal to CFISnet.
January Actuals due	<b>5 pm. 11 February</b>	
Treasury advice to Ministers on emergency pressures and savings – informed by advice from senior executives panel	before 2 March	This information will feed into bilaterals.

Key Task	Period	Additional Information
Bilateral meetings	Mid to late March	Bilaterals will be held between Minister of Finance and relevant Portfolio Ministers.  Budget Bilateral Briefing guidance will be released in <i>Budget Process Technical Guide Part 2: Final Decisions and Budget Documentation</i>
February Actuals due	<b>5 pm. 10 March</b>	
Sector Overview signatures for Estimates due	<b>By 12 March</b>	
Budget Ministers meet to finalise Budget package following bilaterals	Late March	Budget Ministers will meet to consider a balanced package and any trade-offs at the margin.
Departments update baselines in CFISnet	Late March	Once the Budget initiatives have been agreed through the bilateral or Budget Minister's meeting, the information needs to be included in the department's baselines in CFISnet to allow the Budget documents (e.g., Estimates) to be prepared. Departments submit a DataLoad and update Vote Changes – either manually or automatically via the Financial Recommendations module.
Cabinet agreement to Budget initiatives package	April	See the section on Budget Package Cabinet Paper in the <i>Budget Process Overview</i>

## ANNEX 2 – Initiative Templates

### Excel template

Initiative Template							
Vote:							
Title:							
Description:							
Purpose: this initiative could <b>best</b> be described as:							
Initiative Type:							
Priority Area:							
Minister:							
Ranking:							
Funding Sought			2008/09	2009/10	2010/2011	2011/12	2012/13
	Operating	Gross Saving/Offsetting Revenue Net					
			0	0	0	0	0
	Capital	Gross Saving/Offsetting Revenue Net					
			0	0	0	0	0
Performance Specifications							
EITHER Option 1 - where performance/outputs can be expressed in a table							
		Unit of Measurement	Performance Specification				
			2008/09	2009/10	2010/2011	2011/12	2012/13
	<b>Quantity</b>						
	<b>Quality</b>						
	<b>Timeliness</b>						
OR Option 2 - where performance/outputs are best expressed as text							
Problem definition (provide evidence)							
How do we know this initiative will deliver the outcomes? (intervention logic)							
Evaluation of Initiative's contribution to Outcome (should be more of an ex-post evaluation rather than ex-ante intervention logic)							
How could the initiative be scaled?							



### Word template

[This Word-based Budget initiative template should be a stand-alone document, containing all the information from the CFISnet template plus further details where necessary. No character limits apply for the Word template.

The last three fields for supporting information are mandatory:

Financial impacts beyond 2012/13

Detailed costing information

Funding options (eg, third party revenue)].

### Vote:

**Co-Votes:** [If this is a cross-Vote initiative, include all other Votes involved]

**Title:** [Same as CFISnet initiative template]

**Brief Description:** [Same as CFISnet initiative template - elaborate on the description in a second paragraph if necessary]

**This initiative could best be described as:** [Same as CFISnet initiative template]

**Initiative Type:** [Same as CFISnet initiative template]

**Priority Area:** [Same as CFISnet initiative template]

**Initiative Ranking:** [Same as CFISnet initiative template plus an explanation if initiative is ranked wider than by Vote]

### Funding sought (\$ thousands)

\$000*	2008/09	2009/10	2010/11	2011/12	2012/13 and outyears
<b>Gross operating impact**</b>	A				
<b>Offsetting savings/revenue**</b>	B				
<b>Net operating impact</b> (GST excl)	C				
<b>Gross capital impact**</b>	D				
<b>Offsetting capital saving**</b>	E				
<b>Net capital impact</b>	F				

The figures in the table above should reconcile as follows:

$$A - B = C$$

$$D - E = F$$

\* note that although normal financial recommendations express funding in millions, this template expresses funding in thousands. This is because CFISnet deals with thousands to enable Treasury to generate the Appropriation Bills for Parliament.

\*\* delete these rows if not required

**Performance Specification (Option 1): Where performance/outputs can be expressed in a table**

[Same as CFISnet initiative template plus any additional information if necessary]

**Performance Specification (Option 2): Where outputs/performance are best expressed as text**

[Same as CFISnet initiative template plus any additional information if necessary]

**Problem Definition (Provide Evidence)**

[Same as CFISnet initiative template plus any additional information if necessary]

**How do we know this initiative will deliver the outcomes? (Intervention logic)**

[Same as CFISnet initiative template plus any additional information if necessary]

**Evaluation of Initiative's contribution to Outcome (departments should think of this as more of an ex-post evaluation rather than ex-ante intervention logic)**

[Same as CFISnet initiative template plus any additional information if necessary]

**How could the initiative be scaled?**

[Same as CFISnet initiative template plus any additional information if necessary]

**Impacts Beyond 2011/12**

[Note any changes in funding beyond 2011/12, eg, if funding ends in 2011/2012 or increases/decreases in relation to 2011/12]

**Detailed Costings**

[Provide a detailed break-down of costing information, including any assumptions used]

**Funding Options**

[Include options for funding:

- Savings – include details/trade-offs and level of certainty (ie, what is lowest priority programme in baseline that would drop off to fund this)
- 3rd party sources (including user pays options)
- Crown]

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BM-2-2-2010

13 November 2009

Treasury Circular 2009/17

Unrestricted Distribution

Chief Executives  
Directors of Finance/Chief Accountants  
Senior Private Secretaries  
Policy Managers  
Planning Managers

Contact for Enquiries: Departmental Treasury Vote Analysts or Vote Managers  
Ministerial Offices: Economic Advisors - Office of the  
Minister of Finance

**BUDGET 2010: RELEASE OF PROCESS AND TECHNICAL GUIDE FOR DEPARTMENTS**

1. This circular sets out:
  - **The key features for Budget 2010:** This includes an outline of the forthcoming detailed examination of baselines phase for social sector Votes and the Baseline Alignment Proposals (BAP) in Budget 2010.
  - **Other information related to the 2010 Budget and beyond:** This Circular also outlines fiscal forecasting advice, future guidance and a timetable with key dates for the remainder of 2009.
2. This circular is available on CFISnet and we ask CFISnet users to please ensure it is appropriately distributed and handled within your department.
3. Unlike in previous Budgets, the guidance for Budget 2010 is released in two parts:
  - *Budget Overview* provides background information for departments and Vote teams, including a brief description of the product and its purpose, and the respective roles of the participants. The Overview provides useful contextual information, particularly for Ministers, Senior Officials and people new to the process.

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- *Budget 2010: Process and Technical Guide for Departments* starts with the Overview and has links to detailed advice about what is required of departments and Vote Teams through the detailed examination of baselines phase of the Budget process, as well as the BAP stage. Information is given about timeframes and deadlines, and how to go about undertaking the tasks required. CFISnet technical information is highlighted in boxes. A new feature is outlining where certain tasks are mandatory or statutory. Please note that the Estimates guidance has already been released to departments.

4. This guidance is available on CFISnet as attachments to this Circular and the Treasury Website at <http://www.treasury.govt.nz/publications/guidance/budget/process>. This guidance is a live document, and will be updated electronically if there are any changes to the process or timing. Treasury will notify you via CFISnet if and when changes occur.

### KEY FEATURES OF THE 2010 BUDGET

#### Budget process

5. The fiscal position continues to be difficult, so it is expected that departments should look at their baselines as the first source of funding for any new priorities being agreed by their Minister(s), or if increased spending on existing programmes is proposed.

6. Budget 2010 will be significantly different from last year's process, as there is no new initiatives phase.

7. The Minister of Finance wrote to Vote Ministers on 9 November 2009<sup>1</sup> outlining the Budget 2010 process. The key features are:

- Most Votes will not receive any *new* additional operating allocation over and above existing baselines;
- The social sector Votes (Education, Health and Justice sector<sup>2</sup>) will have to carry out a detailed examination of their baselines<sup>3</sup> and submit this to the Minister of Finance by **21 December 2009**. The document also needs to be uploaded to CFISnet to "Document Sharing" under the Process "Initiatives" by the same deadline;
- Social sector Ministers or any other Vote Minister<sup>4</sup> who considers that they cannot meet their priorities and/or pressures within existing baselines are

---

<sup>1</sup> This letter was circulated to the relevant Chief Executive.

<sup>2</sup> Justice Votes: Attorney-General, Courts, Corrections, Justice, Police and Serious Fraud

<sup>3</sup> The terms of reference for the social sector Ministers were attached to the respective Vote Minister's letter.

<sup>4</sup> The terms of reference for all other Ministers were attached to the respective Vote Minister's letter.

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invited to submit the detailed examination of baselines to the Minister of Finance by **30 November 2009**. The document also needs to be uploaded to CFISnet to “Document Sharing” under the Process “Initiatives” by the same deadline;

- All Vote Ministers are to submit a BAP to the Minister of Finance by **8 March 2010**; and
- Cabinet will consider all submitted proposals and agree any changes to baselines before Christmas.

8. As in Budget 2009, a panel of Senior Executives has been convened to provide input to the Treasury to inform their advice to Budget Ministers.

9. Budget Ministers will meet over the course of January to April to consider all Vote Minister submissions in order to agree the final Budget package that will be submitted for Cabinet consideration in mid-April.

### Baseline Alignment Proposal

10. A BAP needs to be submitted by **all** Vote Ministers, even those that have requested additional funding through the detailed examination of baselines.

11. The purpose of the BAP **is not** to seek new funding, but to identify what the Vote Minister’s priorities are, how they align with the Government’s priorities and how the Vote Minister will use *existing* baseline funding (and in very few cases new operating allocation) to fund these priorities. As such, the BAP is divided into three sections:

- Alignment to Government Priorities: an explanation of what the Vote Minister intends to achieve in their Vote over 2010/11 and the next few years;
- Reprioritisation: a detailed explanation of what has to change in the Vote to achieve the priorities stated in the previous section, within the total operating funding available to the Vote; and
- Summary of Financial Movement: this section shows all the changes to appropriations necessary to deliver on the reprioritisation outlined in section 2.

12. More detailed information on how to fill in this proposal appears in the Budget guidance. The template is attached to the guidance and is also available on CFISnet. A hard-copy of the BAP has to be submitted to the Minister of Finance by **1 pm on Monday 8 March 2010**, and an electronic version has to be uploaded to CFISnet to Document Sharing under the Process “Initiatives” by the same deadline.

13. A separate initiative is to be entered into the “Initiatives” module of CFISnet for **each** change to baselines required to give effect to the reprioritisation of baselines proposed in the BAP. The initiatives are to be entered at a level of aggregation

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sufficient to provide Ministers with visibility over proposed changes. The initiatives have to be entered into CFISnet by **1 pm on Monday 8 March 2010**.

### Capital

14. Capital expenditure will be dealt with in a similar manner to Budget 2009. Ministers who are seeking additional capital through the Budget should submit a new initiative bid to the Minister of Finance by **1 pm 5 February 2010**. The emphasis will be on capital bids that aim to improve the national infrastructure to drive productivity growth. The capital allocation is \$1.45 billion, which is already under significant pressure. As such, Cabinet expects Vote Ministers to find innovative ways to manage their balance sheets and deliver services.

### Fiscal Forecasts

15. Five-year fiscal forecasts, supplied along with the Estimates and baseline updates, are a crucial part of the Budget and fiscal management cycle. Consolidated forecasts inform Ministers about the affordability of the Budget package at the whole of Crown level.

16. Given the importance of the fiscal forecasts to inform decisions, particularly in the current economic environment, it is very important that your forecast process is robust and it produces supportable and credible five-year forecasts. Your management review and quality assurances of the forecasts are a vital part of the process and Chief Executives are required to sign-off on the forecasts in their Statement of Representations.

17. Treasury will be providing Departments with feedback on their forecasting performance at the end of each financial year.

### Further Guidance

18. Treasury will issue further guidance throughout the Budget process. Future guidance to be aware of is:

- *March Baseline Update* (released February); and
- *Guidance on Unappropriated Expenditure* (released April/May).

### Timetable

19. An indicative timetable is attached in this circular. The dates outlined in this timetable mainly correspond to the detailed examination of baselines and the BAP. Treasury will send out a more detailed timetable that will include essential information for departments (e.g. coredata changes, MBU dates, Estimates dates, etc.) in the New Year. Treasury will advise departments when this is released.

Chris Bunny  
for Secretary to the Treasury

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**ANNEX 1 - TIMETABLE**

This timeline will be updated early in 2010 with exact dates once the Budget date has been agreed and all the due dates have been finalised. Dates that will be updated are given an indicative month in italics.

<b>Task</b>	<b>Date</b>
Advise Treasury Vote Team of changes to Fiscal Risks	14 October 2009
Statement of Representation due	19 October 2009
Changes to wording and numbers of contingent liabilities due	20 October 2009
Detailed Examination of Votes (where additional funding requested) due to Minister of Finance's office and in CFISnet	1pm 30 November 2009
Detailed Examination of Key Social Sector Votes	21 December 2009
Capital Initiative Proposals due	1pm 5 February 2010
Discuss approach for reviewing Estimates with Treasury Vote team	<i>February</i>
Last date for coredata changes to be submitted to CFISnet for MBU	<i>February</i>
Notify Treasury of coredata requests for Estimates	<i>February</i>
Initiatives from Baseline Alignment Proposal due in CFISnet	1 pm 8 March 2010
Technical MBU changes entered into CFISnet and locked	<i>March</i>
2 hard copies of MBU submissions due to the Minister of Finance	<i>March</i>
Submit preliminary fiscal forecasts to Treasury via CFISnet	<i>March</i>
Departments with appropriations affected by Sections 21 or 32A of the PFA submit information to Treasury	<i>Early April</i>
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Advise Treasury Vote Team of changes to Fiscal Risks	<i>April</i>
Statement of Representation due	<i>April</i>
Printed Statement of Intent required at Treasury's printer	<i>May (before Budget day)</i>

**Vote [name(s)]**

## Baseline Alignment Proposal

Version [1]

[Date]

Submitted by:

**[Vote Minister's name]**



## Section 1: Alignment to Government Priorities

Use this section to set out what the Minister intends to achieve in his or her Vote over 2010/11 and the next two financial years.

Please keep the discussion at a high level (1-2 pages of plain English). The intention of this section is to ensure that the Minister's colleagues can understand and test the priorities of the Minister and why those priorities have been chosen.

The information in this section will be used to assess the merit of the proposed reprioritisation in section 2.

Please discuss:

1. What the Minister intends to achieve
2. How the Minister's intentions fit with:
  - a. the strategic direction of the government as agreed at Premier House; and
  - b. The Minister's priorities as set out in the exchange of letters with the Prime Minister
3. What are the critical things that have to happen to achieve what the Minister intends? This explains the logic of *how* the Minister intends to achieve their priorities
4. What risks (fiscal and policy) are associated with the Minister's intentions? Could the services/outputs be increased or decreased if needed?
5. What has to wait? I.e., something that is a priority but that is being deferred until Budget 2011 or later
6. What is the Minister choosing *not* to do? Because this section sets out what the Minister is actively choosing to do, it may be useful to set out which current priorities or other opportunities are *not* part of the Minister's intentions (e.g. because they are lower priority or not aligned with government priorities)

## **Section 2: Reprioritisation**

Use this section to set out in detail (3-6 pages) what has to change in the Vote to achieve the priorities in section 1, within the total operating funding (baseline plus share of operating allowance) available to the Vote.

### **What would be new or different?**

Please include 1-2 paragraphs for each new, different or increased activity that the Minister is proposing within the Vote.

For each new or different activity, please discuss:

1. What exactly is new or different compared to what is currently being delivered?
2. The contribution of the activity to what the Minister intends to achieve (i.e. as set out in section 1)
3. Summary of information supporting the proposed changes (see next paragraph)

For the information referred to in point 3 (above), the analysis that supports a proposed change in activity should be appropriate to the significance of the proposal. This analysis does *not* need to be included in full in this template. Analysis supporting a proposed change should cover the basic questions of intervention logic; options analysis; and how the new activity will be implemented and evaluated. In some cases, a full business case will be appropriate.

### **What would stop or decrease?**

Please include 1-2 paragraphs for each activity that the Minister is proposing to cease or *decrease* within the Vote.

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1. The reason why the activity is of lower value or not aligned with priorities (i.e. why it does not align with the priorities in section 1)
2. What are the effects of stopping or decreasing the activity? Are there risks and if so, do they need to be mitigated?

### **Section 3: Summary of Financial Movements**

This section details the changes to appropriations (including new appropriations) which are required to deliver the reprioritisation set out in section 2.

The changes to appropriations resulting from reprioritisation should not have an overall *net* fiscal cost. This is because the purpose of this template is to propose how the Minister's baselines will be used. This template is *not* used to bid for a change in the size of the baseline overall.

Departments should generate this report from CFISnet. See the [Budget 2010 Process and Technical Guide for Departments: Including Overview](#) document.

Budget 2010  
Process Overview  
(CFISnet Version)

November 2009



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Kaitohutohu Kaupapa Rawa

New Zealand Government

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BUDGET SENSITIVE – CFISNET VERSION

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## BUDGET SENSITIVE – CFISNET VERSION

# What's New?

Since budget 2008 we have redesigned the budget guidance so that all guidance needed for the budget process is published in one document or linked from the document.

The budget process itself has also changed significantly. There will be no initiatives phase for operating funding in budget 2010; instead there will be a baseline alignment phase. There will be an initiatives phase for capital funding, which include new requirements for business cases and bids for funding that will be sought in either budget 2010 or 2011.

The baseline alignment phase is focused on a baseline alignment proposal document that will be submitted for each vote, which outlines the degree to which activities in the vote are aligned with government priorities and, where they do not align, how they will be realigned.

# About this Guidance

This guidance was written in two main parts. Part one is the high level overview section, which outlines the roles and responsibilities of the key players and gives an overview of the entire budget process. It is aimed at Minister's, their offices and departmental officials of all levels who want to understand the budget process as a whole and how the components of it fit together.

Part two is an accompanying technical and process guide that sets out the detail of each stage of the budget that is aimed at people who are responsible for the day-to-day operational aspects of the budget process. This document is only part one, for detailed guidance see Budget 2010 Process and Technical Guide for Departments.

The requirements and guidance outlined in this document apply until this document is updated or replaced. This document is scheduled for review in 2010 for the 2011 budget process.

This document was written by the Fiscal Management team in Treasury.

# Questions and Feedback

You should use this document as your first point of call for guidance on the budget process for Budget 2010.

General enquiries about the information contained in this guidance, not addressed in this guidance, can be directed to your Treasury Vote Team.

Any comments as to how we could improve this guidance can be directed to [guidance@treasury.govt.nz](mailto:guidance@treasury.govt.nz).



# Roles and Responsibilities

## Underlying Principles for Relationships between Key Players

A successful Budget is characterised by effective relationships and communications between the key players. Below are some important elements to achieve this:

- working through different perspectives
- a ‘no surprises’ approach to the provision of advice, and
- the provision of ‘free and frank’ advice to Ministers by officials.

## Minister of Finance

The Minister of Finance’s role is to:

- develop and reach agreement on the Government’s fiscal targets and the resulting Budget Strategy
- manage competing priorities to ensure that the Budget package meets the Government’s fiscal and wider policy goals agreed by Cabinet, and
- help ensure the value for money of government expenditure.

## Ministers

Ministers play a key role in the Budget process. On an individual level, with assistance from their Chief Executives, they identify priorities for their departments to deliver on. From a collective perspective (ie, through Cabinet), they agree on the Budget Strategy and the priorities the Government will achieve.

## Departments

Departments provide advice to Ministers on:

- the key outcomes that the Minister might want the department to pursue over the medium-term and their relative priority (consistent with the Budget Policy Statement)
- whether the existing outputs will be the most efficient and effective ones to achieve those outcomes and what alternatives could be considered
- whether the departments in the Vote have the right capability to deliver the outputs, and
- the main risks and how to manage these.

## Treasury

Treasury plays a number of different roles through the Budget process.

## BUDGET SENSITIVE – CFISNET VERSION

### Vote teams

Vote teams play two main roles:

- an “assist” role, where they work alongside departments in the strategic phase of the Budget, and in updating baseline information. Vote teams provide the link between departments, other Treasury teams and the Minister of Finance. Vote teams are a department’s first point of contact at any stage in the process. Vote teams may also provide an assist role for Ministers as well (see baseline alignment section), and
- an “assess” role, where they provide advice to the Minister of Finance on a range of topics, such as the department’s objectives and priorities in the Budget process, advice to the Senior Executives Group, and advice to Budget Ministers on departmental submissions, among others.

### Rest of Treasury

Treasury also plays a number of other roles, including co-ordinating the budget process, providing fiscal forecasts and publishing the Crown accounts.

### Senior Executives Group

As in Budget 2009, the Senior Executives Group (SEG) will be used to inform and test Treasury’s advice to Ministers on the allocation of shares to departments and the alignment of baselines work carried out by Ministers and their respective Chief Executives.

The main roles of the SEG will be to:

- Help to bring a consistent view to the Chief Executives about the Budget and the Government’s objectives.
- Support CEs in the process of realigning baselines.
- Assist Treasury in providing advice to Budget Ministers.

## Budget Process

There are four main phases in Budget 2010 process:

- Strategic Phase
- Baseline Alignment Phase
- Budget Decisions Phase
- Production Phase.

Ministers will need to engage with officials in their departments during each of these phases.

BUDGET SENSITIVE – CFISNET VERSION

## Strategic Phase (October – December)

In the Strategic phase, Ministers and their departments will discuss priorities as agreed with the Prime Minister and how they will be delivered. These conversations provide the basis for the department to draft the Statement of Intent for the next 3-5 years and should align with the Baseline Alignment Proposal due in March (see below).

### Allocation of the Operating Allowance (NEW process)

This year, given the constraint on the fiscal position, the operating allowance is being allocated as part of the Strategic Phase. This is different to past years when the operating allowance has been allocated on the basis of individual bids in the New Year.

The operating allowance for Budget 2010 is \$1.1 billion per annum for the forecast period.

It is important to note that funding from the between Budget contingency is only available for proposals that *“cannot be funded through reprioritisation of lower value activities and cannot be deferred until the next Budget”*<sup>1</sup>.

The final amount to be allocated to Votes will be set in December 2009 and will be informed by information provided by 30 November.

### Detailed Examination of Votes Health, Education, Social Development and the Justice Sector

A detailed examination of the priorities, pressures and existing expenditure is to be undertaken by Ministers and the departments of Votes Health, Education, Social Development and the Justice Votes (Votes Attorney-General, Corrections, Courts, Justice, Police and Serious Fraud). This examination aims to assist in aligning baselines to Government priorities and, where appropriate, identify where additional resource should be directed.

The reviews will need to:

1. detail how all increases to the Vote since 2005 have been applied and what value has been obtained from that additional expenditure
2. demonstrate that they have reviewed all areas of expenditure within the Vote and identified any that are not consistent with the Government's priorities
3. if relevant, demonstrate that they are unable to handle the pressures facing the Vote from within the funding available to the Vote
4. demonstrate that they have reviewed the number of policy advisors in, and cost of policy advice provided by, their department(s) and whether some reduction in that number or cost can be made, and
5. demonstrate that any fiscal savings expected as a result of the department implementing its performance improvement actions have been taken into account.

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<sup>1</sup> Cabinet Office Circular (09) 6, paragraph 12

## BUDGET SENSITIVE – CFISNET VERSION

The reviews of these four areas are to be submitted to Budget Ministers **by 21 December 2009**, unless the Vote Minister determines that additional funding over and above the indicative allocation is required, in which case the reviews are to be completed **by 30 November 2009**. Any additional funding allocated to Votes during this process would reduce the funding available to other Votes.

### Optional Detailed Examination for other Votes seeking Additional Funding

Ministers who consider that they are unable to deliver priorities and cater for cost pressures from within the indicative share and baseline will have an opportunity to feed back into the allocation process. Ministers in this position are invited to submit to the Minister of Finance a request for additional resources, accompanied by a detailed examination of their Vote, consistent with that proposed for Votes Health, Education, Social Development and Justice Votes, by 1 p.m. on Monday **30 November 2009**.

## Baseline Alignment Phase (January – March)

The baseline alignment phase replaces the old initiatives phase and includes a number of substantial changes from past years.

The process for **operating** funding no longer includes any bids for additional funding. Instead, Ministers are invited to set out what they intend to achieve in their Vote and the reprioritisation (including any transfers between Votes) required to achieve this.

Bids are still sought for capital proposals which require additional funding in Budget 2010. However, the Minister of Finance is also requesting information on a broader range of capital proposals – including those which can be funded from baselines and those which will not have a business case ready until Budget 2011.

### Process for Allocating the Operating Allowance (NEW process)

The baseline alignment phase will be the main decision-making stage of the Budget process. The purpose of the baseline alignment phase is *not* to change the size of the Vote but to show how Vote Ministers and Chief Executives intend to realign their baselines to meet the Government's priorities.

## Baseline Alignment Proposal

The Baseline Alignment proposal has three sections:

- **What** the Minister intends to achieve in his/her Vote and how these intentions fit with government priorities.
- **How** the Minister proposes to make changes within the Vote in order to deliver his/her intentions; what will begin, change and stop.
- **Financial summary** of changes to appropriations or net asset schedules.

The purpose of the Baseline Alignment Proposal, therefore, is to show how the Minister proposes to use a given baseline.

A submission should be completed for each Vote, except where a single Minister has closely related Votes, in which case the submission may be completed covering all the closely related Votes belonging to that Minister. In these cases, a separate Financial Summary should still be prepared for each Vote.

If Ministers are working together in a group, they should still prepare separate submissions, but section 1 of each submission should reflect the coordinated strategy.

Ministers should submit their completed Baseline Alignment Proposal submissions to the Minister of Finance by **1 pm on Monday 8 March 2010**. The template is included in this document and is also available on CFISnet.

### Treatment of Savings

Vote Ministers can retain savings found within their Votes through the baseline alignment phase; unless they were generated by reducing or stopping a major programme or they are large windfall savings (such as from reduced volume or demand).

## Treasury/SSC Support

Ministers may request that the Treasury and the State Services Commission provide supplementary assistance if required. Treasury Vote teams would be able to help Ministers identify areas of expenditure that do not align with government priorities or they could test some of the advice being prepared by departments to ensure they are on the right track. Additionally, the SEG, which performed a useful role in Budget 2009 will be available to assist Chief Executives.

## Process for Capital Proposals (EXPANDED process)

### Bids process for capital initiatives (NO CHANGE from past years)

Capital proposals which seek additional funding from the Budget 2010 capital allowance should be entered as initiatives. These initiatives should be supported by a business case commensurate with the significance of the proposal. Second opinion advice from Central Agencies will give a heavy weighting to the cost-benefit analysis contained in the supporting business case.

## BUDGET SENSITIVE – CFISNET VERSION

**Other proposals are also requested to inform the capital process (NEW process)**

The Minister of Finance requests that all stage 1 or 2 business cases which require a decision in Budget 2010 be submitted as initiatives, including those *which can be funded within baselines*. Projects that have an upcoming decision prior to Budget 2010 should be deferred and included as a Budget 2010 decision. This will allow Cabinet to consider a wider range of capital proposals.

In addition, the Minister of Finance is seeking information on *all* proposals which require a decision in Budget 2011 (or between Budgets 2010 and 2011). This includes proposals which can be funded within baselines and stage 1 business cases. These proposals should be submitted as initiatives **for information only**. A business case does not need to be submitted for these proposals (as one will not yet have been completed), and funding decisions will **not** be made on these proposals.

Capital proposals should be submitted by Vote Ministers to the Minister of Finance by **1 pm on Friday 5 February 2010**.

**Mixed capital and operating bids**

Where a Minister is requesting a small amount of capital, consideration should be given to whether an operating – capital swap can be used to fund the capital component or initiative within operating baselines.

Where a capital initiative has associated operating costs (either direct flow-on costs such as depreciation, or indirect associated costs such as increased personnel), departments should look to meet the operating costs within baselines in the first instance. A small amount of operating funding has been set aside as tagged for capital initiatives, but this will not be sufficient to fund the full operating costs associated with all capital initiatives.

**Programme of Strategic Choices required from Capital Intensive Agencies (NEW process)**

All Capital Intensive Agencies are required to provide a set of preliminary **strategic choices** – potential changes in government or operational policy settings that if adopted, could have a significant fiscal or economic impact relative to current policy settings. Strategic choices should be at an agency-wide (rather than per project) level.

Other agencies do not need to provide these strategic choices.

## Budget Decisions

### Budget Ministers Process

Final Budget decisions will be made by Cabinet in April. A grouping of Budget Ministers, made up of the Prime Minister, Minister of Finance and the Associate Ministers of Finance, met a number of times from October and will continue to meet through to the finalisation of the Budget by Cabinet in April. Budget Ministers will make decisions about the Budget and then take these recommendations to Cabinet for its consideration.

## BUDGET SENSITIVE – CFISNET VERSION

Budget Ministers will meet at a number of important stages during the Budget process:

- In early December to recommend final shares of the operating allowance.
- In March and April to consider Vote Ministers' reports regarding realigning baselines with priorities and to recommend a final consolidated Budget package for Cabinet consideration.

### Budget Cabinet paper

The Budget Package Cabinet Paper is drafted by Treasury. It will contain key decisions, including the financial recommendations needed to implement the reprioritisation of spending within Votes.

### Financial Recommendations

As in previous years, financial recommendations will be automatically generated by CFISnet when Vote changes (as proposed by the Baseline Alignment Proposal) are entered through the Initiatives module.

## Production Phase

Guidance on the production phase is presented chronologically from when each component begins. There is a lot of overlap between these processes. Key dates for departments can be found at the back of this document.

### Performance Information

In March and April departments and Crown entities should be in the final stages of preparing their Statements of Intent (SOIs) and Information Supporting the Estimates.

#### Statements of Intent

SOIs outline a department's expected contribution to the Government's priorities over the medium term (3-5 years). They should articulate decisions resulting from a department's engagement with Ministers over outcomes and priorities that the Government is expecting the department to contribute to, and the key performance expectations of the department in regard to these priorities. They contain a baseline of forecast performance information against which Ministers and Members of Parliament can assess the department's actual performance in contributing to outcomes. The SOI is part of the *Information Supporting the Estimates* tabled on Budget day and its content is prescribed in legislation.

#### Estimates and Information Supporting the Estimates

The *Estimates* and *Information Supporting the Estimates* provide information to Parliament on the appropriations the Government is seeking and what those appropriations will be used for.

## BUDGET SENSITIVE – CFISNET VERSION

### Supplementary Estimates

Supplementary Estimates are about changes since the 2009/10 Estimates were tabled in Parliament. The requirements differ depending on whether it is a new appropriation or a change in appropriation. The information requirements are less for changes to appropriations as Parliament has already received information in the Estimates.

The deadlines for the Supplementary Estimates documents are the same as for the Estimates as they are both published on Budget day.

For more information on the Supplementary Estimates and the Information Supporting the Supplementary Estimates see the Estimates Technical Guidance. This will be released in November 2009 and will be available on the Treasury website.

### Sign off

The key features of the sign off process are:

- Each department's **Chief Executive** signs-off that the content of all the Estimates and Supplementary Estimates documents complies with relevant Treasury guides;
- Treasury **Vote teams** sign-off draft Estimates and Supplementary Estimates documents as technically appropriate prior to departments seeking Vote Minister sign-off; and
- **Vote Ministers** provide final sign-off on content before Treasury can compile the Estimates documents directly from CFISnet.

### Budget Legislation

All appropriations agreed by Cabinet must be agreed by Parliament in an Appropriation Act in order to comply with the Public Finance Act. Treasury, in conjunction with the Parliamentary Counsel Office, will compile the Estimates Bill for 2010/11 and the Supplementary Estimates for 2009/10 (which seeks Parliament's agreement to changes to appropriations during 2009/10) after Cabinet has agreed to a final Budget package and after all Departments have loaded their Estimates documents into CFISnet.

### March Baseline Update

The March Baseline Update (MBU) process presents an opportunity to update baselines reflecting the outcomes of Cabinet and joint ministerial decisions that have changed baselines since the October Baseline Update. Baseline updates are for technical changes only, any substantive changes should be made through the budget process. We expect submissions for MBU will be due in early March and Treasury will confirm dates in December 2009.



BUDGET SENSITIVE – CFISNET VERSION

## Budget Economic and Fiscal Update

### Fiscal Forecasts

As part of the Budget process, department's are required to provide fiscal forecasts to contribute to the Budget Economic and Fiscal Update which is tabled as part of the Budget on Budget day. The fiscal forecasts are critical to:

- assess the fiscal headroom for decision making
- determine the Government's borrowing requirements, and
- maintain the public services reputation as prudent managers of taxpayers' funds.

It is the responsibility of the Chief Executive to ensure appropriate forecasting systems and processes are in place to meet the reporting requirements.

Treasury prepares preliminary fiscal forecasts (based on the forecasts provided in the March Baseline Update) and final forecasts (based on the forecasts provided in the Budget Update).

### Informing Ministers

Departments should ensure they have raised any significant issues with their Vote Ministers to ensure that Ministers are not surprised by disclosures in the Economic and Fiscal Updates.

### Fiscal Risks

The Public Finance Act (PFA) requires that an economic and fiscal update (EFU) incorporate to the fullest extent possible, consistent with the limits on disclosure requirements set out in PFA<sup>2</sup>, all Government decisions and all other circumstances that may have a material effect on the fiscal and economic outlook. If the fiscal implications of these can be quantified for particular years with reasonable certainty by the day on which the forecast financial statements are finalised, they must be included in the forecasts. If the fiscal implications cannot be quantified for or assigned to particular years with reasonable certainty, those decisions or other circumstances must be disclosed in the statement of Specific Fiscal Risks (SFRs).

## Media Statements

The Budget media release process is coordinated by the Minister of Finance's office, with assistance from the Treasury. Media releases are drafted by press secretaries in Vote Ministers' offices, with help from departments, and the numbers are checked by the Treasury.

The media will be using a number of different documents announcing new initiatives on Budget day. These include the Budget speech, the Treasury-prepared Executive Summary, and media releases. To ensure that the media receive clear and consistent material, these documents should use the same financial information.

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<sup>2</sup> s26V of the PFA requires that disclosure would prejudice New Zealand's economic or security interests, compromise negotiations, or result in material loss to the Crown.

BUDGET SENSITIVE – CFISNET VERSION

## Glossary

Abbreviation	
BEFU	Budget Economic and Fiscal Update
BPS	Budget Policy Statement
Dept	Department
DPMC	Department of Prime Minister and Cabinet
FM Systems	Financial Management Systems
FM	Fiscal Management
FR	Fiscal Reporting
FSR	Fiscal Strategy Report
HYEFU	Half-year Economic and Fiscal Update
MBU	March Baseline Update
OBU	October Baseline Update
PFA	Public Finance Act
SFR	Specific Fiscal Risks
SOI	Statement of Intent
SSC	State Services Commission
VA	Vote Analyst
VM	Vote Manager
VT	Vote Team

BUDGET SENSITIVE – CFISNET VERSION

## Timeline Details

This timeline will be updated early in 2010 with exact dates once the Budget date has been agreed and all the due dates have been finalised. Dates that will be updated are given an indicative month in italics.

<b>Task</b>	<b>Date</b>
Advise Treasury Vote Team of changes to Fiscal Risks	14 October 2009
Statement of Representation due	19 October 2009
Changes to wording and numbers of contingent liabilities due	20 October 2009
Detailed Examination of Votes (where additional funding requested) due to Minister of Finance's office and in CFISnet	1pm 30 November 2009
Detailed Examination of Key Social Sector Votes	21 December 2009
Capital Initiative Proposals due	1pm 5 February 2010
Discuss approach for reviewing Estimates with Treasury Vote team	<i>February</i>
Last date for coredata changes to be submitted to CFISnet for MBU	<i>February</i>
Notify Treasury of coredata requests for Estimates	<i>February</i>
Initiatives from Baseline Alignment Proposal due in CFISnet	1 pm 8 March 2010
Technical MBU changes entered into CFISnet and locked	<i>March</i>
2 hard copies of MBU submissions due to the Minister of Finance	<i>March</i>
Submit preliminary fiscal forecasts to Treasury via CFISnet	<i>March</i>
Departments with appropriations affected by Sections 21 or 32A of the PFA submit information to Treasury	<i>Early April</i>
Agree content of Estimates with Vote Minister and Treasury and finalise documents in CFISnet	<i>April</i>
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BUDGET SENSITIVE – CFISNET VERSION

## Annex 1

**Vote [name(s)]**

### Baseline Alignment Proposal

Version [1]

[Date]

Submitted by:

**[Vote Minister's name]**

BUDGET SENSITIVE – CFISNET VERSION

## Section 1: Alignment to Government Priorities

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The information in this section will be used to assess the merit of the proposed reprioritisation in section 2.

Please discuss:

1. What the Minister intends to achieve
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  - b. The Minister's priorities as set out in the exchange of letters with the Prime Minister
3. What are the critical things that have to happen to achieve what the Minister intends? This explains the logic of *how* the Minister intends to achieve their priorities
4. What is the level of ambition of the Minister's intentions? ie, how much is the Minister trying to achieve, and how difficult or risky is what the Minister is proposing? Could the level of ambition be increased or decreased if needed?
5. What has to wait? ie, something that is a priority but that is being deferred until Budget 2011 or later
6. What is the Minister choosing *not* to do? Because this section sets out what the Minister is actively choosing to do, it may be useful to set out which current priorities or other opportunities are *not* part of the Minister's intentions (eg, because they are lower priority or not aligned with government priorities)

BUDGET SENSITIVE – CFISNET VERSION

## Section 2: Reprioritisation

Use this section to set out in detail (3-6 pages) what has to change in the Vote to achieve the priorities in section 1, within the total operating funding (baseline plus share of operating allowance) available to the Vote.

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BUDGET SENSITIVE – CFISNET VERSION

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Budget 2010  
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Since Budget 2009 we have redesigned the budget guidance so that all guidance needed for the budget process is published in one document or linked from the document.

The budget process itself has also changed significantly. There will be no initiatives phase for operating funding in Budget 2010; instead there will be a baseline alignment phase. There will be an initiatives phase for capital funding, which will also include information on capital proposals which do not require additional funding or do not require a decision in Budget 2010.

The baseline alignment phase is focused on a Baseline Alignment Proposal document that will be submitted for each vote, which outlines the degree to which activities in the vote are aligned with government priorities and, where they do not align, how they will be realigned.

## About this Guidance

This guidance is divided into two main parts. Part one is the overview section, which outlines the roles and responsibilities of the key players and gives an overview of the entire budget process. It is aimed at Ministers, their offices and departmental officials of all levels who want to understand the budget process as a whole and how its components fit together.

Part two is aimed at officials preparing budget documents who need to understand the detail and technicalities of the process and preparation of budget documents. The overview of this document contains links to the relevant sections in part two that contain the process and technical detail.

The requirements and guidance outlined in this document apply until this document is updated or replaced. This document is scheduled for review in 2010 for the 2011 budget process.

This document was written by the Fiscal Management team in Treasury.

## Questions and Feedback

You should use this document as your first point of call for guidance on the budget process for Budget 2010.

General enquiries about the information contained in this guidance, not addressed in this guidance, can be directed to your Treasury Vote Team.

Any comments as to how we could improve this guidance can be directed to [guidance@treasury.govt.nz](mailto:guidance@treasury.govt.nz).

# Part 1: Overview

## Roles and Responsibilities

### Underlying Principles for Relationships between Key Players

A successful Budget is characterised by effective relationships and communications between the key players. Below are some important elements to achieve this:

- working through different perspectives
- a 'no surprises' approach to the provision of advice, and
- the provision of 'free and frank' advice to Ministers by officials.

### Minister of Finance

The Minister of Finance's role is to:

- develop and reach agreement on the Government's fiscal targets and the resulting Budget Strategy
- manage competing priorities to ensure that the Budget package meets the Government's fiscal and wider policy goals agreed by Cabinet, and
- help ensure the value for money of government expenditure.

### Ministers

Ministers play a key role in the Budget process. On an individual level, with assistance from their Chief Executives, they identify priorities for their departments to deliver on. From a collective perspective (ie, through Cabinet), they agree on the Budget Strategy and the priorities the Government will achieve.

### Departments

Departments provide advice to Ministers on:

- the key outcomes that the Minister might want the department to pursue over the medium-term and their relative priority (consistent with the Budget Policy Statement)
- whether the existing outputs will be the most efficient and effective ones to achieve those outcomes and what alternatives could be considered
- whether the departments in the Vote have the right capability to deliver the outputs, and
- the main risks and how to manage these.

### Treasury

Treasury plays a number of different roles through the Budget process.

## Vote Teams

Vote teams play two main roles:

- an “assist” role, where they work alongside departments in the strategic phase of the Budget, and in updating baseline information. Vote teams provide the link between departments, other Treasury teams and the Minister of Finance. Vote teams are a department’s first point of contact at any stage in the process. Vote teams may also provide an assist role for Ministers as well (see baseline alignment section), and
- an “assess” role, where they provide advice to the Minister of Finance on a range of topics, such as the department’s objectives and priorities in the Budget process, advice to the Senior Executives Group, and advice to Budget Ministers on departmental submissions, among others.

## Rest of Treasury

Treasury also plays a number of other roles, including co-ordinating the budget process, providing fiscal forecasts and publishing the Crown accounts.

## Senior Executives Group

As in Budget 2009, the Senior Executives Group (SEG) will be used to inform and test Treasury’s advice to Ministers on the allocation of shares to departments and the alignment of baselines work carried out by Ministers and their respective Chief Executives.

The main roles of the SEG will be to:

- Help to bring a consistent view to the Chief Executives about the Budget and the Government’s objectives.
- Support CEs in the process of realigning baselines.
- Assist Treasury in providing advice to Budget Ministers.

## Budget Process

There are four main phases in Budget 2010 process:

- Strategic Phase
- Baseline Alignment Phase
- Budget Decisions Phase
- Production Phase.

Ministers will need to engage with officials in their departments during each of these phases.

## Strategic Phase (October – December)

In the Strategic phase, Ministers and their departments will discuss priorities as agreed with the Prime Minister and how they will be delivered. These conversations provide the basis for the department to draft the Statement of Intent for the next 3-5 years and should align with the Baseline Alignment Proposal due in March (see below).

### Allocation of the Operating Allowance (NEW process)

This year, given the constraint on the fiscal position, the operating allowance is being allocated as part of the Strategic Phase. This is different to past years when the operating allowance has been allocated on the basis of individual bids in the New Year.

The operating allowance for Budget 2010 is \$1.1 billion per annum for the forecast period.

It is important to note that funding from the between Budget contingency is only available for proposals that *“cannot be funded through reprioritisation of lower value activities and cannot be deferred until the next Budget”*<sup>1</sup>.

The final amount to be allocated to Votes will be set in December 2009 and will be informed by information provided by 30 November.

### Detailed Examination of Votes Health, Education, Social Development and the Justice Sector

A detailed examination of the priorities, pressures and existing expenditure is to be undertaken by Ministers and the departments of Votes Health, Education, Social Development and the Justice Votes (Votes Attorney-General, Corrections, Courts, Justice, Police and Serious Fraud). This examination aims to assist in aligning baselines to Government priorities and, where appropriate, identify where additional resource should be directed.

The reviews will need to:

1. detail how all increases to the Vote since 2005 have been applied and what value has been obtained from that additional expenditure
2. demonstrate that they have reviewed all areas of expenditure within the Vote and identified any that are not consistent with the Government's priorities
3. if relevant, demonstrate that they are unable to handle the pressures facing the Vote from within the funding available to the Vote
4. demonstrate that they have reviewed the number of policy advisors in, and cost of policy advice provided by, their department(s) and whether some reduction in that number or cost can be made, and
5. demonstrate that any fiscal savings expected as a result of the department implementing its performance improvement actions have been taken into account.

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<sup>1</sup> Cabinet Office Circular (09) 6, paragraph 12.

The reviews of these four areas are to be submitted to Budget Ministers **by 21 December 2009**, unless the Vote Minister determines that additional funding over and above the indicative allocation is required, in which case the reviews are to be completed **by 30 November 2009**. Any additional funding allocated to Votes during this process would reduce the funding available to other Votes.

### **Optional Detailed Examination for other Votes seeking Additional Funding**

Ministers who consider that they are unable to deliver priorities and cater for cost pressures from within the indicative share and baseline will have an opportunity to feed back into the allocation process. Ministers in this position are invited to submit to the Minister of Finance a request for additional resources, accompanied by a detailed examination of their Vote, consistent with that proposed for Votes Health, Education, Social Development and Justice Votes, by 1 pm on Monday **30 November 2009**. Optional detailed examinations should also be uploaded into CFISnet.

## **Baseline Alignment Phase (January – March)**

The baseline alignment phase replaces the old initiatives phase and includes a number of substantial changes from past years.

The process for **operating** funding no longer includes any bids for additional funding. Instead, Ministers are invited to set out what they intend to achieve in their Vote and the reprioritisation (including any transfers between Votes) required to achieve this.

Bids are still sought for capital proposals which require additional funding in Budget 2010. However, the Minister of Finance is also requesting information on a broader range of capital proposals – including those which can be funded from baselines and those which will not have a business case ready until Budget 2011.

### **Process for Allocating the Operating Allowance (NEW process)**

The baseline alignment phase will be the main decision-making stage of the Budget process. The purpose of the baseline alignment phase is *not* to change the size of the Vote but to show how Vote Ministers and Chief Executives intend to realign their baselines to meet the Government's priorities.

### **Baseline Alignment Proposal**

The Baseline Alignment proposal has three sections:

1. **What** the Minister intends to achieve in his/her Vote and how these intentions fit with government priorities.
2. **How** the Minister proposes to make changes within the Vote in order to deliver his/her intentions; what will begin, change and stop.
3. **Financial summary** of changes to appropriations or net asset schedules.

The purpose of the Baseline Alignment Proposal, therefore, is to show how the Minister proposes to use a given baseline.



A submission should be completed for each Vote, except where a single Minister has closely related Votes, in which case the submission may be completed covering all the closely related Votes belonging to that Minister. In these cases, a separate Financial Summary should still be prepared for each Vote.

If Ministers are working together in a group, they should still prepare separate submissions, but section 1 of each submission should reflect the coordinated strategy.

Ministers should submit their completed Baseline Alignment Proposal submissions to the Minister of Finance by **1 pm on Monday 8 March 2010**. The template is included in this document and is also available on CFISnet.

[Detail on writing a Baseline Alignment Proposal](#), including how to upload to CFISNet.

### **Treatment of Savings**

Vote Ministers can retain savings found within their Votes through the baseline alignment phase; unless they were generated by reducing or stopping a major programme or they are large windfall savings (such as from reduced volume or demand).

### **Treasury/SSC Support**

Ministers may request that the Treasury and the State Services Commission provide supplementary assistance if required. Treasury Vote teams would be able to help Ministers identify areas of expenditure that do not align with government priorities or they could test some of the advice being prepared by departments to ensure they are on the right track. Additionally, the SEG, which performed a useful role in Budget 2009 will be available to assist Chief Executives.

### **Process for Capital Proposals (EXPANDED process)**

#### **Bids process for capital initiatives (NO CHANGE from past years)**

Capital proposals which seek additional funding from the Budget 2010 capital allowance should be entered as initiatives. These initiatives should be supported by a business case commensurate with the significance of the proposal. Second opinion advice from Central Agencies will give a heavy weighting to the cost-benefit analysis contained in the supporting business case.

#### **Other proposals are also requested to inform the capital process (NEW process)**

The Minister of Finance requests that all stage 1 or 2 business cases which require a decision in Budget 2010 be submitted as initiatives, including those *which can be funded within baselines*. Projects that have an upcoming decision prior to Budget 2010 should be deferred and included as a Budget 2010 decision. This will allow Cabinet to consider a wider range of capital proposals.

In addition, the Minister of Finance is seeking information on *all* proposals which require a decision in Budget 2011 (or between Budgets 2010 and 2011). This includes proposals which can be funded within baselines and stage 1 business cases. These proposals should be submitted as initiatives **for information only**. A business case does not need to be submitted for these proposals (as one will not yet have been completed), and funding decisions will **not** be made on these proposals.

Capital proposals should be submitted by Vote Ministers to the Minister of Finance by **1 pm on Friday 5 February 2010**.

### **Mixed capital and operating bids**

Where a Minister is requesting a small amount of capital, consideration should be given to whether an operating – capital swap can be used to fund the capital component or initiative within operating baselines.

Where a capital initiative has associated operating costs (either direct flow-on costs such as depreciation, or indirect associated costs such as increased personnel), departments should look to meet the operating costs within baselines in the first instance. A small amount of operating funding has been set aside as tagged for capital initiatives, but this will not be sufficient to fund the full operating costs associated with all capital initiatives.

[Detail on the capital bids process, including how to upload to CFISnet.](#)

### **Programme of Strategic Choices required from Capital Intensive Agencies (NEW process)**

All Capital Intensive Agencies are required to provide a set of preliminary **strategic choices** – potential changes in government or operational policy settings that if adopted, could have a significant fiscal or economic impact relative to current policy settings. Strategic choices should be at an agency-wide (rather than per project) level.

Other agencies do not need to provide these strategic choices.

## **Budget Decisions**

### **Budget Ministers Process**

Final Budget decisions will be made by Cabinet in April. A grouping of Budget Ministers, made up of the Prime Minister, Minister of Finance and the Associate Ministers of Finance, met a number of times from October and will continue to meet through to the finalisation of the Budget by Cabinet in April. Budget Ministers will make decisions about the Budget and then take these recommendations to Cabinet for its consideration.

Budget Ministers will meet at a number of important stages during the Budget process:

- In early December to recommend final shares of the operating allowance.
- In March and April to consider Vote Ministers' reports regarding realigning baselines with priorities and to recommend a final consolidated Budget package for Cabinet consideration.

### **Budget Cabinet paper**

The Budget Package Cabinet Paper is drafted by Treasury. It will contain key decisions, including the financial recommendations needed to implement the reprioritisation of spending within Votes.

[Detail on the preparation of the budget cabinet paper.](#)

## Financial Recommendations

As in previous years, financial recommendations will be automatically generated by CFISnet when Vote changes (as proposed by the Baseline Alignment Proposal) are entered through the Initiatives module.

[Detail on Financial Recommendations.](#)

## Production Phase

Guidance on the production phase is presented chronologically from when each component begins. There is a lot of overlap between these processes. Key dates for departments can be found at the back of this document.

## Performance Information

In March and April departments and Crown entities should be in the final stages of preparing their Statements of Intent (SOIs) and Information Supporting the Estimates.

## Statements of Intent

SOIs outline a department's expected contribution to the Government's priorities over the medium term (3-5 years). They should articulate decisions resulting from a department's engagement with Ministers over outcomes and priorities that the Government is expecting the department to contribute to, and the key performance expectations of the department in regard to these priorities. They contain a baseline of forecast performance information against which Ministers and Members of Parliament can assess the department's actual performance in contributing to outcomes. The SOI is part of the *Information Supporting the Estimates* tabled on Budget day and its content is prescribed in legislation.

[Detailed production guidance for Statements of Intent.](#)

## Estimates and Information Supporting the Estimates

The *Estimates* and *Information Supporting the Estimates* provide information to Parliament on the appropriations the Government is seeking and what those appropriations will be used for.

[Detailed production guidance for Estimates and Information Supporting the Estimates.](#)

## Supplementary Estimates

Supplementary Estimates are about changes since the 2009/10 Estimates were tabled in Parliament. The requirements differ depending on whether it is a new appropriation or a change in appropriation. The information requirements are less for changes to appropriations as Parliament has already received information in the Estimates.

The deadlines for the Supplementary Estimates documents are the same as for the Estimates as they are both published on Budget day.

For more information on the Supplementary Estimates and the Information Supporting the Supplementary Estimates see the Estimates Technical Guidance. This will be released in November 2009 and will be available on the Treasury website at <http://www.treasury.govt.nz/publications/guidance/budget/estimates>.

## Sign Off

The key features of the sign off process are:

- each department's **Chief Executive** signs-off that the content of all the Estimates and Supplementary Estimates documents complies with relevant Treasury guides
- Treasury **Vote teams** sign off draft Estimates and Supplementary Estimates documents as technically appropriate prior to departments seeking Vote Minister sign off, and
- **Vote Ministers** provide final sign off on content before Treasury can compile the Estimates documents directly from CFISnet.

[Detail on process for sign off.](#)

## Budget Legislation

All appropriations agreed by Cabinet must be agreed by Parliament in an Appropriation Act in order to comply with the Public Finance Act. Treasury, in conjunction with the Parliamentary Counsel Office, will compile the Estimates Bill for 2010/11 and the Supplementary Estimates for 2009/10 (which seeks Parliament's agreement to changes to appropriations during 2009/10) after Cabinet has agreed to a final Budget package and after all Departments have loaded their Estimates documents into CFISnet.

[Detail on Budget legislation.](#)

## March Baseline Update

The March Baseline Update (MBU) process presents an opportunity to update baselines reflecting the outcomes of Cabinet and joint ministerial decisions that have changed baselines since the October Baseline Update. Baseline updates are for technical changes only, any substantive changes should be made through the budget process. We expect submissions for MBU will be due in early March and Treasury will confirm dates in December 2009.

[Detailed guidance on the March Baseline Update.](#)

## Budget Economic and Fiscal Update

### Fiscal Forecasts

As part of the Budget process, department's are required to provide fiscal forecasts to contribute to the Budget Economic and Fiscal Update which is tabled as part of the Budget on Budget day. The fiscal forecasts are critical to:

- assess the fiscal headroom for decision making
- determine the Government's borrowing requirements, and
- maintain the public services reputation as prudent managers of taxpayers' funds.

It is the responsibility of the Chief Executive to ensure appropriate forecasting systems and processes are in place to meet the reporting requirements.

Treasury prepares preliminary fiscal forecasts (based on the forecasts provided in the March Baseline Update) and final forecasts (based on the forecasts provided in the Budget Update).

### Informing Ministers

Departments should ensure they have raised any significant issues with their Vote Ministers to ensure that Ministers are not surprised by disclosures in the Economic and Fiscal Updates.

[Detailed guidance on BEFU.](#)

### Fiscal Risks

The Public Finance Act (PFA) requires that an economic and fiscal update (EFU) incorporate to the fullest extent possible, consistent with the limits on disclosure requirements set out in PFA<sup>2</sup>, all Government decisions and all other circumstances that may have a material effect on the fiscal and economic outlook. If the fiscal implications of these can be quantified for particular years with reasonable certainty by the day on which the forecast financial statements are finalised, they must be included in the forecasts. If the fiscal implications cannot be quantified for or assigned to particular years with reasonable certainty, those decisions or other circumstances must be disclosed in the statement of Specific Fiscal Risks (SFRs).

[Detailed guidance on Specific Fiscal Risks.](#)

### Media Statements

The Budget media release process is coordinated by the Minister of Finance's office, with assistance from the Treasury. Media releases are drafted by press secretaries in Vote Ministers' offices, with help from departments, and the numbers are checked by the Treasury.

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<sup>2</sup> s26V of the PFA requires that disclosure would prejudice New Zealand's economic or security interests, compromise negotiations, or result in material loss to the Crown.

The media will be using a number of different documents announcing new initiatives on Budget day. These include the Budget speech, the Treasury-prepared Executive Summary, and media releases. To ensure that the media receive clear and consistent material, these documents should use the same financial information.

[Detailed guidance on Media Statements.](#)

## Part 2: Detailed Process and Technical Guidance

### Baseline Alignment Phase

#### What is in the Baseline Alignment Proposal?

The Baseline Alignment Proposal submissions will show how Vote Ministers propose to align baselines to meet the Government's priorities. These submissions will be the documents used by Budget Ministers to prepare the final Budget package Cabinet paper.

The Baseline Alignment Proposal template has three sections:

1. **Alignment to Government Priorities.** This section sets out what the Minister intends to achieve in his or her Vote and how the Minister's intentions fit with government priorities.
2. **Reprioritisation.** This section sets out the changes (eg, programme by programme) that the Minister proposes to make within his or her Vote in order to deliver the intentions set out in section 1. This section will summarise the detailed analysis undertaken by departments to select programmes to begin, change, or stop.
3. **Financial Summary.** This section details the changes to appropriations (or net asset schedules) which are required to give effect to the changes proposed in section 2. This section is generated from CFISnet (see CFISnet Help for details on how to enter initiatives). Once departments have entered proposed changes into CFISnet (using the initiatives entry function), they will be able to generate a summary report to attach as section 3 of the Baseline Alignment Proposal.

The purpose of the Baseline Alignment Proposal is *not* to request additional funding. Changes to the size of the Vote may occur:

1. where a Vote has been allocated a share of the operating allowance by Cabinet (expected to be confirmed in December 2009)
2. where Cabinet has agreed a specific savings proposal and requested the savings be returned to the centre, or
3. in a fiscally neutral manner, where there is a transfer between Votes.

#### Cost-Recovered Bids

Departments may include proposals to increase cost-recovered activities in a fiscally neutral manner. These should be included in the Baseline Alignment Proposal submission.

#### Treatment of Savings

In general terms any savings identified by Vote Ministers can be retained within the Vote to manage pressures and achieve Ministers' priorities. Refinements to this general rule are:

- If a proposed saving will be generated by reducing or stopping a *major* programme or activity it is to be brought to Cabinet for approval. In these instances Cabinet will

determine the proportion of the saving to be retained within the Vote and that to be returned to the centre.

- Where a Vote Minister has actively chosen to reduce or stop a programme or activity, or where the saving has been generated by efficiency improvements, the funding can be retained within the Vote. However, “windfall” savings (such as underspends resulting from reduced volume or demand), where active management decisions have not been taken, are to be returned to the centre.

### What to enter into CFISnet for Operating

Because proposals to change operating funding are explained in the Baseline Alignment Proposal, less information for operating proposals is required in CFISnet (compared to previous years).

Departments should enter an initiative for each proposed component of the reprioritisation in the Baseline Alignment Proposal. However, departments should enter initiatives *at a sensible level of aggregation to provide visibility to Ministers over proposed changes*. For example, if Programme A is to be scaled and Programme B stopped to fund an increase in Programme C, then officials should consider whether Ministers should be able to see the changes to all three programmes (in which case three initiatives should be entered) *or* whether the programme changes are minor enough that a single initiative can be entered.

*Departments should avoid aggregating increases and decreases in the same initiative (excepting cost-recovered bids). Rather, if it is necessary to aggregate a number of minor changes, it would be preferable to group savings into a single initiative and then the corresponding increase into a separate initiative.*

Initiatives flowing from the Baseline Alignment Proposal should be entered in CFISnet by **1 pm on Monday 8 March 2010**.

### The CFISnet Initiatives Template for operating

<p><b>Vote</b></p> <p>Select your Vote from the drop-down list.</p> <p>In the case of cross-Vote initiatives, each Vote should submit a bid for the funding that corresponds to their part of the initiative. It is critical that the title of the initiative is the same for each Vote concerned, so that when all initiatives are reported to Ministers they can be bundled together.</p>
<p><b>Title (Characters: goal 40, limit 80)</b></p> <p>The title needs to be brief but informative, and should avoid containing acronyms unless they are widely used and understood.</p>
<p><b>Description (Characters: goal 200, limit 300)</b></p> <p>The description should provide a concise summary of the proposed change.</p>



<p><b>Initiative Type</b></p> <p>Select the most appropriate Initiative Type from the drop-down box options:</p> <p>⇒ Reprioritisation</p> <p>This is likely to be the most common type of initiative. This proposes the amount of each specific reprioritisation proposal within the Vote. Initiatives should be entered at a sensible level of aggregation to provide visibility to Ministers over proposed changes.</p> <p>⇒ Transfers Outside Vote</p> <p>This type of initiative is similar to reprioritisation except it should be used where Minister(s) propose reducing funding in one Vote with a corresponding increase in another Vote. Each Vote affected should enter an initiative showing the effect on that particular Vote. For example, if Vote A has an increase of \$50 million, Vote B should have an initiative for a corresponding decrease of \$50 million.</p> <p>The other two options (below) will only be used where specifically agreed by Cabinet – as they are used to change the size of the Vote by returning funding to or receiving funding from the operating allowance.</p> <p>⇒ Centralised Saving</p> <p>This proposes the amount of any savings item which Cabinet has specifically requested be returned to the Centre. A separate initiative needs to be entered for <i>each</i> different item agreed by Cabinet.</p> <p>⇒ Share Allocation</p> <p>Departments are <b>not</b> to use this option. If the Vote is allocated any funding from the operating allowance (in December) this will be entered for the Vote by the Vote Analyst.</p>
<p><b>Priority Area</b></p> <p>Not applicable for operating proposals.</p>
<p><b>PA Objective</b></p> <p>Not applicable for operating proposals.</p>
<p><b>Portfolio Minister</b></p> <p>Select the portfolio Minister’s name from the drop-down list.</p>
<p><b>Ranking</b></p> <p>Not applicable for operating proposals.</p>

<p><b>Funding Sought</b></p> <p>Enter the impact of the proposed change in the “Gross” funding line in thousands. For changes which decrease an activity, enter the amount as a decrease (negative integer) in the “Gross” funding line.</p> <p>The net impact on the operating balance will self-populate and will reconcile as follows: Gross – Savings = Net. In most cases, the ‘Savings/Offsetting Revenue’ line will not be needed as separate initiatives will be entered to show corresponding decreases in activity elsewhere in the Vote. A possible exception is for cost-recovered operating proposals, in which case the offsetting revenue line should be used to show that the proposal is fiscally neutral.</p> <p>Departments requesting funding for multi-year appropriations (MYAs) should enter the indicative spending profile of the MYA. If funding is approved, the technical aspects will be dealt with later on in the financial recommendations for Cabinet.</p> <p>Any changes in funding beyond 2012/13 should be noted in the Baseline Alignment Proposal.</p>
<p><b>Performance Specification - Table</b></p> <p>Not applicable for operating proposals.</p>
<p><b>Performance Specification – Text (Characters: goal 400, limit 500)</b></p> <p>Not applicable for operating proposals.</p>
<p><b>Recommended Decision in Budget 2010 (Characters: goal 400, limit 500)</b></p> <p>Not applicable for operating proposals.</p>
<p><b>Risk if Budget 2010 Decision is not made (Characters: goal 300, limit 500)</b></p> <p>Not applicable for operating proposals.</p>
<p><b>Gateway Number (Characters: goal 200, limit 300)</b></p> <p>Not applicable for operating proposals.</p>
<p><b>Whole of Life Cost (Characters: goal 200, limit 300)</b></p> <p>Not applicable for operating proposals.</p>

**Please upload an electronic copy of the Baseline Alignment Proposal to Document Sharing**

As well as being submitted to the Minister of Finance, Baseline Alignment Proposals should be uploaded to Document Sharing under the Process “Initiatives” by **1 pm on Monday 8 March 2010**.

## Word-based Initiative Template

In past years, a separate Word version of the initiatives template has been available for all initiatives. Because the rationale for the proposed changes is contained in the Baseline Alignment Proposal, expanded Word versions of the initiatives template do not need to be provided for the initiatives entered into CFISnet. Documents providing background analysis of different proposals can be uploaded to the relevant initiative, however, and may be separately requested by Ministers or Treasury to assist in understanding and assessing a component of the Baseline Alignment Proposal.

## Process for Capital Proposals (NEW process)

### Requirements for a two stage business case

Cabinet decided in 2007 to adopt a mandatory two stage approval process in relation to investment proposals with a whole life cost in excess of \$25million:

- **Stage 1** refers to providing Cabinet with the opportunity to “choose the right option” on the basis of indicative costs and benefits. The business case would seek approval for developing detailed scoping and finalisation of the costs and benefits associated with the project.
- **Stage 2** refers to providing Cabinet with the opportunity to “do the right option well” on the basis of an upgraded business case with more fully developed costs and benefits.

### Summary of which capital projects should be entered in Budget 2010

In summary, two types of capital initiative should be entered in Budget 2010:

1. All projects which require a **decision in Budget 2010 (including either stage 1 or stage 2 decisions)**, *regardless of whether they can be funded from within baselines*. These proposals will have a business case and Cabinet will make a decision on whether they should progress.
2. All projects which require a **decision in Budget 2011 (including either stage 1 or stage 2 decisions)**, *regardless of whether they can be funded from within baselines*. These proposals are entered **for information only**. They do not require a business case to be submitted at this stage (it is very unlikely one will have been completed). A funding or approval decision will *not* be made for these proposals.<sup>3</sup>

### What to enter into CFISnet for capital

An initiative should be entered into CFISnet for *all* the proposals described in the above section. Detailed guidance on what to enter in each field of the CFISnet Initiatives Template is provided below. A Word version of the initiative should also be submitted by the Responsible Minister to the Minister of Finance by **1 p.m. on Friday 5 February 2010**. The initiative should also be entered in CFISnet at this time and the Word version uploaded as an attachment.

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<sup>3</sup> Although it is possible that providing this information will prompt some requests from Ministers – such as a directive to bring forward the business case at a different time.

The Word-based Budget initiative template should be a stand-alone document, containing all the information from the CFISnet template plus further details where necessary. No character limits apply for the Word template.

Business cases are required for those proposals which require a decision in Budget 2010. Business cases should be commensurate with the significance of the proposal and Cabinet expectations (as set out in CAB Min (07) 44/11). Full business cases should be summarised in the Word Document (or for smaller proposals which do not require a stage 1 or stage 2 business case, the full business case may be included in the Word document).

Second opinion assessment by Central Agencies of proposals that require a decision in Budget 2010 will give a heavy weighting to the cost-benefit analysis contained in the supporting business case. For more guidance on cost-benefit analysis, please refer to the [Cost-Benefit Analysis Primer](#) on the Treasury website.

### The CFISnet Initiatives Template for capital

<p><b>Vote</b></p> <p>Select your Vote from the drop-down list.</p> <p>In the case of cross-Vote initiatives, each Vote should submit a bid for the funding that corresponds to their part of the initiative. It is critical that the title of the initiative is the same for each Vote concerned, so that when all initiatives are reported to Ministers they can be bundled together. In the accompanying Word document, note the other Votes that are involved.</p>
<p><b>Title (Characters: goal 40, limit 80)</b></p> <p>The title needs to be brief but informative, and should avoid containing acronyms unless they are widely used and understood.</p> <p>If the proposal is a Stage 1 or Stage 2 business case, please include “Stage 1” or “Stage 2” at the end of the title.</p>
<p><b>Description (Characters: goal 200, limit 300)</b></p> <p>The description should provide a concise summary of the proposed change.</p>
<p><b>Initiative Type</b></p> <p>Select “Capital” from the drop-down box options:</p>
<p><b>Priority Area</b></p> <p>Select the Budget in which a decision on the proposal is required:</p> <p>⇒ Budget 2010</p> <p>In this case, a supporting business case should be provided, either in the Word version of this template, or separately.</p>

<p>⇒ Budget 2011</p> <p>In this case, a supporting business case is not required (as the proposal is included for information only).</p>
<p><b>PA Objective</b></p> <p>Regardless of the Priority Area selected (above), select the category which best fits the nature of the proposal:</p> <p>⇒ Refurbish/ replace</p> <p>Where the initiative is to maintain existing capability and/or delivery levels.</p> <p>⇒ Meet demand</p> <p>Where the initiative is to increase capacity without changing <i>what</i> is delivered, eg, to maintain service levels to a growing population.</p> <p>⇒ Improved functionality</p> <p>Where the initiative would provide a new capability, which is <i>different</i> to existing service delivery.</p>
<p><b>Portfolio Minister</b></p> <p>Select the portfolio Minister's name from the drop-down list.</p>
<p><b>Ranking</b></p> <p>Not applicable for capital proposals.</p>
<p><b>Funding Sought</b></p> <p>Enter the full cost of the project in the "Gross" funding line in thousands.</p> <p>Enter the amount which can be funded from within baselines or third-party sources in the 'Savings/Offsetting Revenue' line.</p> <p>CFISnet will then calculate the net cost requested from the Crown (in some cases this will be zero).</p> <p><b>For Stage 1 proposals</b>, only the costs sought at the first stage should be entered – not the full costs of the investment – these will be sought through the Stage 2 proposal.</p> <p>Departments requesting funding for multi-year appropriations should enter the indicative spending profile of the MYA. If funding is approved, the technical aspects will be dealt with later on in the financial recommendations for Cabinet.</p> <p>Any changes in funding beyond 2012/13 should be noted in the Word version of the initiative template or supporting business case if this is provided separately. Or this may be noted as part of the Whole of Life Cost (see field below).</p>
<p><b>Performance Specification - Table</b></p> <p>Not applicable for capital proposals.</p>

<p><b>Performance Specification – Text (Characters: goal 400, limit 500)</b></p> <p>Not applicable for capital proposals.</p>
<p><b>Recommended Decision in Budget 2010 (Characters: goal 400, limit 500)</b></p> <p>In most cases, for Budget 2010 decisions, this will be “approve”.</p> <p>For initiatives which do not require a decision in Budget 2010, (eg, a business case will be prepared for Budget 2011) this will not be applicable. In these cases, please enter “approve in Budget 2011” to make clear no decision is sought now.</p> <p>In some cases, where (Capital Intensive) agencies have also submitted a programme of strategic choices, Ministers may want to recommend that a project is deferred or not approved, <i>in conjunction with taking a particular strategic choice</i>.</p>
<p><b>Risk if Budget 2010 Decision is not made (Characters: goal 300, limit 500)</b></p> <p>Describe succinctly the risk if the recommended decision (above) is not made. Risk could include potential for service delivery failure, inefficient delivery etc.</p>
<p><b>Gateway Number (Characters: goal 200, limit 300)</b></p> <p>If the project is subject to the Gateway review scheme, please set out which Gate the project has passed.</p>
<p><b>Whole of Life Cost (Characters: goal 200, limit 300)</b></p> <p>All the economic costs of providing the asset over its expected economic life. The full cost includes direct and indirect costs, and attributable overheads, the initial capital cost, plus operating and maintenance costs associated with that capital cost, or in the case of leased assets, all lease payments.</p> <p>Residual values from disposal should be included (these reflect alternative use within an organisation, in a second-hand market, or as scrap).</p> <p>Staff costs, depreciation and capital charges should not be included (although for appropriation and budgeting purposes they may be important).</p> <p>The value should be expressed in nominal dollars, not in discounted cash flow terms.</p>

### **Automatic Population of CFISnet initiative templates for projects in CAM returns**

For Capital Intensive Agencies (those who submitted Capital Intentions returns in CFISnet in October), projects identified in that return will be pre-populated using the information in those returns. Departments will then be able to edit the information in CFISnet and upload supporting documents as required.

### **Programme of (Preliminary) Strategic Choices required from Capital Intensive Agencies**

Guidance and a template for preparing preliminary strategic choices will be provided directly to Capital Intensive Agencies by the Treasury CAM team (who will also consult with those

agencies on this process during November). The Word template and guidance will be finalised and circulated in December.

The preliminary strategic choices template should be uploaded to CFISnet using Document Sharing and under the Process “Initiatives” at the same time as capital initiatives are due (1 pm on Friday 5 February 2010).

## Budget Decisions

### Budget Cabinet paper

#### What happens and when?

Key Task	Period	Additional Information
Reports to Budget Ministers	January - April	<ul style="list-style-type: none"> <li>Budget Ministers will meet four times between the end of January and early April to discuss the submissions made by Vote Ministers.</li> <li>Treasury will prepare reports for Budget Ministers prior to these meetings</li> <li>The Senior Executives Group will test the advice prepared by Treasury prior to reports going to Budget Ministers</li> </ul>
Finalisation of financial recommendations	April	Treasury prepares final recommendations for delivery to Cabinet Office.
Submission of paper to Cabinet	April	The goal of this final paper is to have the Executive agree to the detailed decisions of the Budget.
Production of Cabinet Minutes	April	Cabinet Office produces and distributes Cabinet Minutes.

### Financial Recommendations

**Mandatory requirement** – Recommendations are the mechanism which reflects Cabinet decisions. Financial recommendations are essential for Cabinet agreement on increasing appropriations.

As in previous years, financial recommendations will be automatically generated by CFISnet when Vote changes (as proposed by the Baseline Alignment Proposal) are entered through the Initiatives module. Departments will need to QA the recommendations to ensure they are correct.

CFISnet Help contains detailed topics in the Recommendations process – CFISnet users are encouraged to make themselves aware of this material: Help > Baselines > Recommendations.

Contact the CFISnet HelpDesk about any issues or questions relating to CFISnet.

Any questions about technical issues or the wording of Financial Recommendations should be directed to your Vote Analyst.

## Production Phase

This section sets out some of the key production related issues for the preparation of departmental Statements of Intent, Estimates, Supplementary Estimates and Information Supporting the Estimates and Supplementary Estimates.

### Statements of Intent

**Statutory requirement – sections 38 - 40 of the PFA:** sets out the content requirements of the Statement of Intent.

In terms of the development process, the key aspects of the content of the SOI should be developed prior to developing the other Information Supporting the Estimates. There is separate guidance on the Statement of Intent for departments. To access this guidance go to: <http://www.treasury.govt.nz/publications/guidance/accountability/soi/content-production>.

One of the key aspects of the Statement of Intent is the link to government's priorities. For the latest on government priorities refer to:

- the Prime Minister's priority letters for sector/agency specific priorities;
- the Budget Policy Statement; and
- recent Ministerial and Prime Ministerial speeches and press releases for sector/agency specific priorities

### Layout of SOI

The Statements of Intent are bolted onto the back of the relevant volume of the Information Supporting the Estimates. To ensure they are readable for the Parliamentary audience while still bolted onto the back of the Information Supporting the Estimates, the A4 printed version needs to have the text at least 2cm from the centre spine.

### Printing

Departments are responsible for printing their own SOI. Departments can choose their own printer.

### Printed copies of the SOI for Budget day – where and how many?

The Treasury's printer collates all SOIs with the *Information Supporting the Estimates* to produce the parliamentary copies. Departments are required to ensure delivery of 200 copies to the Treasury's printer: Printlink, 33-43 Jackson Street, Petone.

### When does the departmental SOI have to be ready?

The date is always in advance of the Budget day to allow time for the Treasury's printer to attach the SOIs for each Volume of the *Information Supporting the Estimates*, as this is how the information is provided to Members of Parliament. This is normally two weeks prior to Budget Day to allow time for the Treasury's printer to bolt all the departmental SOIs onto the relevant volume of the Information Supporting the Estimates. The date will be included in the budget timetable after the Budget date is announced.



## Estimates and Information Supporting the Estimates

**Statutory requirement:** section 13(1) states” the Minister must present to the House of Representatives the Estimates immediately after he or she has delivered the Budget”

*The key sections in the Information Supporting the Estimates are:*

- Sector Overview Information including Ministerial and Chief Executive Statements’ of responsibility.
- For each Vote there is the following information organised by vote
  - Part 1 Summary of the Vote providing the overall context on a vote basis includes:
    - Overview of the Vote – A brief explanation of the Vote to provide overall context. (Part 1.1)
    - High-Level Objectives of the Vote – The objectives for the Vote. This provides the purpose for the appropriations and linkage to the Statement of Intent. (Part 1.2)
    - Trends in the Vote – A presentation of the actual and estimated trends in the vote comprising summary of financial activity, new policy initiatives and savings, analysis of significant trends and if required, a reconciliation of changes in appropriation structure (Part 1.3)
  - Parts 2- 6 Details and expected performance/results for expenses covering both departmental and non-departmental appropriations by type of appropriation – output, benefits and other unrequited, borrowing expenses, other expenses and capital expenditure. The material included covers the required details about why that appropriation (impact, outcome and objective linkages), what will be provided/received, how much will it cost and what has changed over time.
- Statements of Forecast Service Performance link back to the information provided in Part 2 above
- Forecast Financial Statements of Departments, contain forecast financial information for the Budget year
- Statements of Intent – although the responsibility to produce these is on each department, they are part of the *Information Supporting the Estimates*.

For more information on the content of the *Information Supporting the Estimates*, see the Introduction of any of the volumes of the *Information Supporting the Estimates* which goes through the key sections in more detail.

<http://www.treasury.govt.nz/budget/2009/ise/v1/ise09-v1-intro.pdf>

## What happens and when?

Key Task	Period
Departments discuss with their Minister(s) high-level outcomes and priorities, as well as the outputs required to deliver on these outcomes and priorities	September to February
Technical Estimates Guidance released	November/December
Estimates module available on CFISnet	December/January
Departments discuss proposed approach for reviewing Estimates documents with their Treasury Vote Team	February
Departments notify Treasury of core data requests for the Estimates	February
Departments finalise in CFISnet their Estimates documents content after engaging with the Minister and Treasury	April
Expected date for Cabinet Budget decisions	April
Vote Analysts OK Estimates documents and tables from departments for consistency with Budget decisions	April
Vote Ministers sign off on Estimates information from departments	April
Lead sector agencies email Treasury the Ministers' signed off sector overview	Late April
Treasury does final check to ensure that there have been no further changes to CFISnet since the Vote Minister signed off their chapter	Late April
Printed SOI required at Treasury's printer and electronic version for Budget CD provided to Treasury	May in advance of Budget day
Printing of Estimates documents	May
Budget Day	May

Departments should involve Vote Ministers and Offices early in the Estimates documents drafting process – the first time the Minister sees the document should not be when he/she is asked to sign it out. Departments should engage early with the Minister on key aspects of the content to allow time to build in the Minister's feedback. This could be done concurrently with SOI discussions and reporting.

## When do the Estimates have to be ready?

Ministers need to submit the Estimates for their Votes to the Minister of Finance's Office no later than 1pm on the due date. The date differs for forecasting departments because of the fiscal forecasts.

Please ensure that you read the associated Estimates Technical Guidance before you begin compiling your Estimates documents. You should also ensure you give yourself plenty of time to make this deadline. This guidance will be available on the PSI and Treasury websites. Release is planned for November to coincide with when the Estimates module is released.

## Additional guidance

Treasury has produced three technical guides on how to prepare Estimates, Information Supporting the Estimates, Supplementary Estimates and Information Supporting the Supplementary Estimates documents:

- **Statement of Intent - Guide to the Content and Production**– details the content requirements of the SOI. This guidance is available now.
- **Technical Guides** – *Estimates* and *Supplementary Estimates* on the content and the expected quality standards of the content for the *Estimates*, *Supplementary Estimates* and supporting information for both these documents. This guidance will be available in November 2009.
- **Style Guide** – guidance on formats and editing. This guidance is available now.

Following these guides is critical, as they impact on the overall consistency of the Estimates documents. The technical guides will be available once released on the PSI ([Home - Improving Accountability Information](#)), the Treasury website ([Estimates Technical & Style Guides - Treasury](#)) and on CFISnet.

## Style Guide

The Budget Style Guide has been released and should be followed. This ensures a final Budget product that is cohesive and consistent. You can find a copy of the Budget Style Guide here: <http://www.treasury.govt.nz/publications/guidance/budget/estimates/style>.

## Security and Electronic Copies

### Security arrangements with printers for hard copies

Until tabled on Budget day, SOIs are classified “Budget Sensitive”. Please note that each department is responsible for the security of their SOI (including, if necessary, its transport to the Treasury’s printers) until it is signed over to the Treasury’s printers for collation into the *Information Supporting the Estimates*. The following security rules apply to the printing of all “Budget Sensitive” documents. Please ensure that the contract with your printer includes the following rules:

- Access to the area where the documents will be printed must be limited to authorised personnel.
- Security must be placed on the doors of the printer.
- All documents (tapes, disks, page-proofs, or photographic plates) must be locked away when not being used.
- Completed documents must be stored in security safes until delivery.
- All deliveries must be accompanied by a security guard and a designated person must sign for the documents.
- All waste must be shredded.
- Email should not be used to deliver electronic versions of SOIs between the printers, design companies or departments.

No visitors are allowed into areas where Budget-related printing is being carried out. A list of authorised departmental personnel is to be supplied to the printer. Only those named people may be allowed to visit.

If the department wants to have copies of their own SOI in their agencies prior to Budget day, then they need to ensure they comply with the above security requirements and the Chief Executive needs to accept responsibility for any accidental release of information before budget reading. All copies held by the agencies within their department prior to Budget day would need to be tracked and carefully managed to limit any potential release.

### **Electronic copies**

The Treasury requires an Adobe PDF file copy the SOI for the electronic version of the Information Supporting the Estimates of Appropriations to be included on the Budget CD-Rom.

Departments must supply an Adobe PDF version of the SOI that is low resolution (150 dpi) and includes the document's cover page. The file size of the PDF should be less than 600 KB, but for large SOIs (more than 80 pages) a maximum of 1.2 MB is permissible. Delivery should be by SEE Mail to [performanceinfo@treasury.govt.nz](mailto:performanceinfo@treasury.govt.nz) or by safe-hand delivery on disk. The deadline for delivery of the Adobe PDF copy of the SOI is the same as for delivering printed copies to Treasury's printers.

The Minister of Finance has powers to prescribe minimum publication requirements for reports prepared under the Public Finance Act 1989. We do not propose to ask the Minister to apply this power to SOIs, but we encourage all departments to electronically publish their SOIs according to the practice recommended in the New Zealand Government Web Standards at <http://webstandards.govt.nz>. Almost all departments currently publish these documents on their websites.

### **Security arrangements for electronic copies**

SOIs are classified "Budget Sensitive" and therefore should never be sent electronically by email unless both sender and recipient are using the SEE Mail system which secures electronic mail between participating government agencies (including Ministers' offices).

External designers and printers are not on SEE Mail, so safe hand delivery on disk by courier must be used to deliver electronic copies of the SOI. Any department that is not on SEE Mail must always use safe-hand delivery of MS Word, Adobe PDF and other electronic copies of the SOI even to the Treasury and Ministers' offices.

### **Sign Off**

Sign off sheets for departments and Vote Ministers will be available as templates on CFISnet, under the 'Treasury Circulars' menu. These templates will be released soon and we will inform departments when we do.

Departments should ensure that their Minister, or another Minister with authority to approve the documents, is available to sign off all of the Estimates documents on or before the deadlines. It is therefore essential that Treasury receive confirmation that the Vote Minister has signed off on, or before, the dates specified to ensure the smooth and timely production of the Budget documentation.

### How do I do it?

The key requirement when departments sign off the documents is the **accuracy** of the text and tables. This includes factual accuracy (eg, output classes are correctly specified) and technical accuracy (eg, the numbers include all the decisions made to date, and they add up).

Note that the final version number in CFISnet must be the same as the version number the Vote Minister signs off.

## Budget Legislation

### Appropriation Acts (Core Estimates and Supplementary Estimates)

It is very important that all Estimates numbers loaded into CFIS are correct as these are the numbers that will be used in compiling the legislation and will be introduced into Parliament. Once the legislation is finalised changes are very difficult to incorporate. In Budget 2009 some errors in the Estimates were identified late in the process. It is important that the numbers receive adequate QA, including checking actual outturns for the current financial year with the numbers for the current financial year in the Supplementary Estimates.

Departments should also submit information for appropriations affected by Sections 21 or 32A of the Public Finance Act.

### What happens and when?

Key Task	Period	Additional Information
Departments with Appropriations affected by Sections 21 or 32A of the PFA submit information to Treasury	Early April	Also included in the timetable for the Estimates
Legislation prepared by Treasury and PCO based on numbers included in the Estimates	May	

### How do I do it?

#### a Revenue Dependent Appropriations (Section 21 of the PFA)

Departments with revenue-dependent appropriations (RDA) approved by the Minister of Finance should complete the template (available on CFISnet, under the 'Treasury Circulars' menu) and upload to CFISnet so they can be listed in a schedule to the relevant Appropriation Bill.

A RDA is a departmental output expense appropriation authorised under section 21 of the PFA that allows a department to incur expenses up to the amount of revenue earned by the department from the supply of a specified class of outputs.

### CFISnet Information

Departments are requested to complete the template and upload to CFISnet using the general upload area:

CFISnet ⇒ Info ⇒ Upload a file to CFISnet

Please include “section 21” in the comment field to allow us to identify the relevant documents. No response is considered a ‘nil’ return. Treasury Vote teams will discuss the content of the submission with departments in advance of the submission date. Departments should email their Vote Analysis once they have uploaded the template.

When submitting the template, departments should include a reference (eg, Cabinet Minute or letter) confirming the Minister of Finance has approved the use of an RDA for each specified output class. The requirements and process for obtaining the Minister of Finance’s approval for an RDA are set out in Treasury Circular 2007/05.

#### b Non-Departmental Appropriations for which a Statement of Service Performance or Statement of Results is Required (Section 32A of the PFA)

Departments administering non-departmental appropriations, for which a Statement of Service Performance or Statement of Results is to be required at the end of the financial year (in accordance with section 32A of the PFA), need to provide a list of the relevant appropriations to Treasury for inclusion in a schedule to the Appropriation Bill. A template for this purpose is available on CFISnet (under the ‘Treasury Circulars’ menu). The template should be **uploaded** to CFISnet.

The criteria used to determine which eligible appropriations should be reported under section 32A have traditionally been based on recommendations made by the Finance and Expenditure Select Committee (FEC). Up until now, the Government has been guided by FEC’s 1991 recommendation that section 32A should apply to any non-departmental output expense appropriation over \$1 million where more than 50% of the expenses are expected to be incurred by entities that are not already required by an Act to report on service performance to the House.

Amendments to the Public Finance Act in 2004 have, however, significantly expanded the range of appropriations that could be reported under section 32A, to include potentially any non-departmental appropriation or part thereof. Encouragingly, a handful of Non-Departmental Other Expense or Capital Expenditure appropriations have been listed to report under section 32A as a result, even without updated expectations from FEC.

FEC is now considering a new set of criteria for determining which appropriations should be reported under section 32A, but had not reported back to the Minister of Finance by the time this guide was prepared. Treasury will separately advise departments of the criteria to be applied for the 2010/11 financial year, once the Minister has heard back from FEC. We anticipate that any new reporting expectations will be phased in over the next couple of years, to allow time for departments to develop the necessary performance measures and forecasts.

### CFISnet Information

Departments are requested to complete the template and upload to CFISnet using the general upload area:

CFISnet ⇒ Info ⇒ Upload a file to CFISnet

Please include “Section 32A” in the comment field to allow us to identify the relevant documents. No response is considered a ‘nil’ return. Treasury Vote teams will discuss the content of the submission with departments in advance of the submission date.

### March Baseline Update

**Statutory requirement:** section 17 (1)(a) of the PFA “if information about an appropriation or department was provided in the Estimates for the same financial year, state any changes to the information about that appropriation or department...”

### What happens and when?

Key Task	Date for Completion*	Additional Information
Treasury Vote Teams discuss specific requirements for MBU with their departments.	February	
Last date for coredata changes to be submitted to CFISnet for MBU.	February	
Submissions developed by departments and changes to baseline entered into CFISnet.	March	Departments enter data into CFISnet and lock.
Submission to the Minister of Finance.	March	Ministers provide two hard copies of their submission to the Minister of Finance by <b>1pm</b> .
Final date for Treasury Vote teams to advise of status of update.	March	
Minister of Finance notifies Ministers of the outcome of the update.	March	The Minister of Finance will send each Minister a letter advising of the outcome

### How do I do it?

A template for the respective Ministers’ submission to the Minister of Finance will be available on CFISnet (under the ‘Treasury Circulars’ menu) in early 2010 along with the specific deadlines for submissions.

The guidelines for joint ministerial changes to baseline were changed in September 2009. Cabinet Office Circular CO (02) 17 has been replaced by CO (09) 6. Ministers and departments should ensure that the proposed technical changes can be approved by Joint Ministers under their delegated authority outlined in Cabinet Office Circular CO (09) 6. The key changes in the new circular which are of relevance to the MBU are:

1. FNAs between departmental and non-departmental appropriations no longer automatically require Cabinet approval. Instead, they should be considered against the 'significant policy issues' criterion in CO (09) 6 and if they are technical in nature they may be agreed by joint Ministers in the OBU, and
2. Forecasting changes: the guidelines for determining whether an item should be treated as a forecasting change have been changed slightly. Departments should consult with their Treasury Vote Analyst if they are unsure of the appropriate classification.

Any changes that cannot be agreed under CO (09) 6 will need to be considered separately by Cabinet. You can discuss these particular cases with your Vote Analyst. In many cases the changes will be able to be considered alongside the financial recommendations in the Budget Cabinet paper. Changes that cannot be agreed under CO (09) 6 and require additional funding should be considered by departments during the baseline realignment stage of the Budget process.

Any changes that cannot be agreed under CO (09) 6 will be recorded in the Minister of Finance's response letter to Vote Ministers. Those changes that can be considered by Cabinet as part of the Budget Cabinet paper should be submitted alongside the financial recommendations via the *Baseline Alignment Proposal* document. Treasury, through the Fiscal Management team, will enter the recommendation to the CFISnet module.

Departments should discuss any potentially contentious issues with their Treasury Vote team as early as possible, so these can be resolved in advance of the Vote Minister submission.

Proposed changes should be explained in the Vote Minister's submission as follows:

Change type	Explanation contained in Vote Minister submission
Cabinet decisions	No explanation required, but relevant Cabinet Minute and title of Cabinet Paper <b>must</b> be recorded in the Table 2 attachment.
- Technical adjustments - Fiscally neutral adjustments - Expense or Capital Transfers	One short paragraph for each change, in line with requirements specified in CO (09) 6
Forecasts	A short paragraph outlining the factors in the forecast change.
Return of savings	A short paragraph outlining the savings.

#### a Forecasting changes

Treasury Vote teams will contact departments to discuss whether a revised forecast is necessary and any information requirements additional to the short paragraph description in the Vote Minister submission. This additional information should be provided directly to the Vote team by the department and need not be included in the Vote Minister submission.

CO (09) 6 describes the process around forecast changes in more detail. Not all forecast changes are agreed automatically and departments should consider whether it is appropriate to absorb the cost changes from within baselines. The circumstances outlining whether forecasting changes should be met from within baselines are described in CO (09) 6.



b Expense and Capital Transfers - Approval in principle

Expense and Capital Transfers (ECTs) are the only MBU changes that can be approved in-principle. In-principle ECTs should be sought where the final amount of ECTs cannot be finalised until **after** the due date for MBU submissions (eg, amounts will only be known when accounts are audited).

In order for the fiscal forecasts to be as accurate as possible, and as noted in CO(09) 6 Ministers should limit the scope of in-principle ECTs as much as possible. This means that they should transfer the proportion of funding they are sure of and only use an in-principle transfer for the remainder. When updating forecast information, departments should use their best estimate of the actual spending patterns.

These transfers do not constitute sufficient authority to incur expenses until the actual amount is *confirmed and agreed* by Joint Ministers, normally in the following October Baseline Update. The level of parliamentary authority is now monitored on a monthly basis by the Controller and Auditor General. Any expenditure incurred without authority (in this case, any expenditure incurred in relation to these transfers prior to obtaining confirmation of the quantum approved) will be reported as unappropriated and will require validation by Parliament.

For more information see Treasury Circular 2006/4 *Unappropriated Expenditure - Avoiding Unintended Breaches*.

Please note, confirmations of in-principle transfers are limited both by the level of remaining appropriation, as well as the revenue associated with the output. This has caused problems for departments, in particular those with Revenue Other appropriations.

## Budget Economic and Fiscal Update

**Statutory requirement:** section 26O of the PFA: “the Minister must, in accordance with subsection (2), present to the House of Representatives, an economic and fiscal update prepared by the Treasury for each financial year”

The Budget Economic and Fiscal Update includes fiscal forecasts for the year to which the update relates (estimated actual forecasts) and the subsequent four years.

### What happens and when?

Key Task	Period
Departments submit preliminary fiscal forecasts to Treasury via CFISnet	March
Departments submit final fiscal forecasts and supporting elimination documents to Treasury via CFISnet	April
Departments submit Statement of Representation	April
Departments confirm contingent liabilities disclosure based on 31 March actuals to Treasury	April

## Fiscal Forecasts

The following CFISnet schedules are required for the 2010 Budget Economic and Fiscal Update five-year forecast and March Baseline Update.

Schedule Reference	Description	Outyears to be completed
1:50:0, 1:70:0	Statement of Financial Performance (interim and annual)	0 to 4
1:50:1, 1:70:1	Notes to Statement Financial Performance	0 to 4
1:51:0, 1:71:0	Statement of Financial Position (interim and annual)	0 to 4
1:51:1, 1:71:1	Notes to Financial Position - non Financial Instruments	0 to 4
1:51:2, 1:71:2	Notes to Financial Position - Financial Instruments	0 to 4
1:52:0, 1:72:0	Statement of Cash Flow (interim and annual)	0 to 4
1:53:0, 1:73:0	Department reconciliation of expenses and appropriations	0 to 4
1:53:1	Department reconciliation of operating income and output revenue	0 to 4
1:56:0, 1:76:0	Stats schedule	0 to 4

Please note the following schedules are **not** required for the five year forecast:

Schedule Reference	Description
1:51:3, 1:71:3	Notes to Financial Position - non Financial Instruments (annual)
1:51:5, 1:71:5	Notes to Financial Position - Liquidity Analysis (annual)
1:51:6, 1:71:6	Notes to Financial Position - Financial Instruments (annual)
1:54:0, 1:74:0	Commitments, Contingent A&L (interim and annual)
1:57:0, 1:77:0	Trust accounts

All information submitted must comply with Crown accounting and forecasting policies outlined in Treasury Instructions.

The schedule line dictionary and the schedule line rule definition listings (under the data menu) are useful tools to help complete the CFISnet schedules. In addition there is a FAQ section on CFISnet. We always welcome your questions and feedback.

The forecast information provided via the CFISnet schedules should be prepared on a basis of best professional judgement, reflecting information and circumstances at the date the forecasts are provided.

As forecasts should reflect best estimates, they will typically differ from appropriations as appropriations represent upper spending limits, not estimates of expected spending.

The following table identifies where best estimates are required for MBU, Supplementary and Budget exercises and where approved appropriation amounts (upper spending limits) are required.

Exercise	MBU	MBU	Supplementary	Budget	Budget
Exercise No.	346	346	348	349	349
Outyear	0	1 – 4	0	0	1 - 4
Vote Specific Schedules	Approved Appropriation	Approved Appropriation	Approved Appropriation	Best estimates	Approved Appropriation
Common Schedules	Best estimates	Best estimates	Best estimates	Best estimates	Best estimates

Note that only Budget exercise 349 uses best estimates for the Vote specific schedules, and even then only for outyear 0. This is because these numbers are used to populate the “estimated actual” data in the core Estimates. In all other cases, completion of the reconciliation schedule below will be required.

As with the previous years we will be reporting back to departments after year end regarding the accuracy of the fiscal forecasts compared with actual results.

### Department Reconciliation of Expenses and Appropriations

CFISnet schedules 1:53:0 (for Departmental) and 1:73:0 (for Non-Departmental activities) are used to reconcile the differences between total appropriation expenses in the Vote specific schedules and the mid-point forecasts reported in the common schedules (schedules 1:50:0 and 1:70:0). Such differences should be reported in lines 110 to 165 of the reconciliation schedules. A separate line should be used for each significant<sup>4</sup> adjustment and the text description field used to identify the relevant appropriation. Less significant adjustments can be aggregated into one line. Refer to the sample reconciliation below.

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<sup>4</sup> As a guide, adjustments greater than +/- \$50 million would usually be considered significant.

**Dept Reconciliation of Expenses and Appropriations (interim and annual) : Common Schedule (\$'000s)**

Line		308:0:6
5	Total expenses appropriated	800,000
20000	<b>RECONCILING ITEMS</b>	
20010	<b>Remeasurements</b>	
10	detailed input line	0
15	detailed input line	0
...	...	...
70	detailed input line	0
75	detailed input line	0
99	Total remeasurements	0
20020	<b>Other adjustments not appropriated</b>	
110	detailed input line	-60,000
115	detailed input line	-55,000
120	detailed input line	-25,000
125	detailed input line	0
...	...	...
160	detailed input line	0
165	detailed input line	0
199	Total other adjustments not appropriated	-140,000
299	Total reconciling items	-140,000
399	Total expenses per Operating Statement	660,000

**Sample Text Descriptions:**

"F/cast adj to Policy Advice" appropriation  
 "F/cast adj to Services for XYZ" appropriation  
 "Other f/cast adj across approps"

**Department Reconciliation of Operating Income and Output Revenue**

CFISnet schedule 1:53:1 (for Departments) is used to reconcile the differences between total output revenue in the Vote specific schedules and the best estimate forecasts reported in the operating statements (schedule 1:50:0). Such differences should be recorded in one of the three different sections of the schedule: Revenue Crown (lines 10 to 40), Revenue Department (lines 210 to 240), or Revenue Other (lines 410 to 440), depending on the nature of the difference.

It is expected that in most, if not all, instances the total forecast adjustment across all revenue types in schedule 1:53:1 will offset the forecast adjustments to expenses in schedule 1:53:0.

**Statement of Representation**

The Minister of Finance and the Secretary of the Treasury are jointly required to sign a Statement of Responsibility to the effect that the Budget forecasts fairly reflect the forecast operations and fiscal position of the Government. In signing that Statement, the Minister of Finance and the Secretary of the Treasury rely on assurances provided by Chief Executives and Chief Financial Officers.

Accordingly, a signed Statement of Representation needs to be sent to Treasury once the final CFISnet schedules are submitted. To help Chief Executives and Chief Financial Officers gain assurance around the forecasts supplied, we recommend you review the CFISnet Summary Financial Statements report.

## Inter-Entity Eliminations

The elimination framework is available at:

<http://www.treasury.govt.nz/publications/guidance/finmgmt-reporting/accounting>.

Please note this framework applies to all exercises including forecast tracks. Please take the time to refamiliarise yourself with this framework.

## Financial instruments

To enable inter-entity financial instruments to be eliminated (refer eliminations framework) information is collected by spreadsheet for the following transactions:

- Government stock balances (excluding non-market holdings)
- Crown entity or SOE debt greater than \$10 million
- Air New Zealand shares, and
- derivatives where the book value is greater than \$1 million.

The spreadsheet is on CFISnet's homepage under 'CFISnet links', and is to be uploaded to Treasury with each completed exercise.

The spreadsheet can be uploaded into CFISnet as follows:

- Info > Document Sharing > Upload or Download a Document and select the "Elimination – Transactions with Depts, SOEs and CE" process.

## Other eliminations

Eliminating inter-entity transactions and balances is critical to our consolidation and we would like to reinforce the importance of ensuring:

- elimination entries are correctly identified and recorded in the correct lines and the text column is used to identify the specific entity for all inter-entity lines. This is especially important for financial instruments (including derivative contracts). Refer above for a link to the elimination framework
- entities agree funding flows with other Crown reporting entities
- the financial instruments elimination spreadsheet is completed and submitted on time as mentioned above
- the text column in the DataLoad is used to identify the other entity when necessary (as outlined in the schedule line dictionary), and
- where "Detailed Input" lines are used, a brief comment in the text column should be provided to indicate what the item relates to and who it is with.

Pro-forma confirmation letters can be downloaded from Circulars section in CFISnet (and amended as necessary) to confirm funding flows of \$10 million or greater for the forecast exercises with other Crown reporting entities. The confirmation letters do not need to be sent to Treasury.

## Budget Monthly Forecast Tracks

Forecast Tracks for April and May 2010 will be required in May. These tracks will be based on estimated actuals information submitted as part of the Budget 2010 exercise.

Given the forecast tracks are collected close to the end of the fiscal years we would expect there to be a high degree of accuracy in the forecasts tracks.

In addition, forecast tracks for September and October will be derived from the Budget 2010, outyear 1 year forecast. These forecast tracks will be collected in May.

## Fiscal Risks

**Statutory requirement:** Section 26U (1), (2) & (3) of the PFA refers to disclosure of policy decisions and other circumstances that may influence future fiscal situation

### Introduction

A new process has been developed for the collection of fiscal reporting information and how decisions are made on what is to be published in EFUs. There are three phases to the new process: collection, decision, and production.

- In the collection phase existing fiscal risks are updated and information on new material matters that may affect the forecasts is collected (within broad criteria)<sup>5</sup> from a range of sources. The information collected is then presented to Treasury's Fiscal Risks Committee.
- The Fiscal Risks Committee considers the updated risks and new matters and decides whether a matter is material or certain enough to be included in the forecasts, or it should be published as a risk, or excluded altogether.
- In the production phase the risks are either incorporated into the forecasts or are published in a "Risks to the Forecasts" chapter of the EFU.

### Criteria and Rules for Fiscal Risk Reporting

By requiring disclosure of decisions and circumstances except as expressly exempted by the Act, the PFA has a strong bias towards full disclosure. This has led to the adoption of a hierarchical system for considering how matters with a material effect on the fiscal and economic outlook are disclosed. The presumptive position is that all matters with a material effect are to be included in the forecasts. However, if the Treasury's criteria for inclusion in the forecasts are not met, matters are then to be considered for disclosure in the statement of SFRs. Three sets of criteria have been developed, which will be considered sequentially to determine whether any given matter is to be included in the forecasts, disclosed as a risk in the statement of SFRs, or finally, excluded from the EFU. Treasury has reviewed the existing criteria and rules used to determine whether matters should be included in EFUs against the requirements of Part 2 of the PFA. The main change affecting departments in the revised process is that they are now required to inform the Treasury of all matters that may have a material effect on the fiscal and economic outlook, that are in excess of \$10 million in any one year and that are *realistically possible*.

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<sup>5</sup> More than \$10 million in any one year and realistically possible (better than 10% chance) that it will be approved/occur.

The revised criteria and rules are:

<p><b>INFORMATION TO BE COLLECTED FOR CONSIDERATION BY RISKS COMMITTEE</b></p> <p>Matters that:</p> <ul style="list-style-type: none"> <li>• have an impact of more than \$10 million in any one year, and</li> <li>• it is <b>realistically possible</b> (better than 10% chance) that the matter will be approved or occur.</li> </ul>
<p><b>INCLUDE IN FORECASTS</b></p> <p>Matters for which:</p> <ul style="list-style-type: none"> <li>• a decision has not yet been taken, but it is <b>reasonably probable</b> (better than 50% chance) the matter will be approved (<i>matters requiring decision only</i>), or</li> <li>• it is <b>reasonably probable</b> (better than 50% chance) the situation will occur (<i>matters not requiring decision</i>), and in either case</li> <li>• the impact of the matter can be quantified for or assigned to particular years with reasonable certainty, and</li> <li>• the impact is more than \$10m in one year.</li> </ul> <p><i>Any other matters</i> that the Secretary considers, using his or her best professional judgement, may have a material effect on the fiscal and economic outlook and are certain enough to include in the fiscal forecasts.</p>
<p><b>DISCLOSE AS SFRs</b></p> <p>Matters for which:</p> <ul style="list-style-type: none"> <li>• the impact is more than \$10million in one year, and</li> <li>• a decision has not yet been taken, but it is <b>reasonably possible</b> (between 20% and 50% chance) the matter will be approved (<i>matters requiring decision only</i>), or</li> <li>• it is <b>reasonably possible</b> (between 20% and 50% chance) the situation will occur (<i>matters not requiring decision</i>), or in either case</li> <li>• the impact of the matter <u>cannot</u> be quantified for or assigned to particular years with reasonable certainty.</li> </ul> <p><i>Any other matters</i> that the Secretary considers, using his or her best professional judgement, may have a material effect (greater than \$10m) on the fiscal and economic outlook but are not certain enough to include in the fiscal forecasts.</p>
<p><b>EXCLUDE FROM EFU</b></p> <p>Matters that:</p> <ul style="list-style-type: none"> <li>• have an impact of less than \$10million in one year, or</li> <li>• it is <b>unlikely</b> (less than 20% chance) the matter will be approved/occur, or</li> <li>• covered by PFA s26V (see page 4 for details)</li> </ul>

### Submission of New Risk information

Departments are to advise their Treasury Vote Team **by 14 October 2009** of all changes to the status of the fiscal risks for their department published in BEFU 2009 and any new matters of which they are aware that may have a material effect on the economic and fiscal outlook, provided:

- the matter will have an impact of more than \$10 million in any one year, and
- it is **realistically possible** that the matter will be approved or occur. *Realistically possible* is to be taken to mean that in the judgement of the department, the event has more than a 10% chance of being approved or occurring during the forecast period.

These criteria are significantly broader than the previous criteria for the reporting of SFRs by departments (please note that there is no longer an “under active consideration” criteria). If departments are in doubt as to whether or not to disclose a matter, they should disclose it. Matters to be disclosed include (amongst others):

- Matters within Crown Entities for which the department has monitoring responsibilities.
- Matters funded by 3rd party revenue for which the Crown may have a liability should the revenue collected be insufficient to maintain services.
- Matters that were previously not disclosed as they failed to meet the “under active consideration” criteria.
- Matters that were previously disclosed as Time Limited Funding.

The fiscal impacts of decisions already taken are to be included in departments’ forecast financial schedules (via CFISnet). Only matters for which a decision has not yet been taken, or for which a decision is not required are to be disclosed through the fiscal risks reporting process.

The criteria for the initial collection of information are necessarily broad. The test that will be applied by Treasury’s Fiscal Risks Committee for including matters in the EFU as a fiscal risk is narrower. It is based on the judgement of the committee that the matter has a reasonable likelihood of occurring and could be expressed as a 20% chance. This means that some of the matters identified by departments may be excluded from disclosure by the committee.

The following information is to be provided to Treasury Vote Teams by departments for each new matter identified (not more than one page for each matter):

- a title that is concise but sufficiently informative to both uniquely identify the matter and provide an indication of its substance. The title is to be of a standard that could be published in an EFU
- a description that provides a similar degree of information previously provided for SFRs. The description should concisely (in 5-10 lines) describe the nature of the matter, what actions the Government is taking or planning to address the matter, and the impact the matter would have on the operating balance and/or debt. The description is to be of a standard that could be published in an EFU
- likely operating and capital costs across the forecast period (and beyond if appropriate) and where possible the specific years the costs would be assigned to



- information on:
  - how far advanced the policy work is
  - how aligned the matter is to government priorities
  - what indications of support for the matter the Government has made (including public announcements)
  - any signals from the Government that the matter will occur (including public announcements)
  - the department's past experience and precedents in this area or with similar matters
  - any lack of discretion around the matter (eg, legislated entitlements)
- whether the matter should be considered for exclusion from the EFU on the basis of the grounds set out in section 26V of the PFA as disclosure is likely to:
  - prejudice the substantial economic interests of New Zealand, or
  - prejudice the security or defence of New Zealand or the international relations of the Government, or
  - compromise the Government in a material way in negotiation, litigation, or commercial activity, or
  - result in material loss of value to the Government
- whether or not the Minister of Finance (or his or her office) has been advised of the matter, and if he or she has, how this was done (cabinet paper, discussion document, aide memoire, e-mail etc).

Departments are to certify in their Statement of Representation (**by 19 October 2009**) that they have disclosed to the Treasury all matters in the Votes for which they are responsible that may have a material effect on the fiscal and economic outlook.

## Contingent Liabilities

Contingent liabilities are costs that the Crown will have to face if a particular event occurs, eg, guarantees and indemnities, legal disputes and claims, and uncalled capital. We include contingent liabilities in the Fiscal Risks chapter under a separate heading. Contingent liabilities which are reported in the 31 October 2009 monthlies (were due from departments on 10 November) will be used for the 2009 HYEFU. The HYEFU will separately disclose contingent liabilities that are greater than \$10 million (GST excl). The write-up information disclosed will be based on the contingent liability narrative disclosures in the 30 June 2009 Government Financial Statements. Where relevant, Treasury Vote Teams will provide departments with a draft of the proposed disclosures on 12 November. Departments are requested to check the wording and update the numbers to match the 31 October position, and advise their Vote team of any changes by **5pm Friday 20 November 2009**. Please note that the responsibility for identifying and disclosing litigation risks as contingent liabilities rests with the department, not with Crown Law when they are taking the action on the behalf of departments.

## Time-limited Funding

Treasury previously published information on Time-limited Funding in a separate section of the SFR chapter to increase transparency about initiatives with funding profiles that cease or decrease over the funding period. We published those that cease/decrease and may or may not be extended, eg, pilot programmes. We did not publish those that cease for a specific reason, eg, one-off publicity expenses associated with the rollout of a policy.

This information is no longer disclosed in a separate section of the chapter. It is now incorporated into the wider statement of fiscal risks. Consequently, there is no requirement for departments to provide a separate TLF return. Information on TLF that may continue is to be submitted as a normal matter for consideration by the Fiscal Risks Committee.

### Where can I get more information?

The Treasury website (<http://www.treasury.govt.nz/budget/forecasts>) contains further information about the Economic and Fiscal Updates.

## Media Statements

This section focuses on drafting and quality assuring numbers in media releases.

For OIAs, please refer to your departmental policies on responding to OIA requests. Treasury and departments should inform each other if a Budget-related OIA request has been received. This enables cross-government coordination of responses as Budget requests are seldom lodged in only one area.

Hotline, Lockup and Technical Briefing guidance will be provided directly to departments and Vote Teams as necessary.

### How do I do it?

The Minister of Finance's office issues detailed guidance to press secretaries on preparing media releases. This guidance is issued in April, soon after Cabinet signs off on the Budget Package.

The main guidelines for presenting numbers in media releases are:

- i For initiatives with ongoing costs, present the numbers as a four-year total, ie, showing the impact over 2010/11 to 2013/14. If there is a cost in the current 2009/10 year, this should not be added to the four-year total but referred to separately.
- ii For initiatives with funding that has a specific start and end date, present the numbers as a total for that specific period.
- iii For an initiative that has both operating and capital funding, present the total for the operating component over the four years 2010/11 to 2013/14 and the total for the capital component over the specific period it is provided.
- iv Millions of dollars should be rounded to one decimal place. The exception is if you are referring to amounts less than \$1 million or to specific one-off funding.

The Budget Package Cabinet Paper and Minute include an annex with the operating balance and/or debt impacts of all agreed initiatives. A version of this, broken down by Minister, is distributed by the Minister of Finance's Office to the press secretaries in all Vote Ministers' offices at the same time as the guidance material. This should be used when drafting media releases to ensure consistency of numbers.

### **Where can I get more information?**

Contact your Treasury Vote team for further information about Budget information for the Media, MPs and the public.

## Glossary

Abbreviation	
BEFU	Budget Economic and Fiscal Update
BPS	Budget Policy Statement
Dept	Department
DPMC	Department of Prime Minister and Cabinet
FM Systems	Financial Management Systems
FM	Fiscal Management
FR	Fiscal Reporting
FSR	Fiscal Strategy Report
HYEFU	Half-year Economic and Fiscal Update
MBU	March Baseline Update
OBU	October Baseline Update
PFA	Public Finance Act
SFR	Specific Fiscal Risks
SOI	Statement of Intent
SSC	State Services Commission
VA	Vote Analyst
VM	Vote Manager
VT	Vote Team

## Timeline Details

This timeline will be updated early in 2010 with exact dates once the Budget date has been agreed and all the due dates have been finalised. Dates that will be updated are given an indicative month in italics.

<b>Task</b>	<b>Date</b>
Advise Treasury Vote Team of changes to Fiscal Risks	14 October 2009
Statement of Representation due	19 October 2009
Changes to wording and numbers of contingent liabilities due	20 October 2009
Detailed Examination of Votes (where additional funding requested) due to Minister of Finance's office and in CFISnet	1pm 30 November 2009
Detailed Examination of Key Social Sector Votes	21 December 2009
Capital Initiative Proposals due	1pm 5 February 2010
Discuss approach for reviewing Estimates with Treasury Vote team	<i>February</i>
Last date for coredata changes to be submitted to CFISnet for MBU	<i>February</i>
Notify Treasury of coredata requests for Estimates	<i>February</i>
Initiatives from Baseline Alignment Proposal due in CFISnet	1 pm 8 March 2010
Technical MBU changes entered into CFISnet and locked	<i>March</i>
2 hard copies of MBU submissions due to the Minister of Finance	<i>March</i>
Submit preliminary fiscal forecasts to Treasury via CFISnet	<i>March</i>
Departments with appropriations affected by Sections 21 or 32A of the PFA submit information to Treasury	<i>Early April</i>
Agree content of Estimates with Vote Minister and Treasury and finalise documents in CFISnet	<i>April</i>
Ensure Vote Minister has signed off Estimates information	<i>April</i>
Final fiscal forecasts and supporting elimination documents due in CFISnet	<i>April</i>
Advise Treasury Vote Team of changes to Fiscal Risks	<i>April</i>
Statement of Representation due	<i>April</i>
Printed Statement of Intent required at Treasury's printer	<i>May (before Budget day)</i>

# Annex 1

**Vote [name(s)]**

## Baseline Alignment Proposal

Version [1]

[Date]

Submitted by:

**[Vote Minister's name]**

## Section 1: Alignment to Government Priorities

Use this section to set out what the Minister intends to achieve in his or her Vote over 2010/11 and the next two financial years.

Please keep the discussion at a high level (1-2 pages of plain English). The intention of this section is to ensure that the Minister's colleagues can understand and test the priorities of the Minister and why those priorities have been chosen.

The information in this section will be used to assess the merit of the proposed reprioritisation in section 2.

Please discuss:

1. What the Minister intends to achieve.
2. How the Minister's intentions fit with:
  - a. the strategic direction of the Government as agreed at Premier House, and
  - b. The Minister's priorities as set out in the exchange of letters with the Prime Minister.
3. What are the critical things that have to happen to achieve what the Minister intends? This explains the logic of *how* the Minister intends to achieve their priorities.
4. What risks (fiscal and policy) are associated with the Minister's intentions? Could the services/outputs be increased or decreased if needed?
5. What has to wait? ie, something that is a priority but that is being deferred until Budget 2011 or later.
6. What is the Minister choosing *not* to do? Because this section sets out what the Minister is actively choosing to do, it may be useful to set out which current priorities or other opportunities are *not* part of the Minister's intentions (eg, because they are lower priority or not aligned with government priorities).

## Section 2: Reprioritisation

Use this section to set out in detail (3-6 pages) what has to change in the Vote to achieve the priorities in section 1, within the total operating funding (baseline plus share of operating allowance) available to the Vote.

### What would be new or different?

Please include 1-2 paragraphs for each new, different or increased activity that the Minister is proposing within the Vote.

For each new or different activity, please discuss:

1. What exactly is new or different compared to what is currently being delivered?
2. The contribution of the activity to what the Minister intends to achieve (ie, as set out in section 1).
3. Summary of information supporting the proposed changes (see next paragraph).

For the information referred to in point 3 (above), the analysis that supports a proposed change in activity should be appropriate to the significance of the proposal. This analysis does *not* need to be included in full in this template. Analysis supporting a proposed change should cover the basic questions of intervention logic; options analysis; and how the new activity will be implemented and evaluated. In some cases, a full business case will be appropriate.

### What would stop or decrease?

Please include 1-2 paragraphs for each activity that the Minister is proposing to *cease* or *decrease* within the Vote.

For each activity, please discuss:

1. The reason why the activity is of lower value or not aligned with priorities (ie, why it does not align with the priorities in section 1).
2. What are the effects of stopping or decreasing the activity? Are there risks and if so, do they need to be mitigated?



### **Section 3: Summary of Financial Movements**

This section details the changes to appropriations (including new appropriations) which are required to deliver the reprioritisation set out in section 2.

The changes to appropriations resulting from reprioritisation should not have an overall *net* fiscal cost. This is because the purpose of this template is to propose how the Minister's baselines will be used. This template is *not* used to bid for a change in the size of the baseline overall.

**Departments should generate this report from CFISnet.**

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BM-2-2-2011

29 October 2010

Treasury Circular 2010/13

Unrestricted Distribution

Chief Executives  
Directors of Finance/Chief Accountants  
Senior Private Secretaries  
Policy Managers  
Planning Managers

Contact for Enquiries: Departmental Treasury Vote Analysts or Vote Managers  
Ministerial Offices: Economic Advisors – Office of the  
Minister of Finance

**BUDGET 2011: RELEASE OF PROCESS AND TECHNICAL GUIDE FOR DEPARTMENTS**

1. This circular sets out:
  - **The key features for Budget 2011:** This includes an outline of the Four-year Budget Plan process, replacing the Baseline Alignment Proposals from Budget 2010.
  - **Other information related to the 2011 Budget:** This circular also outlines fiscal forecasting advice, future guidance and a timetable with key dates for the remainder of 2010.
2. This circular is available on CFISnet and we ask CFISnet users to please ensure it is appropriately distributed and handled within your department.
3. The guidance for Budget 2011 contains two parts:
  - Part one is the overview section, which outlines the roles and responsibilities of the key players in the budget process and gives an overview of the entire process. It is aimed at Ministers, their offices and departmental officials of all levels who want to understand the budget process as a whole and how its components fit together.
  - Part two is aimed at officials preparing budget documents who need to understand the detail and technicalities of the process and preparation of

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budget documents. Information is given about timeframes and deadlines, and how to go about undertaking the tasks required.

4. The guidance is available on CFISnet as an attachment to this circular. This guidance is a live document, and will be updated electronically if there are any changes to the process or timing. Treasury will notify you via CFISnet if and when changes occur.

## KEY FEATURES OF THE 2011 BUDGET

### Budget Process

5. The fiscal position continues to be challenging, with a large deficit recorded in 2009/10. It is expected that departments should look at their baselines as the first source of funding for any new priorities being agreed by their Minister(s), or if increased spending on existing programmes is proposed. As in Budget 2010, most Votes will not receive any *new* additional operating allocation over and above existing baselines.
6. The Budget process in 2011 builds on the changes introduced last Budget, but with a few revisions:
  - Baseline Alignment Proposals have been replaced by Four-year Budget Plans and will be the central input into the Budget decision-making process.
  - Four-year Budget Plans are expected to take a medium-term focus, rather than focus on short-term pressures and should focus on reprioritisation over the next four years in order to deliver on the Government's priorities and identify low value programmes within the Vote(s).
  - Four-year Budget Plans are also expected to cover capital expenditure over the forecast period and identify proposals that require a decision in Budget 2011. Vote Ministers can seek new funding for capital proposals, but no allocation has been set aside for operating expenditure associated with capital proposals.
  - Vote Ministers are asked to submit their Four-year Budget Plans by **1pm Wednesday 1 December 2010**.
7. As in Budget 2010, a panel of Senior Executives has been convened to provide input to the Treasury to inform their advice to Budget Ministers.
8. Budget Ministers will meet in December to discuss Four-year Budget Plans. Budget Ministers will make initial decisions on the Four-year Budget Plans in December to accept, decline or refer proposals to Cabinet or in some cases request further information. Through the months of January to March Cabinet will consider proposals that are referred by Budget Ministers. In April, the Minister of Finance will take a final set of recommendations to Cabinet for its consideration.

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### Four-year Budget Plans

9. A Four-year Budget Plan needs to be submitted by **all** Vote Ministers. The purpose of the Four-year Budget Plan is **not** to seek new funding, but to identify what the Vote Minister's priorities are, how they align with the Government's priorities and how the Vote Minister will use *existing* baseline funding (and any share of the operating allowance, for those receiving an allocation) to fund these priorities.
10. More detailed information on how to complete the Plan appears in the Budget guidance. The template is available on CFISnet as an attachment to this Circular. A hard-copy of the Four-year Budget Plan should be submitted to the Minister of Finance by **1pm Wednesday 1 December 2010**, and an electronic version should be uploaded to CFISnet to Document Sharing under the Process "Initiatives" by the same deadline.
11. Departments should enter an initiative for each proposed component of the reprioritisation in the Four-year Budget Plan. However, departments should enter initiatives at a sensible level of aggregation to provide visibility to Ministers over proposed changes. These initiatives have to be entered into CFISnet by **1pm Wednesday 1 December 2010**.

### Capital

12. The capital process has changed from Budget 2010. The Four-year Budget Plan should discuss capital expenditure over the next four years and include details of all capital proposals that are seeking new funding in Budget 2011 and how these contribute to the Government's priorities and objectives.
13. Departments should enter an initiative into CFISnet for all capital proposals seeking new funding in Budget 2011 by **1pm Wednesday 1 December 2010**. Information supporting capital initiatives should be provided via CFISnet on 1 December 2010 (either through the Word-based Initiatives Template or documents providing background analysis) to inform second opinion assessment by Treasury Vote Analysts for the Budget Ministers Process in December. The Word-based Initiatives Template is available on CFISnet as an attachment to this Circular.
14. Capital proposals seeking new funding will need to be supported by a business case. It is expected that capital proposals will be supported by a business case commensurate with the significance of the proposal and meet Cabinet's expectations on proposals as set out in the Cabinet Office Circular (10) 2. Business cases should be submitted by **1 pm Tuesday 8 February 2011** to support the Cabinet process.

### Fiscal Forecasts

15. Five-year fiscal forecasts, supplied along with the Estimates and baseline updates, are a crucial part of the Budget and fiscal management cycle. Consolidated forecasts inform Ministers about the affordability of the Budget package at the whole of Crown level.

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16. Given the importance of the fiscal forecasts to inform decisions, particularly in the current economic environment, it is very important that your forecast process is robust and it produces supportable and credible five-year forecasts. Your management review and quality assurances of the forecasts are a vital part of the process and Chief Executives are required to sign-off on the forecasts in their Statement of Representations.
17. Treasury will be providing Departments with feedback on their forecasting performance at the end of each financial year.

**Further Guidance**

18. Treasury will issue further guidance through the Budget process. Future guidance to be aware of is:
- *March Baseline Update*
  - *Guidance on Unappropriated Expenditure*

**Timetable**

19. An indicative timetable is attached in this Circular. Treasury will send out a more detailed timetable that will include essential information for departments (e.g. core data changes, MBU dates, Estimates dates, etc.) in the New Year. Treasury will advise departments when this is released.

Colin Hall  
for Secretary to the Treasury

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**ANNEX 1 - TIMETABLE**

This timeline will be updated early in 2011 with exact dates once the Budget date has been agreed and all the due dates have been finalised. Dates that will be updated are given an indicative month in italics.

<b>Task</b>	<b>Date</b>
Four-year Budget Plans due	1 December 2010
Cabinet consideration of major policy proposals	February/March
Discuss approach for reviewing Estimates with Treasury Vote team	<i>February</i>
Last date for coredata changes to be submitted to CFISnet for MBU	<i>February</i>
Notify Treasury of coredata requests for Estimates	<i>February</i>
Technical MBU changes entered into CFISnet and locked	<i>March</i>
2 hard copies of MBU submissions due to the Minister of Finance	<i>March</i>
Submit preliminary fiscal forecasts to Treasury via CFISnet	<i>March</i>
Departments with appropriations affected by Sections 21 or 32A of the PFA submit information to Treasury	<i>Early April</i>
Agree content of Estimates with Vote Minister and Treasury and finalise documents in CFISnet	<i>April</i>
Ensure Vote Minister has signed off Estimates information	<i>April</i>
Final fiscal forecasts and supporting elimination documents due in CFISnet	<i>April</i>
Advise Treasury Vote Team of changes to Fiscal Risks	<i>April</i>
Statement of Representation due	<i>April</i>
Printed Statement of Intent required at Treasury's printer	<i>May (before Budget day)</i>
Update Strategic Procurement Outlook and Annual Procurement Plan	June

BM-2-2-2010

28 January 2011

Treasury Circular 2011/1

Restricted Distribution

Chief Executives  
Directors of Finance/Chief Accountants

Contacts for Enquiries:

Budget Process queries: Your Treasury Vote Analyst

Forecasting queries: Nicola Haslam s9(2)(k)  
[nicola.haslam@treasury.govt.nz](mailto:nicola.haslam@treasury.govt.nz)

CFISnet entry queries: CFISnet Helpdesk (04) 917 6198  
[CFISnet@treasury.govt.nz](mailto:CFISnet@treasury.govt.nz)

## **BUDGET 2011 TIMETABLE**

### **Introduction**

1. In October 2010 Treasury released the Budget 2011 Process and Technical Guide for Departments (Treasury Circular 2010/13). This current circular supplements the information provided in that circular with the following information:
  - The finalised Budget 2011 timetable;
  - Further process instructions, divided into the following sections:
    - Budget 2011 Process;
    - Budget 2011 Economic and Fiscal Update (BEFU); and
    - Other information (in-principle transfers, unappropriated expenditure and election year reporting requirements).
  - A variety of templates and sign-off sheets for financial recommendations, Estimates production, the BEFU, and requirements under sections 21 and 32A of the Public Finance Act.
2. This circular is not a comprehensive guide to Budget 2011. You should refer to Treasury Circular 2010/13 for more detailed instructions regarding the Budget process.
3. The following table outlines the key deadlines for departments in the Budget 2011 process. A more detailed timeline is provided in Annex 1.

*Key Dates for Departments in the Production of the 2011 Budget*

<b>Requirement</b>	<b>Deadline</b>
Departments to provide Treasury with either updated signatures for the Estimates or confirmation of a nil return	1pm Friday 11 March
Departments advise Treasury Vote Teams of any changes to the Fiscal Risks published in HYEPU 2010 and any new matters that may have a material effect on the economic and fiscal outlook	Monday 14 March
Preliminary fiscal forecasts due from forecasting departments <sup>1</sup>	Monday 7 March
Draft financial recommendations due from departments	1pm Thursday 24 March
Departments (including forecasting departments) complete fiscal forecasts in CFISnet and lock the BEFU exercise	1pm Thursday 31 March
Departments (including forecasting departments) complete all Estimates documentation for Main Estimates, Supplementary Estimates and all supporting information	
Departments send near final SOI to Treasury	
Budget Cabinet paper considered, following which the Budget Moratorium begins	Monday 11 April
All Estimates documents (except for those that require changes following Cabinet on 11 April and forecasting departments) signed by Vote Minister and delivered to Minister of Finance	1pm Tuesday 12 April
Estimates documents that required changes following Cabinet on 11 April signed by Vote Minister and delivered to Minister of Finance	1pm Thursday 14 April
Departments with output expenses affected by sections 21 and 32A of the PFA submit templates to Treasury	1pm Monday 18 April
Forecasting departments complete fiscal forecasts in CFISnet	1pm Wednesday 20 April
Last date for departments to provide Treasury with the Statement of Representation, December Ministerial Certification and Register of Contingent Assets and Contingent Liabilities	Thursday 21 April
Forecasting departments' Estimates documents signed by Vote Minister and delivered to Minister of Finance	1pm Wednesday 27 April
Last date for printed SOIs to be provided to Printlink	Friday 6 May
Departments email URL for where their SOI will be held on their website and a PDF version of the final SOI to Treasury ( <a href="mailto:performanceinfo@treasury.govt.nz">performanceinfo@treasury.govt.nz</a> )	
Last date for any proposed „in principle“ transfers that were not included in the March Baseline Update be forwarded to the Minister of Finance.	1pm Monday 13 June

4. A more detailed version of the Budget timetable and the following sign-off forms and templates are attached as annexes:

*Guide to the Annexes*

<b>Annex no.</b>	<b>What</b>	<b>Due date</b>	<b>Who needs to use it</b>
1	Budget 2011 timetable	-	All departments
2	Budget 2011 Financial Recommendations Chief Financial Officer Sign Off	1pm Thursday 24 March	Departments seeking Cabinet agreement to changes to appropriations in Budget 2011

<sup>1</sup> Forecasting departments are IRD Crown, Customs tax, Social Development, Transport, Treasury, Building and Housing and NZDF (Veterans Affairs).



Annex no.	What	Due date	Who needs to use it
3	Budget 2011 Departmental Chief Executive Check Sheet for Estimates Documents	With Estimates documents	All departments
4	2011/12 Estimates Chief Executive and Vote Minister Sign Off	With Estimates documents	All departments
5	2010/11 Supplementary Estimates Chief Executive and Vote Minister Sign Off	With Estimates documents	Departments that are publishing Supplementary Estimates
6	2011 BEFU Statement of Representation	Thursday 21 April	All departments
7	Confirmation of Transactions Equal to or Greater than \$10 Million	-	Departments making inter-departmental transactions greater than \$10 million
8	Template for Section 21 Appropriations	1pm Monday 18 April	Departments with expenses that are restricted by revenue appropriations (section 21)
9	Template for Non-departmental Appropriations and Output Classes Requiring Section 32A Reports	1pm Monday 18 April	Departments that administer any appropriations or output classes requiring section 32A reports (see TC2010/03)

5. Links to the following Estimates guidance documents for departments are included as attachments to this circular on CFISnet. Each of these documents has been released previously, but we have included them here for convenience.

What	Purpose
Estimates, Supplementary Estimates and their Supporting Information: Technical Guide for Departments	This is a guide to the <i>content</i> of the Estimates documents.
Budget 2011 Style Guide for Estimates and Supplementary Estimates of Appropriations and Supporting Information	This is a guide to the <i>style</i> of the Estimates documents.
Checklists for Information Supporting the Estimates	This is a set of checklists for internal use by those preparing the Information Supporting the Estimates. The checklist does not need to be signed off, but is designed as an aid for those preparing the documents.
Checklists for the Information Supporting the Supplementary Estimates	This is a set of checklists for internal use by those preparing the Information Supporting the Supplementary Estimates. The checklist does not need to be signed off, but is designed as an aid for those preparing the documents.

#### *Budget Moratorium*

6. Please note that there will be a moratorium on Cabinet, Cabinet Committees and joint Ministers approving any financial recommendations after Cabinet meets on Monday 11 April until Budget Day. This is the date when Cabinet will finalise its Budget package. The moratorium exists so that the Budget documents and legislation include the fiscal implications of all Government decisions.

## **Budget 2011 Process**

### *Budget 2011 Style Guide*

7. You should refer to the Budget 2011 Style Guide in the preparation of your Estimates documents. A link this guide is included as an attachment to this circular on CFISnet.
8. The Estimates of Appropriations, Supplementary Estimates and Information Supporting the Estimates and Supplementary Estimates are important Parliamentary documents and require a high degree of accuracy and consistency in their production. It is the responsibility of each department to ensure that its documents have been proofread and are consistent with this Style Guide (the CFISnet Estimates module will help with this) before final drafts are signed off by the Vote Minister and provided to the Treasury.
9. This guide relates to style only. Guidance on structure and content of these documents is available in the document „Estimates, Supplementary Estimates and their Supporting Information: Technical Guide for Departments“, which is available on CFISnet.

### *Process for signature collection for Estimates*

10. Treasury will be using signatures from Budget 2010 documents for the Budget 2011 documents, except where Vote Ministers, Chief Executives or Chief Financial Officers have changed.
11. Departments are required to provide either new signatures or a nil return to Treasury by Friday 11 March at 1pm.
12. In cases where there have been changes, please use the signature collection template (in PDF format) which will be available on CFISnet on 21 February 2011 from the menu: Baselines/Estimates Production/Signature Collection. The first page of the PDF document contains full guidance on the collection process.
13. Where there have been no changes to these personnel since Budget 2010, a nil return by email to [CFISnet@treasury.govt.nz](mailto:CFISnet@treasury.govt.nz) is sufficient.

### *Submission of Estimates documents to the Minister of Finance*

14. For most departments, Estimates documents (Estimates of Appropriations, Supplementary Estimates and Information Supporting the Estimates and Supplementary Estimates) are due with the Minister of Finance at 1pm on Tuesday 12 April. This follows Cabinet's consideration of the final Budget 2011 Cabinet paper on Monday 11 April.
15. The only exceptions to this deadline are:
  - a. *Votes where Cabinet makes changes to the Budget package recommended in the Budget 2011 Cabinet paper.* In such cases departments will have an additional two days to complete the Estimates documents based on the revised Budget decisions; and
  - b. *Forecasting departments:* Estimates documents are due on 27 April so that Treasury's final economic forecasts can be incorporated.

*Details for the delivery of Statements of Intent*

16. By Thursday 31 March departments should send a near-final draft of their SOI to Treasury for a final check of financial information for consistency with other Budget information only.
17. On Friday 6 May departments should deliver 200 copies of their SOI to PrintLink for distribution. A placeholder page for the SOI should also be created on the department's website. On 6 May departments should also email [performanceinfo@treasury.govt.nz](mailto:performanceinfo@treasury.govt.nz) with both:
  - a. the URL for where their SOI will be held on their website; and
  - b. a PDF version of the final SOI.
18. Printlink's details are as follows:  
Printlink  
33-43 Jackson Street  
Petone  
Contact person: Todd Verrell (ph s9(2)(k) )

**2011 Budget Economic and Fiscal Update**

*Five-year fiscal forecast requirements*

19. Information on the requirements regarding fiscal forecasts can be found on pages 30 to 34 of TC2010/13 „Budget 2011: Process and Technical Guide for Departments“.
20. Submission dates for the fiscal forecasting reporting requirements are set out in Annex 1 of this circular.
21. The fiscal forecasts (both departmental and non-departmental) should be a midpoint estimate prepared on a basis of best professional judgement, reflecting information and circumstances at the date the forecasts are provided. They must be completed in a manner consistent with the Crown accounting and forecasting policies outlined in Treasury Instructions, which are available on the Treasury website at: <http://www.treasury.govt.nz/publications/guidance/instructions/2010>.
22. The Treasury will again be monitoring and reporting to departments and to the Minister of Finance after year end regarding the accuracy of these forecasts.

*Fiscal risks*

23. In the Half-Year Economic and Fiscal Update, we increased the threshold for the disclosure of fiscal risks from \$10 million in any one year to \$100 million over five years (the forecast period). However, this change to the public disclosure of fiscal risks does not change the information that we are collecting from departments. We are continuing to collect information on risks above \$10 million in any one year from departments so that Treasury and the Minister of Finance are aware of them and have an understanding of aggregate fiscal risks.

24. Departments are to advise their Treasury Vote Team by 14 March 2011 of all changes to the status of the fiscal risks for their department published in the 2010 Half-Year Economic and Fiscal Update (HYEFU) and any new matters of which they are aware that may have a material effect on the economic and fiscal outlook (see <http://www.treasury.govt.nz/budget/forecasts/hyefu2010/18.htm>), provided:
- a. The matter will have an impact of more than \$10 million in any one year; and
  - b. It is **realistically possible** that the matter will be approved or occur. *Realistically possible* is to be taken to mean that in the judgement of the department, the event has more than a 10% chance of being approved or occurring during the forecast period.
25. More detailed information about the submission of risk information to Treasury can be found on page 36 of TC2010/13 „Budget 2011: Process and Technical Guide for Departments“.

#### *Statement of Representation*

26. A template for the Statement of Representation is provided in Annex 6. It is our expectation that the fiscal forecasts will be subject to a rigorous review process prior to this statement being completed.
27. The Statement has been updated to include any updates to the Statement of Contingent Liabilities and Contingent Assets since 31 December 2010 (the date of the last Ministerial Certification). Further details of these requirements are included below.
28. The Statement of Representation includes confirmation that transactions and balances with entities within the Government reporting entity greater than \$10 million have been confirmed with the other entity. A template which can be used to obtain the required confirmations is included in Annex 7. The eliminations framework (available at <http://www.treasury.govt.nz/publications/guidance/reporting/accounting>) includes instructions regarding responsibilities for initiating this process. The completed template should not be sent to Treasury but should form the basis for completing the Statement of Representation.
29. The Statement can either be:
- scanned and uploaded to CFISnet (through Info → Document Sharing → Upload or Download a Document, Please upload to the Statement of Representation process); or
  - emailed to Don Rangi ([don.rangi@treasury.govt.nz](mailto:don.rangi@treasury.govt.nz)).

#### *Contingent liabilities and commitments – CHANGED PROCESS*

30. The process for collecting information on contingent liabilities and contingent assets has been amended for BEFU 2011.
31. Disclosure of the Crown’s contingent liabilities and commitments is a requirement for the Budget. In addition, the Budget Update discloses individual contingent liabilities that are greater than \$10 million.

32. To ensure that the latest information on the Crown's contingencies is included in the BEFU we are implementing a new collection process. A copy of the 31 December 2010 Ministerial Certification (along with a copy of the Register of Contingent Assets and Contingent Liabilities) should now also be provided to Treasury. In addition, the Statement of Representation has been amended to include any material changes to that register from 31 December 2010 to 31 March 2011.
33. A copy of the Ministerial Certification and the Register must be sent to Treasury no later than 21 April 2011 (using the same contact details outlined for the Statement of Representation above).

#### *Forecast tracks*

34. Submission dates for the April and May 2011 forecast tracks are set out in Annex One. These tracks should be based on estimated actual (Outyear 0) information submitted as part of the Budget 2011 exercise 367.

#### **Other Information**

##### *Process for 'in-principle' expense and capital transfers at year end*

35. To ensure that all in principle transfers receive due consideration by the Minister of Finance, any proposals that are not included in the March Baseline Update need to be forwarded to the Minister of Finance after Budget Day but before Monday 13 June. This will allow Treasury to consolidate all the requests and for the Minister of Finance to confirm his decision to Vote Ministers prior to the cut-off date of 30 June. This process does not change the criteria for such transfers (which are set out in CO (09) 6), and where possible such transfers should still be proposed through the March Baseline Update.

##### *Reminder regarding unappropriated expenditure*

36. Departments must ensure that there is sufficient authority for all expenses, capital expenditure and departmental net assets prior to expenditure being incurred. In instances where appropriations are expected to be exceeded, we would like to reinforce the importance of ensuring that sufficient authority is obtained through imprest supply prior to incurring expenditure.
37. In recent months, the Treasury and the Office of the Auditor-General have been concerned with the number of instances of unappropriated expenditure that would have been avoided if additional imprest supply had been sought through Cabinet rather than waiting for approval of the Baseline Update to take effect.
38. While Baseline Update approval is the normal process for a technical change without significant policy issues, if it is known that the expenditure will (or is likely to) occur before the Minister of Finance has approved the March Baseline Update (expected to be the week commencing 14 March), authority under imprest supply must be sought through joint Ministers or Cabinet prior to incurring expenditure. This ensures that when the expenditure is incurred, authority for the additional or new expenditure item is already in place, avoiding unappropriated expenditure.
39. Appointed auditors will be working with Departments in this area to help reduce these unnecessary instances of unappropriated expenditure.

*Election year reporting requirements*

40. 2011 is an election year which involves the publication of a Pre-election Economic and Fiscal Update. A Half-year Economic and Fiscal Update will also need to be produced if the timing of the election means that the Pre-election Update is published prior to 1 October.
41. In the 2008 election year we published the Pre-election Update in October 2008 (requiring entities to produce their five year forecasts in early September instead of mid October). Unfortunately we cannot predict the timing of this year's election but please be aware that the timetable for producing the Pre-election Update will be confirmed once an election date has been announced. Given this uncertainty we are not going to collect September or October forecast tracks at this stage. However, we will still be collecting April and May as usual.

Colin Hall  
for the Secretary to the Treasury

**ANNEX 1**

**BUDGET 2011 TIMETABLE**

	<b>Fiscal Forecasts</b>	<b>March Baseline Update and other baseline changes</b>	<b>Estimates and SOI Production</b>	<b>Budget Decisions</b>
Sat 5 Feb				
Sun 6 Feb				
Mon 7 Feb				
Tue 8 Feb			This week: Departments discuss proposed approach for reviewing Estimates documents with their Vote Analyst	Capital Business Cases due
Wed 9 Feb		January Actuals due		
Thu 10 Feb				Resubmitted Four-year Budget Plans due
Fri 11 Feb				
Sat 12 Feb				
Sun 13 Feb				
Mon 14 Feb				
Tue 15 Feb		Last date for coredata requests for March Baseline Update		
Wed 16 Feb				
Thu 17 Feb				
Fri 18 Feb				
Sat 19 Feb				
Sun 20 Feb				
Mon 21 Feb				
Tue 22 Feb				
Wed 23 Feb				
Thu 24 Feb				
Fri 25 Feb				
Sat 26 Feb				
Sun 27 Feb				
Mon 28 Feb				
Tue 1 Mar		Final date for departments to update and lock CFISnet for MBU changes by 1pm		
Wed 2 Mar		March Baseline Update submissions due with Minister of Finance by 1pm		
Thu 3 Mar				
Fri 4 Mar				
Sat 5 Mar				
Sun 6 Mar				
Mon 7 Mar	Preliminary fiscal forecasts due from forecasting departments			
Tue 8 Mar		Last date for Treasury to advise departments about status of March Baseline Update; Last date for departments to update CFISnet for finalised March Baseline Update by 1pm		
Wed 9 Mar		February Actuals due		
Thu 10 Mar				

	<b>Fiscal Forecasts</b>	<b>March Baseline Update and other baseline changes</b>	<b>Estimates and SOI Production</b>	<b>Budget Decisions</b>
Fri 11 Mar			Any new signatures or confirmation of nil return to be sent to Treasury by 1pm	
Sat 12 Mar				
Sun 13 Mar				
Mon 14 Mar	Departments advise Vote Teams of any changes to Fiscal Risks and any new matters that may have a material effect on the economic and fiscal outlook	This week: March Baseline Update response letters sent from Minister of Finance to Vote Ministers		
Tue 15 Mar				
Wed 16 Mar				
Thu 17 Mar				
Fri 18 Mar				Last date for coredata requests for Estimates
Sat 19 Mar				
Sun 20 Mar				
Mon 21 Mar				
Tue 22 Mar				
Wed 23 Mar				
Thu 24 Mar				Final date for departments to complete financial recommendations in CFISnet and send CFO sign-off sheet to Treasury – both by 1pm
Fri 25 Mar				
Sat 26 Mar				
Sun 27 Mar				
Mon 28 Mar				
Tue 29 Mar				
Wed 30 Mar				
Thu 31 Mar	All departments (including forecasting departments) submit fiscal forecasts in CFISnet by 1pm		All departments (including forecasting departments) lock BEFU exercise in CFISnet by 1pm; All departments (including forecasting departments) complete all Estimates documents (i.e. Main Estimates/Info Supporting Estimates; Supps/Info Supporting Supps) in CFISnet by 1pm; Departments send near-final SOI to Treasury for final check of consistency with other Budget info	
Fri 1 Apr				
Sat 2 Apr				
Sun 3 Apr				
Mon 4 Apr				
Tue 5 Apr				



	<b>Fiscal Forecasts</b>	<b>March Baseline Update and other baseline changes</b>	<b>Estimates and SOI Production</b>	<b>Budget Decisions</b>
Wed 6 Apr			Treasury completes checking of Estimates documents for consistency with expected Budget decisions	
Thu 7 Apr			Departments submit Estimates documents to Vote Ministers for sign off	
Fri 8 Apr				
Sat 9 Apr				
Sun 10 Apr				
Mon 11 Apr		March Actuals due		<b>Cabinet considers final Budget Cabinet Paper</b>
Tue 12 Apr			<b>Estimates documents with no changes from Cabinet signed by Vote Minister and delivered to Minister of Finance by 1pm;</b> Sector Overviews (if requested by Ministers) should be emailed to Treasury (performanceinfo@treasury.govt.nz)	
Wed 13 Apr				
Thu 14 Apr			<b>Estimates documents with changes from Cabinet signed by Vote Minister and delivered to Minister of Finance by 1pm</b>	
Fri 15 Apr				
Sat 16 Apr				
Sun 17 Apr				
Mon 18 Apr			Departments with output expenses affected by sections 21 and 32 A of PFA submit templates to Treasury by 1pm	
Tue 19 Apr				
Wed 20 Apr	Last date for forecasting departments to submit fiscal forecasts in CFISnet by 1pm			
Thu 21 Apr	Last date for departments to provide Treasury with Statement of Representation, December Ministerial Certification and Register of Contingent Assets and Liabilities			
Fri 22 Apr	<b>Good Friday</b>			
Sat 23 Apr				
Sun 24 Apr				
Mon 25 Apr	<b>Easter Monday/Anzac Day</b>			
Tue 26 Apr				

	<b>Fiscal Forecasts</b>	<b>March Baseline Update and other baseline changes</b>	<b>Estimates and SOI Production</b>	<b>Budget Decisions</b>
Wed 27 Apr			Forecasting departments' Estimates documentation signed by Vote Minister and delivered to Minister of Finance's Office by 1pm	
Thu 28 Apr				
Fri 29 Apr	All departments submit April/May monthly forecast tracks by 1pm		Departments to complete final check of Supplementary Estimates	
Sat 30 Apr				
Sun 1 May				
Mon 2 May				
Tue 3 May				
Wed 4 May			Departments to complete final check of Main Estimates	
Thu 5 May				
Fri 6 May			Departments to deliver 200 copies of Sols to Printlink; Departments email URL for where their SOI will be held on their website and a PDF version of the final SOI to Treasury (performanceinfo@treasury.govt.nz)	
Sat 7 May				
Sun 8 May				
Mon 9 May				
Tue 10 May		April Actuals due		
Wed 11 May				
Thu 12 May				
Fri 13 May				
Sat 14 May				
Sun 15 May				

**ANNEX 2**

**BUDGET 2011 FINANCIAL RECOMMENDATIONS  
CHIEF FINANCIAL OFFICER SIGN OFF**

-----  
**Vote**

The Financial Recommendations for the above Vote contain all decisions for Cabinet consideration as part of the 2011 Budget Package.

These have been completed in accordance with Financial Recommendations requirements as set out in Treasury Circulars and guides.

<b>Aspect</b>	<b>Check ( ✓ / ✗ )</b>
All applicable recommendations have been included and reflect decisions taken by Budget Ministers.	
All technical changes entered through the Four-year Budget Plan have been entered into the correct appropriation.	
For Votes that are receiving new funding, the initiative name and description clearly specifies what the money is allowed to be spent on.	
The new initiative is spelt correctly and has the appropriate capitals (use capitals for all words except for words such as of, it, to etc). <b>Note</b> that departments are able to change titles without changing the original budget bid.	
The scope statement for any <b>new</b> appropriation begins with "This appropriation is limited to ....", and is clear, concise and jargon-free.	
Funding is going into the correct appropriations.	
Any implications for baselines outside the forecast period (i.e. in outyears) are clearly documented in the recommendations	
Where initiatives relate to more than one Vote, that departments have coordinated their recommendations so that no information is missing or duplicated	
Additional "non-standard" tables needed by departments have been inserted	
Revenue type is correct („Revenue Other" for third parties; „Revenue Department" where another department purchases the good/service; or „Revenue Crown", and the <b>GST</b> implications are correct (i.e. all financial recommendations should be GST exclusive).	
The impact statement is correct ("with a corresponding / no impact on the operating balance / debt")	

-----  
Name  
Chief Financial Officer

-----  
Signature

-----  
Date

Please forward this document to your Vote Team no later than **1pm on Thursday 24 March 2011**

**ANNEX 3**

**BUDGET 2011 DEPARTMENTAL CHIEF EXECUTIVE CHECK SHEET  
FOR ESTIMATES DOCUMENTS**

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**Vote**

Below are the requirements departmental Chief Executives should ensure have been carried out by departments for Budget 2011 Core Estimates and Information Supporting the Estimates.

<b>Requirement</b>	<b>Check (✓/✗)</b>
Version number to be signed by the Minister matches the current version in CFISnet	
Acknowledge that any list of CFISnet-generated warnings regarding structure have been reviewed and accepted as not applicable	
All Cabinet decisions with fiscal implications up to 11 April have been accurately reflected in the document	
The overview of the Vote is concise and in plain English	
The High-level Objectives of the Vote in Part 1.2 of the Information Supporting the Estimates are consistent with the Government's priorities	
The Intended Impacts, Outcomes and Objectives for each Part in the Information Supporting the Estimates are consistent with the High-level Objectives of the rest of the document	
Information on expected performance in the Information Supporting the Estimates for the Vote reflects the key aspects and levels of performance agreed with the Minister responsible for the appropriation	
The names of the appropriations listed in the Information Supporting the Estimates matches the appropriations listed in the Core Estimates	
The numbers in the Core Estimates are represented alongside the correct appropriations in the Information Supporting the Estimates	
Appropriate adjustments have been included in the Summary of Financial Activity table in Part 1.3 relating to prior years Actuals information for Departmental Capital Expenses and Multi-Year Appropriations.	
A list of current and past initiatives have been included and split by current and previous governments	
The text is consistent with the Technical Guide and the Style Guide	
The tables are consistent with the Technical Guide released by Treasury	
The format of the numbers in the text are consistent with the Style Guide	
The numbers in text match the numbers in tables	
The spelling and grammar is consistent with the Style Guide	
All Free-form tables comply with the Government web standards as recommended by SSC ( <a href="#">Self-Audit Compliance Checklist - New Zealand E-government Programme</a> )	

I certify that all of the requirements for the Estimates documents for the Vote above have been completed.

\_\_\_\_\_  
Name of Manager responsible  
for preparation of documents

\_\_\_\_\_  
Date

\_\_\_\_\_  
Signature

I acknowledge that all of the requirements have been completed for the above Vote.

\_\_\_\_\_  
Name Chief Executive

\_\_\_\_\_  
Date

\_\_\_\_\_  
Signature

**Please forward this document to the Minister of Finance's office along with your Estimates documents.**

**ANNEX 4**

**2011/12 ESTIMATES CHIEF EXECUTIVE AND VOTE MINISTER SIGN OFF**

-----  
**Vote(s)**

In signing this statement, I acknowledge that I am responsible for the information contained in the *Estimates of Appropriation 2011/12* and the *Information Supporting the Estimates of Appropriation 2011/12* for B.5A Vol [X] relating to the [name of department] and Vote / Votes for which the [name of department] is the administering department. The documents are accurate and ready for publishing without further amendment or editing.

The information provided is consistent with the policies and performance expectations of the government and has been prepared in accordance with the Public Finance Act 1989. It is also consistent with the proposed appropriations to be set out in the Appropriation (2011/12 Estimates) Bill, and with existing appropriations and financial authorities.

-----  
Name  
Chief Executive

-----  
Signature

-----  
Date

I acknowledge that the information provided is consistent with the policies and performance expectations of the government and that all of the requirements have been completed for the above Vote(s). I am satisfied that the information on operating intentions for 2011/12 included in the *Information Supporting the Estimates* for the [Xxx Sector] is provided in accordance with section 41 of the Public Finance Act 1989.

-----  
Name  
Vote Minister

-----  
Signature

-----  
Date

**Please forward this document to the Minister of Finance's office along with your Estimates documents.**

**ANNEX 5**

**2010/11 SUPPLEMENTARY ESTIMATES CHIEF EXECUTIVE  
AND VOTE MINISTER SIGN OFF**

-----  
**Vote(s)**

In signing this statement, I acknowledge that I am responsible for the information contained in the *Supplementary Estimates of Appropriation 2010/11* and the *Information Supporting the Supplementary Estimates of Appropriation 2010/11* relating to the [name of department] and Vote / Votes for which the [name of department] is the administering department. The documents are accurate and ready for publishing without further amendment or editing.

The information provided is consistent with the policies and performance expectations of the government and has been prepared in accordance with the Public Finance Act 1989. It is also consistent with existing appropriations and financial authorities, and proposed changes to appropriations to be set out in the Appropriation (2010/11 Supplementary Estimates) Bill.

-----  
Name  
Chief Executive

-----  
Signature

-----  
Date

I acknowledge that the changes to appropriations proposed in the *Supplementary Estimates of Appropriation 2010/11* and the *Information Supporting the Supplementary Estimates of Appropriation 2010/11* are consistent with the policies and performance expectations of the government, and that all of the requirements have been completed for the above Vote(s).

-----  
Name  
Vote Minister

-----  
Signature

-----  
Date

**Please forward this document to the Minister of Finance's office along with your Estimates documents.**

**ANNEX 6**

**2011 BUDGET ECONOMIC AND FISCAL UPDATE  
STATEMENT OF REPRESENTATION**

Entity: **[INSERT NAME]**

The CFISnet schedules (the “schedules”) have been prepared to provide information for the preparation of the 2011 Budget Economic and Fiscal Update (including the forecast financial statements). We verify that:

- a. The schedules have been prepared on the basis of our best professional judgement, reflecting circumstances and information as at the date the schedules were provided.
- b. The schedules have been completed so as to show information in a manner consistent with the accounting policies of the Government and generally accepted accounting practice for the applicable years, except for:
  - 
  -
- c. Transactions and balances with entities within the Government reporting entity greater than \$10 million have been confirmed with the other entity.
- d. We have advised Treasury of all matters that are not included in the schedules, but which meet the criteria for the submission of risk information (the matter could have an impact of more than \$10 million in any year and it is realistically possible that the matter will be approved or occur).
- e. There are no other matters that you should be aware of in the preparation of the forecast Government financial statements except for (itemise assumptions/exclusions if applicable) -
  - 
  -
- f. The Ministerial certification and register of contingent liabilities and contingent assets (as at 31 December 2010) we have provided is not materially different to the position at 31 March 2011 except for (itemise changes if applicable) –
  - 
  -
- g. We undertake to inform the Treasury of any circumstances or information that comes to light before the Economic and Fiscal Update is published which are material to our forecast returns.

Signed

Signed

**[INSERT NAME]**

Chief Executive

Date: **[INSERT DATE]**

**[INSERT NAME]**

Chief Financial Officer

Date: **[INSERT DATE]**

**Please forward this document to the Treasury no later than Thursday 21 April.**



**ANNEX 7**

**CONFIRMATION OF TRANSACTIONS EQUAL TO OR GREATER THAN  
\$10 MILLION**

**[Entity name]** is currently recording transactions greater than \$10 million in the year with your agency. As required under the Treasury's elimination framework for completing the Crown financial statements and forecasts we are requesting that you confirm the following transactions:

	2010/11	2011/12	2012/13	2013/14	2014/15
Revenue					
Expenses					
Assets					
Liabilities					

We are required to submit our information to Treasury on **[INSERT DATE]** for the **[INSERT EXERCISE]** and would appreciate if you could confirm these amounts two days prior to the deadline.

If there are significant differences, please contact me on **[INSERT PHONE NUMBER]**.

Note: These confirmation letters should not be sent to Treasury, but are the basis for enabling the requirement in the Statement of Representation for funding flows to be confirmed by entities to be signed off by your Chief Executive and Chief Financial Officer.

**ANNEX 8**

**SECTION 21 – EXPENSES RESTRICTED BY REVENUE OUTPUT CLASSES IN  
APPROPRIATION BILL – SUBMISSION TEMPLATE**

Instructions:

- (1) Fill this table out if your department has expenses restricted by revenue (s21) appropriations. Check the Budget 2011 Process and Technical Guide (pages 24-25) for further details.
- (2) **Upload** to CFISnet by **1pm, Monday 18 April 2011**.

List all existing s21 appropriations i.e. those appearing in 2010/11 Core Estimates	Has the Minister of Finance approved the use of s21? Yes/No	Should it be included in the 2011/12 Core Estimates? Yes/No	Note any Vote/Name changes, and any other relevant information
List any new s21 appropriations for the 2010/11 Supplementary Estimates			
List any new s21 appropriations to appear in the 2011/12 Core Estimates			

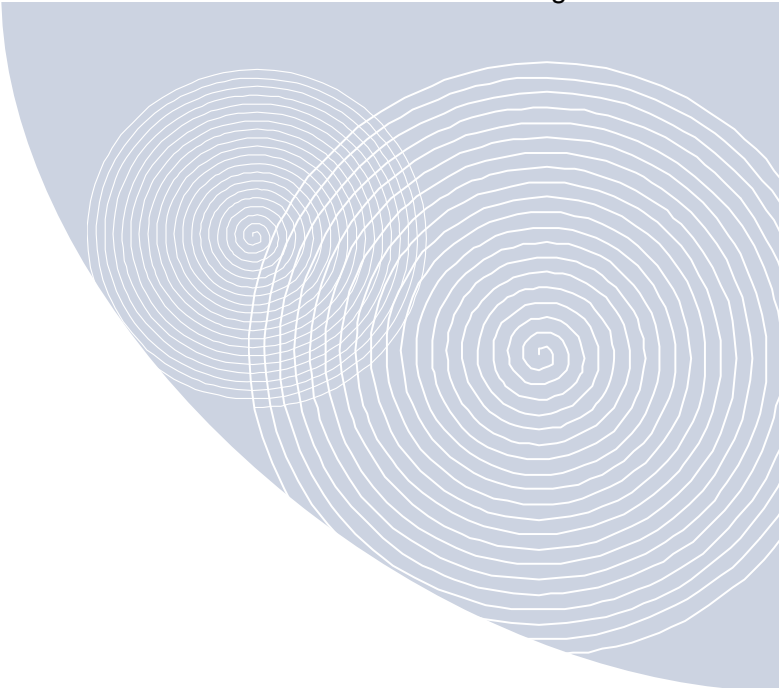
**ANNEX 9**

**NON-DEPARTMENTAL APPROPRIATIONS AND OUTPUT CLASSES REQUIRING SECTION 32A REPORTS – SUBMISSION TEMPLATE**

Instructions:

- (1) Provide information in this table if your department administers any non-departmental output expense, other expense or capital expenditure appropriations or non-departmental output classes on which there is no other end-of-year performance reporting to Parliament. See Treasury Circular 2010/03 for the updated criteria for when section 32A reports are required.
- (2) **Upload to CFISnet by 1pm, Monday 18 April 2011.**

List all existing s32A appropriations i.e. those appearing in 2010/11 Mains	Should it be included in the 2011/12 Core Estimates? Yes/No	Note any Vote/Name changes, and any other relevant information
List any new s32A appropriations for the 2010/11 Supplementary Estimates		
List any new s32A appropriations to appear in the 2011/12 Core Estimates		



# Budget 2011

## Process and Technical Guide for Departments

October 2010



**THE TREASURY**  
Kaitohutohu Kaupapa Rawa

New Zealand Government

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## What's New?

The Budget process in 2011 builds on the changes introduced last Budget, but with a few revisions:

- Baseline Alignment Proposals have been replaced by Four-year Budget Plans which will be the central input into the Budget decision-making process.
- Four-year Budget Plans are expected to take a medium-term focus, rather than focus on short-term pressures and should focus on reprioritisation over the next four years in order to deliver on the Government's priorities and identify low value programmes within the Vote(s).
- Four-year Budget Plans are also expected to cover capital expenditure over the forecast period and identify proposals that require a decision in Budget 2011.
- Vote Ministers are asked to submit their Four-year Budget Plans by 1pm Wednesday 1 December.

## About this Guidance

This guidance is divided into two main parts. Part one is the overview section, which outlines the roles and responsibilities of the key players and gives an overview of the entire budget process. It is aimed at Ministers, their offices and departmental officials of all levels who want to understand the budget process as a whole and how its components fit together.

Part two is aimed at officials preparing budget documents who need to understand the detail and technicalities of the process and preparation of budget documents. Part one (overview) contains links to the relevant sections in part two (detailed process and technical detail).

The requirements and guidance outlined in this document apply until this document is updated or replaced.

This document was written by the Fiscal Management team in Treasury.

## Questions and Feedback

You should use this document as your first point of call for guidance on the budget process for Budget 2011.

General enquiries about the information contained in this guidance can be directed to your Treasury Vote Team.

Any comments about how we could improve this guidance can be directed to [guidance@treasury.govt.nz](mailto:guidance@treasury.govt.nz).

## Part 1: Overview

### Budget Strategy

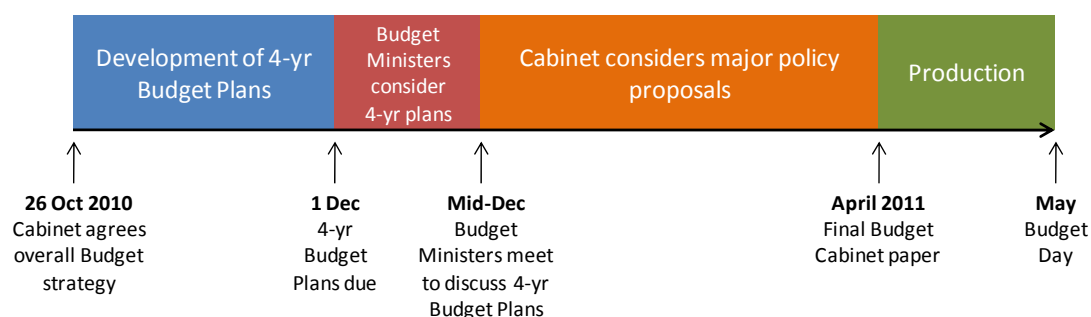
The short-term outlook for the New Zealand economy remains challenging. Although some of our major trading partners (such as Australia and China) are growing strongly, the global economic outlook remains fragile in the wake of the global financial crisis. These conditions place pressure on New Zealand's fiscal position as we head into Budget 2011.

The Government has made commitments to bring debt under control and return to surplus as soon as is practical. Therefore, delivering priorities within existing baselines and the \$1.122 billion operating and \$1.39 billion capital allowances remains critical for the Government.

The key areas of focus for Vote Ministers in Budget 2011 will be:

- showing that expenditure is aligned with Government priorities
- planning how to manage pressures across a four year horizon (covering both capital and operating expenditure)
- identifying low priority spending and generating significant options for reprioritisation.

### Budget Timeline



Key Dates	Action
1 December	<ul style="list-style-type: none"> <li>• Four-year Budget Plan submitted to the Minister of Finance and uploaded into CFISnet.</li> <li>• Reprioritisation initiatives entered into CFISnet.</li> <li>• Initiatives (and Word version) entered into CFISnet for all capital proposals seeking new funding in Budget 2011.</li> </ul>
8 February	<ul style="list-style-type: none"> <li>• Business cases due for capital proposals seeking new funding in Budget 2011.</li> </ul>



## Roles and Responsibilities

### Minister of Finance

The Minister of Finance's role is to:

- develop and reach agreement on the Government's fiscal targets and the resulting budget strategy
- manage competing priorities to ensure that the Budget package meets the Government's fiscal and wider policy goals agreed by Cabinet, and
- work with Vote Ministers to help ensure value for money of government expenditure.

### Ministers

Ministers play a key role in the Budget process. On an individual level, with assistance from their Chief Executives, they identify priorities for their departments to deliver on. From a collective perspective (ie, through Cabinet), they agree on the Budget strategy and the Government's priorities.

### Departments

Departments provide advice to Ministers on:

- the key outcomes that the Minister might want the department to pursue over the medium-term and their relative priority (consistent with the Budget strategy)
- whether the existing outputs will be the most efficient and effective ones to achieve those outcomes and what alternatives could be considered
- whether departments have the right capability to deliver the outputs, and
- the main risks facing the Vote and how these risks will be managed.

### Treasury

Treasury plays a number of different roles through the Budget process.

### Vote Teams

Vote teams play two main roles:

- an "assist" role, where they work alongside departments during the Budget, particularly during the development of Four-year Budget Plans. Vote teams provide the link between departments, other Treasury teams and the Minister of Finance. Vote teams are a department's first point of contact at any stage in the process. Vote teams may also assist Ministers (see the Four-year Budget Plan section), and
- an "assess" role, where they provide advice to the Minister of Finance on a range of topics, such as the department's objectives and priorities in the Budget process, advice to the Senior Executives Group, and advice to Budget Ministers on departmental submissions, among others.

## Rest of Treasury

Treasury also plays a number of other roles, including co-ordinating the budget process, providing economic and fiscal forecasts and publishing the Crown accounts.

## Senior Executives Group

As in Budget 2010, the Senior Executives Group (SEG) will be used to inform and test Treasury's advice to Ministers regarding Four-year Budget Plans carried out by Ministers and their respective Chief Executives.<sup>1</sup>

The main roles of the SEG will be to:

- Help to bring a consistent view to the Chief Executives about the Budget and the Government's objectives.
- Support Chief Executives in the process of realigning baselines.
- Assist Treasury in providing advice to Budget Ministers.

## Budget Process

There are three main phases in Budget 2011 process:

- Four-year Budget Plans
- Budget Decisions Phase
- Production Phase

Ministers will need to engage with officials in their departments during each of these phases.

## Allocation of the Operating Allowance

As in Budget 2010, given the fiscal constraints faced by the Government, the operating allowance for Budget 2011 is being allocated by Cabinet in the early stages of the Budget process.

The operating allowance for Budget 2011 is \$1.122 billion per annum (\$1.1 billion plus 2%) for the forecast period (2011/12-2014/15). The capital allowance is set at \$1.39 billion for Budget 2011 and will be allocated across the forecast period.

The final amount of the operating allowance to be allocated to Votes will be agreed by Cabinet and will be informed by information provided in Four-year Budget Plans.

Most Votes are likely to receive no new funding in Budget 2011. However, the Four-year Budget Plans is the major opportunity to make changes during Budget 2011. Vote Ministers should include all significant proposals in their Four-year Budget Plans, covering both operating and capital.

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<sup>1</sup> The Senior Executives Group (SEG) is group of Chief Executives from across the public sector which the Minister of Finance has asked to test Treasury advice around Budget 2011.

It is important to note that funding from the between Budget contingency is only available for proposals that “cannot be funded through reprioritisation of lower value activities and cannot be deferred until the next Budget”<sup>2</sup>.

## Four-year Budget Plans

Budget 2011 will focus on reprioritisation and savings across both operating and capital expenditure to enable Government to fund its priorities.

The Four-year Budget Plan is the main information gathering stage of the Budget process, replacing the Baseline Alignment Proposals from Budget 2010. The primary purpose of the Four-year Budget Plan is to show how Vote Ministers and Chief Executives intend to align their baselines over the medium term with Government’s priorities and manage risk.

The Four-year Budget Plan process will focus on the medium term in content. Many Baseline Alignment Proposals in Budget 2010 focused on managing short-term pressures. Four-year Budget Plans for Budget 2011 should take a longer-term perspective and focus on how services will be delivered from within available funding over the forecast period.

The process does not allow for any bids for additional operating funding. Instead, Ministers are invited to set out what they intend to achieve in their Vote and the reprioritisation (including any transfers between Votes) required to achieve this.

A change to the Budget 2011 process is that Four-year Budget Plans will cover both operating and capital spending. Four-year Budget Plans should discuss capital spending over the next four years and should be clearly linked to what Ministers intend to achieve in their Vote. Four-year Budget Plans are required to include all capital proposals which meet the criteria set out in [Cabinet Office Circular \(10\) 2](#) and require a decision in Budget 2011, including those that can be funded from within baselines.

Where a capital proposal has associated operating costs Vote Ministers will need to show how these costs will be managed within baselines. No allocation has been set aside from the operating allowance for operating expenditure associated with capital proposals.

### Content of the Four-year Budget Plan

The purpose of the Four-year Budget Plans is to demonstrate how Ministers plan to advance Government priorities within their Vote(s) and how Ministers intend to manage pressures within baselines over the next four years. The priorities used in the Four-year Budget Plans should be those being developed for the Prime Minister’s Priority Letters process.

The Four-year Budget Plan is an opportunity to explain the implications of living within existing baselines over an extended period of time (eg, whether this means actively reprioritising or having to find efficiencies to deliver on priorities). Therefore, the Four-year Budget Plan is expected to identify reprioritisation options, where efficiency gains will be made and areas of low priority spending within the Vote(s), including programmes that are of low value or not achieving their objectives.

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<sup>2</sup> Cabinet Office Circular (09) 6, paragraph 12.

The Four-year Budget Plans should examine all expenditure within a Vote, both departmental and non-departmental (including Crown Entity expenditure). They provide an opportunity for Ministers to propose transfers between appropriations and across years in a fiscally neutral manner. A submission should be completed for each Vote, except where a single Minister has closely related Votes, in which case the submission may be completed covering all the closely related Votes belonging to that Minister. In these cases, a separate Financial Summary should still be prepared for each Vote.

If Ministers are working together in a group, they should still prepare separate submissions, but sections 1 and 2 of each submission should reflect the coordinated strategy.

Ministers should submit their completed Four-year Budget Plan submissions to the Minister of Finance by **1 pm on Wednesday 1 December 2010**. The template is included in this document and is also available on CFISnet.

[Detail on writing a Four-year Budget Plan](#), including how to upload to CFISnet.

### **Treatment of Savings**

- Budget Ministers will recommend to Cabinet whether any identified savings are best applied to reprioritisation within each Vote or applied to other Government priorities.

### **Treasury/SSC Support**

Ministers may request that the Treasury and the State Services Commission provide supplementary assistance if required. Treasury Vote teams would be able to help Ministers identify areas of expenditure that do not closely align with Government priorities and can test some of the advice being prepared by departments to ensure they are on the right track. Additionally, the Senior Executives Group (SEG) will be available to assist Chief Executives.

## **Budget Decisions**

### **Budget Ministers Process**

A group of Budget Ministers, made up of the Prime Minister, Minister of Finance and the Associate Ministers of Finance, met in September and will continue to meet through to the finalisation of the Budget by Cabinet in April. Budget Ministers will make decisions about the Budget and then take these recommendations to Cabinet for its consideration.

Budget Ministers will meet at a number of important stages during the Budget process:

- In December to consider Vote Minister's Four-year Budget Plans and identify any follow-up actions.
- In March and April to consider a final consolidated Budget package for Cabinet consideration, based on initial Four-year Budget Plan decisions and Cabinet decisions on major policy proposals.

## **Budget Cabinet Paper**

The Budget Package Cabinet Paper is drafted by Treasury. It will contain key decisions, including the financial recommendations needed to implement the reprioritisation of spending within Votes.

[Detail on the preparation of the Budget cabinet paper.](#)

## **Financial Recommendations**

As in previous years, financial recommendations will be automatically generated by CFISnet when Vote changes (as proposed by the Four-year Budget Plan) are entered through the Initiatives module.

[Detail on Financial Recommendations.](#)

## **Production Phase**

Guidance on the production phase is presented chronologically based on when each component begins. There is a lot of overlap between these processes. Key dates for departments can be found at the back of this document. Detailed dates will be provided in December.

## **Performance Information**

The Minister of Finance tables the supporting performance information on behalf of the Responsible Minister. The Responsible Minister retains responsibility for the quality and the content of the material provided by their department on future operating intentions. In March and April departments and Crown entities should be in the final stages of preparing their Statements of Intent (SOIs) and *Information Supporting the Estimates*.

## **Statements of Intent**

The SOI is part of the *Information Supporting the Estimates* tabled on Budget day and its content is prescribed in legislation. SOIs outline a department's expected contribution to the Government's priorities over the medium term (3-5 years). They should articulate decisions outcomes and priorities that the Government is expecting the department to contribute to, and the key performance expectations relating to these priorities. They contain a baseline of forecast performance information against which Ministers and Members of Parliament can assess the department's actual performance in contributing to outcomes.

[Detailed production guidance for Statements of Intent.](#)

## **Estimates and Information Supporting the Estimates**

The *Estimates* and *Information Supporting the Estimates* provide information to Parliament on the appropriations the Government is seeking and what those appropriations will be used for.

[Detailed production guidance for Estimates and Information Supporting the Estimates.](#)

## Supplementary Estimates

Supplementary Estimates reflect changes to appropriations since the 2010/11 Estimates were tabled in Parliament. The deadlines for the Supplementary Estimates documents are the same as for the Estimates as they are both published on Budget day.

For more information on the Supplementary Estimates and the Information Supporting the Supplementary Estimates see the Estimates Technical Guidance. This will be released in November 2010 and will be available on the Treasury website at: <http://purl.oclc.org/nzt/g-etg>.

## Sign Off

The key features of the sign off process are:

- each department's **Chief Executive** signs-off that the content of all the Estimates and Supplementary Estimates documents complies with relevant Treasury guides
- **Vote Ministers** provide final sign-off on content before Treasury can compile the Estimates documents directly from CFISnet.

[Detail on process for sign off.](#)

## Budget Legislation

All appropriations agreed by Cabinet must be agreed by Parliament in an Appropriation Act in order to comply with the Public Finance Act. Treasury, in conjunction with the Parliamentary Counsel Office, will compile the Estimates Bill for 2011/12 and the Supplementary Estimates for 2010/11 (which seeks Parliament's agreement to changes to appropriations during 2010/11) after Cabinet has agreed to a final Budget package and after all Departments have loaded their Estimates documents into CFISnet.

[Detail on Budget legislation.](#)

## March Baseline Update

The March Baseline Update (MBU) process presents an opportunity to update baselines reflecting the outcomes of Cabinet and joint ministerial decisions that have changed baselines since the October Baseline Update. Submissions for MBU are expected to be due in early March and Treasury will confirm dates in December 2010.

As in all Baseline Updates, the MBU should only cover technical changes provided for under Cabinet Office Circular (09) 6. All other changes requiring policy decisions should, where possible, be included in the Four-year Budget Plan.

[Detailed guidance on the March Baseline Update.](#)

## Budget Economic and Fiscal Update

### Fiscal Forecasts

As part of the Budget process, department's are required to provide fiscal forecasts to contribute to the Budget Economic and Fiscal Update which is tabled as part of the Budget on Budget day. The fiscal forecasts are critical for:

- measuring the Government's progress against the fiscal strategy and the implications for the Budget strategy.
- determining the Government's borrowing requirements, and
- maintaining the public services reputation as prudent managers of taxpayers' funds.

It is the responsibility of the Chief Executive of each department to ensure appropriate forecasting systems and processes are in place to meet the reporting requirements.

Treasury prepares preliminary fiscal forecasts (based on the forecasts provided in the March Baseline Update) and final forecasts (based on the forecasts provided in the Budget Update).

### Informing Ministers

Departments should ensure they have raised any significant issues with their Vote Ministers to ensure that Ministers are not surprised by disclosures in the Economic and Fiscal Updates.

[Detailed guidance on BEFU.](#)

### Fiscal Risks

The Public Finance Act (PFA) requires that an economic and fiscal update (EFU) incorporate to the fullest extent possible, consistent with the limits on disclosure requirements set out in PFA<sup>3</sup>, all Government decisions and all other circumstances that may have a material effect on the fiscal and economic outlook. Risks identified by Departments are submitted to Treasury. A committee of Treasury officials, in consultation with the Minister of Finance, identifies any other decisions or circumstances that meet the criteria for risks and finalises the chapter for the EFU.

If the fiscal implications of fiscal risks can be quantified for particular years with reasonable certainty by the day on which the forecast financial statements are finalised, they must be included in the forecasts. If the fiscal implications cannot be quantified or assigned to particular years with reasonable certainty, those decisions or other circumstances must be disclosed in the statement of Specific Fiscal Risks (SFRs).

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<sup>3</sup> s26V of the PFA requires that disclosure would prejudice New Zealand's economic or security interests, compromise negotiations, or result in material loss to the Crown.

The SFR chapter will also include disclosure of contingent liabilities which exist as at 31 March 2011.

[Detailed guidance on Specific Fiscal Risks.](#)

## **Media Statements**

The Budget media release process is coordinated by the Minister of Finance's office, with assistance from the Treasury. Media releases are drafted by press secretaries in Vote Ministers' offices, with help from departments, and the fiscal implications are checked by the Treasury.

The media will be using a number of different documents announcing new initiatives on Budget day. These include the Budget speech, the Treasury-prepared Executive Summary, and media releases. To ensure that the media receive clear and consistent material, these documents should use the same financial information. To assist with this process, Treasury have prepared a draft media release template, see Annex 2.

[Detailed guidance on Media Statements.](#)



## Part 2: Detailed Process and Technical Guidance

### Four-year Budget Plans

#### What is in the Four-year Budget Plan?

The Four-year Budget Plan submissions will show how Vote Ministers propose to align baselines to meet the Government's priorities. These submissions will be the documents used by Budget Ministers to prepare the final Budget package Cabinet paper.

The Four-year Budget Plans should examine all expenditure within a Vote, both departmental and non-departmental (including Crown Entity expenditure). They provide an opportunity for Ministers to propose transfers between appropriations and across years in a fiscally neutral manner.

Four-year Budget Plans will have four sections:

1. **Summary:** This section summarises the priorities and strategy for the Vote and key changes proposed over the next four years to achieve the priorities. This section should provide a succinct description of the major priorities, the major programme changes and how these will contribute to achieving Government priorities.
2. **Vote Priorities and Pressures.** This section sets out what the Minister intends to achieve in his or her Vote, how the Minister's intentions fit with Government priorities and the major pressures facing the Vote over the next four years.
3. **Reprioritisation.** This section sets out the major programme changes that the Minister proposes to make within his or her Vote in order to deliver the intentions set out in section 2. This section will summarise the detailed analysis undertaken by departments to select programmes to begin, change, or stop, including capital proposals. Where there are a number of minor changes, the detail provided should be at a reasonable level of aggregation that will assist Budget Ministers in considering proposals.

For each significant proposed reprioritisation the following information should be provided:

- What is new or different compared to what is currently being delivered.
- The contribution of the activity to Government priorities.
- Analysis supporting the proposed change.

The analysis that supports a proposed change in activity should be appropriate to the significance of the proposal. Analysis supporting a proposed change should cover the basic questions of intervention logic; options analysis; and how the new activity will be implemented and evaluated. In some cases, a full business case will be appropriate. This analysis does *not* need to be included in full in this template, but should be provided to the Treasury.

Information supporting proposed reprioritisation should be sufficient to indicate the trade-offs involved in the proposal to assist Budget Ministers' decision-making.

4. **Financial Summary.** This section details the changes to appropriations that are required to give effect to the changes proposed in section 2. This section is generated from CFISnet (see CFISnet Help for details on how to enter initiatives). Once departments have entered proposed changes into CFISnet (using the initiatives entry function), they will be able to generate a summary report to attach as section 4 of the Four-year Budget Plan.

The purpose of the Four-year Budget Plan is *not* to request additional operating funding. Therefore, baselines should generally show no increase following the reprioritisation exercise. However, changes to the size of the Vote may occur:

- where a Vote has been allocated a share of the operating allowance by Cabinet (as advised to Vote Ministers in late October)
- where Cabinet has agreed a specific savings proposal and requested the savings be returned to the centre, or
- in a fiscally neutral manner, where there is a transfer between Votes.

Votes may seek additional funding for capital proposals through Budget 2011. However, capital injections will be less common than in previous years and Vote Ministers should be looking to fund capital proposals within current baselines where possible. The process for capital proposals is outlined in more detail below.

Four-year Budget Plans should focus on significant policy proposals. Technical changes covered by Cabinet Office Circular (09) 6 should not be included in Four-year Budget Plans and should instead be covered in the March Baseline Update (MBU) (see page 33).

### **Cost-recovered Bids**

Departments may include proposals to increase cost-recovered activities in a fiscally neutral manner. These should be included in the Four-year Budget Plan submission.

### **Treatment of Savings**

- Budget Ministers will make judgements about whether identified savings are best applied to reprioritisation within each Vote or applied to other Government priorities.

## **Capital Process**

### **What to include in Four-year Budget Plans**

The Four-year Budget Plan document should contain the following information on capital expenditure within the Vote:

- How capital expenditure within the Vote over the next four years will achieve the Government's priorities.

- Alternative ways to manage capital pressures and achieve the same outcomes.<sup>4</sup>
- Details of all capital proposals that are seeking new funding in Budget 2011.
- All other capital proposals that require a decision from Cabinet based on the criteria in Cabinet Office Circular (10) 2.
- An outline of any planned capital projects likely to required decisions in Budget 2012.
- All capital proposals should be clearly linked to the priorities in section 2 and the benefits of the investment should be clearly set out.

Items that are funded from within baselines, but are less than \$25 million do not need to be specifically included in Four-year Budget Plans. Projects that have an upcoming decision prior to Budget 2011 should be deferred and included as a Budget 2011 decision. This will allow Cabinet to consider a wider range of capital proposals.

### **Business Cases and Cabinet Decisions**

Capital proposals seeking new funding will need to be supported by a business case. It is expected that capital proposals will be supported by a business case commensurate with the significance of the proposal and meet Cabinet's expectations on proposals as set out in CO (10) 2. Business cases should be submitted by **1 pm Tuesday 8 February 2011** to support the Cabinet process.

#### **Requirements for a two stage business case**

Cabinet has adopted a business case standard in relation to investment proposals which seek new Crown funding, have a whole life cost in excess of \$25million, or are high risk (refer Cabinet Office Circular (10) 2):

- **Stage 1** refers to providing Cabinet with the opportunity to "choose the right option" on the basis of indicative costs and benefits. The business case would seek approval for developing a detailed business case on a short-list of options.
- **Stage 2** refers to providing Cabinet with the opportunity to "do the right option well" on the basis of an updated business case with more fully developed costs and benefits.

Vote Ministers which are seeking new funding for capital proposals in Budget 2011 will need to provide a stage 2 business case for Cabinet.

In situations where a stage 2 business case will not be developed in time for Budget 2011, but Vote Ministers want a capital proposal considered as part of Budget 2011, a stage 1 business case should provided as a minimum. This will give Cabinet the option to consider whether a tagged contingency should be set aside for a specific capital proposal.

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<sup>4</sup> Capital Intensive Agencies: this should cover the portfolio and service delivery issues and strategic choices already identified in the executive summary of your Capital Intentions Report

## Mixed Capital and Operating Bids

Where a Minister is requesting a small amount of capital, consideration should be given to whether an operating – capital swap can be used to fund the capital proposal within operating baselines. There is a separate line in the Financial Summary report for capital associated with operating bids.

Where a capital proposal has associated operating costs (either direct flow-on costs such as depreciation, or indirect associated costs such as increased personnel), Vote Ministers will need to show how these costs will be managed within baselines. No allocation has been set aside from the operating allowance for operating expenditure associated with capital proposals. Operating associated with capital proposals will appear in the reprioritisation line of the Financial Summary.

## What to enter into CFISnet

### What to enter into CFISnet for Operating Expenditure

Departments should enter an initiative for each proposed component of the reprioritisation in the Four-year Budget Plan. However, departments should enter initiatives *at a sensible level of aggregation to provide visibility to Ministers over proposed changes*. For example, if Programme A is to be scaled and Programme B stopped to fund an increase in Programme C, then officials should consider whether Ministers should be able to see the changes to all three programmes (in which case three initiatives should be entered) *or* whether the programme changes are minor enough that a single initiative can be entered that includes the decreases in A and B and the increase in C.

Detailed guidance on what to enter in each field of the CFISnet Initiatives Template for operating proposals is provided in Annex 2.

Initiatives included in the Four-year Budget Plan should be entered in CFISnet by **1 pm on Wednesday 1 December 2010**.

Please upload an electronic copy of the Four-year Budget Plan to Document Sharing

As well as being submitted to the Minister of Finance, Four-year Budget Plans should be uploaded to Document Sharing under the Process “Initiatives” by **1 pm on Wednesday 1 December 2010**.

Expanded Word versions of the initiatives template do not need to be provided for the initiatives entered into CFISnet for operating proposals. Documents providing background analysis of different proposals can be uploaded to the relevant initiative, however, and may be separately requested by Ministers or Treasury to assist in understanding and assessing a component of the Four-year Budget Plan.

### What to enter into CFISnet for Capital Expenditure

An initiative should be entered into CFISnet for *all* capital proposals seeking new funding in Budget 2011. Those proposals that will seek funding in Budget 2012 should not be entered into CFISnet.

Agencies should provide supporting information on capital proposals via CFISnet (either through the Word-based Initiatives Template or documents providing background analysis) to inform second opinion assessment by Treasury Vote Analysts for the Budget Ministers Process in December.

The Word-based Budget initiative template should be a stand-alone document, containing all the information from the CFISnet template plus further details where necessary. No character limits apply for the Word template.

Initiatives and a Word version of the initiative (or other supporting information) should be uploaded into CFISnet alongside Four-year Budget Plans by the Responsible Minister to the Minister of Finance by **1 pm on Wednesday 1 December 2010**.

Detailed guidance on what to enter in each field of the CFISnet Initiatives Template for operating proposals is provided in Annex 2.

Proposals seeking funding in Budget 2012 should not be loaded into CFISnet. This data will be auto-populated based on CAM returns submitted in October.

The business cases for each capital proposal should be summarised in the Word Document (or for smaller proposals which do not require a stage 1 or stage 2 business case, the full business case may be included in the Word document).

Because the submission of capital proposals has been brought forward to 1 December 2010 for Budget 2011, it is not anticipated that business cases will be fully developed in time for submission alongside Four-year Budget Plan. Instead:

- Where the full business case is developed, these should be submitted along with Four-year Budget Plans.
- Where the full business case is not finalised, agencies should be looking to provide any supporting information on capital proposals to Treasury Vote Analysts to inform second opinion assessment for the Budget Ministers Process in December.

Business cases should be commensurate with the significance of the proposal and Cabinet expectations (as set out in CO (10) 2).

Second opinion assessment by Treasury of proposals that require a decision in Budget 2011 will give a heavy weighting to the cost-benefit analysis contained in the supporting business case. For more guidance on cost-benefit analysis, please refer to the [Cost-Benefit Analysis Primer](#) on the Treasury website.

### **Automatic Population of CFISnet Initiative Templates for Projects in CAM Returns**

For Capital Intensive Agencies (those who submitted Capital Intentions returns in CFISnet in October), projects identified in that return will be pre-populated using the information in those returns. Departments will then be able to edit the information in CFISnet and upload supporting documents as required.

## Budget Decisions

### What Happens and When?

Key Task	Period	Additional Information
Budget Ministers Process	December - April	<ul style="list-style-type: none"> <li>Budget Ministers will meet two or three times between December and early April to discuss the submissions made by Vote Ministers.</li> <li>Treasury will prepare reports for Budget Ministers prior to these meetings.</li> <li>The Senior Executives Group will test the advice prepared by Treasury prior to reports going to Budget Ministers.</li> <li>Budget Ministers make initial decisions on Four-year Budget Plans in December to accept, decline or refer proposals to Cabinet, or request further details.</li> </ul>
Cabinet Process	January - March	<ul style="list-style-type: none"> <li>Cabinet will consider an initial paper from Budget Ministers, which will recommend that Cabinet accept or decline each Vote's Four-year Budget Plans.</li> <li>Cabinet will consider major policy and capital proposals from January through to March.</li> </ul>
Finalisation of financial recommendations	April	Treasury and departments prepares final recommendations for delivery to Cabinet Office.
Submission of paper to Cabinet	April	The goal of this final paper is to have the Executive agree to the detailed decisions of the Budget.
Production of Cabinet Minutes	April	Cabinet Office produces and distributes Cabinet Minutes.

### Budget Ministers Process

A group of Budget Ministers, made up of the Prime Minister, Minister of Finance and the Associate Ministers of Finance, met in September and will continue to meet through to the finalisation of the Budget by Cabinet in April. Budget Ministers will make initial decisions on the Four-year Budget Plans in December to accept, decline or refer proposals to Cabinet or in some cases request further information. Through the months of January to March Cabinet will consider proposals that are referred by Budget Ministers. These proposals are likely to include major policy decisions and capital business cases. In April, the Minister of Finance will take a final set of recommendations to Cabinet for its consideration.

Budget Ministers will meet at a number of important stages during the Budget process:

- In December to consider Vote Minister's Four-year Budget Plans. They will make initial decisions on the Four-year Budget Plans in December to accept, decline or refer proposals to Cabinet.
- Budget Ministers will communicate their December decisions by letter to Vote Ministers.
- In March and April to consider a final consolidated Budget package, based on initial Four-year Budget Plans decisions and Cabinet decisions on major policy proposals, and to recommend for Cabinet consideration.

## Cabinet Process

The earlier submission date for Four-year Budget Plans is to allow Ministers and Cabinet more time to consider proposals. The process of consideration will be as follows:

- In January Cabinet will consider an initial paper from Budget Ministers, which will recommend that Cabinet accept or decline each Vote's Four-year Budget Plan. Budget Ministers may also recommend that some be accepted and ask the responsible Minister to bring major policy and capital proposals back to Cabinet individually for further consideration. In some cases Vote Ministers may be asked to provide additional analysis prior to final Cabinet approval. Note that Cabinet may accept some Four-year Budget Plans but decline individual proposals within them.
  - Four-year Budget Plans that are accepted will have their financial recommendations agreed in the main Budget Cabinet paper in April.
  - Those that are declined will either be referred back to the responsible Minister for resubmission.
- An indicative timeline will be recommended for major policy and capital proposals in order to manage the Cabinet agenda.
- Cabinet will consider major policy and capital proposals from January through to March. Departments should ensure that such proposals are well enough developed to take them to Cabinet at during this period.
- In early April, Cabinet will consider the final Budget Cabinet paper. The Budget Package Cabinet Paper is drafted by Treasury. It will confirm the key decisions taken by Cabinet in January and March and include the financial recommendations needed to implement Budget decisions.

[Detail on the preparation of the budget cabinet paper.](#)

## Financial Recommendations

**Mandatory requirement** – Recommendations are the mechanism which reflect Cabinet decisions. Financial recommendations are essential for Cabinet agreement on increasing appropriations.

As in previous years, financial recommendations will be automatically generated by CFISnet when Vote changes (as proposed by the Four-year Budget Plan) are entered through the Initiatives module. Departments will need to QA the recommendations to ensure they are correct.

CFISnet Help contains detailed topics in the Recommendations process – CFISnet users are encouraged to make themselves aware of this material: [Help > Baselines > Recommendations](#).

Contact the CFISnet HelpDesk about any issues or questions relating to CFISnet.

Any questions about technical issues or the wording of Financial Recommendations should be directed to your Vote Analyst.

## Production Phase

This section sets out some of the key production-related issues for the preparation of departmental Statements of Intent, Estimates, Supplementary Estimates, Information Supporting the Estimates, and Information Supporting the Supplementary Estimates.

### Statements of Intent

**Statutory requirement – sections 38 - 40 of the PFA:** sets out the content requirements of the Statement of Intent.

In terms of the development process, the key aspects of the content of the SOI should be developed prior to developing the other Information Supporting the Estimates. There is separate guidance on the Statement of Intent for departments. To access this guidance go to: <http://www.treasury.govt.nz/publications/guidance/strategy/soi-depts>

One of the key aspects of the Statement of Intent is the link to government's priorities. For the latest on government priorities refer to:

- the Prime Minister's annual speech to Parliament.
- the Budget Policy Statement.
- the Prime Minister's priority letters for sector/agency specific priorities.
- recent Ministerial and Prime Ministerial speeches and press releases for sector/agency specific priorities.

### Layout of SOI

The Statements of Intent (SOI) is bolted onto the back of the relevant volume of the Information Supporting the Estimates. To ensure they are readable for the Parliamentary audience while still bolted onto the back of the Information Supporting the Estimates, the A4 printed version needs to have the text at least 2cm from the centre spine.

### Printing

Departments are responsible for printing their own SOI. Departments can choose their own printer.

### Printed copies of the SOI for Budget Day – where and how many?

The Treasury's printer collates all SOIs with the *Information Supporting the Estimates* to produce the parliamentary copies. Departments are required to ensure delivery of 200 copies to the Treasury's printer: Printlink, 33-43 Jackson Street, Petone.



### When does the departmental SOI have to be ready?

The date is always in advance of Budget day to allow time for the Treasury's printer to attach the SOIs for each volume of the *Information Supporting the Estimates*, as this is how the information is provided to Members of Parliament. This is normally two weeks prior to Budget Day to allow time for the Treasury's printer to bolt all the departmental SOIs onto the relevant volume of the *Information Supporting the Estimates*. The date will be included in the budget timeline after the Budget date is announced.

### Estimates and Information Supporting the Estimates

**Statutory requirement:** section 13(1) states "the Minister must present to the House of Representatives the Estimates immediately after he or she has delivered the Budget"

*The key sections in the Information Supporting the Estimates are:*

- Sector Overview Information including Ministerial and Chief Executive Statements of responsibility.
- For each Vote there is the following information organised by Vote:
  - Part 1 Summary of the Vote providing the overall context on a Vote basis.
  - Overview of the Vote – A brief explanation of the Vote to provide overall context (Part 1.1).
  - High-Level Objectives of the Vote – The objectives for the Vote. This provides the purpose for the appropriations and linkage to the Statement of Intent (Part 1.2).
  - Trends in the Vote – A presentation of the actual and estimated trends in the vote comprising summary of financial activity, new policy initiatives and savings, analysis of significant trends and if required, a reconciliation of changes in appropriation structure (Part 1.3).
  - Parts 2- 6 Details and expected performance/results for expenses covering both departmental and non-departmental appropriations by type of appropriation – output, benefits and other unrequited, borrowing expenses, other expenses and capital expenditure. The material included covers the required details about why that appropriation (impact, outcome and objective linkages), what will be provided/received, how much will it cost and what has changed over time.
  - Statements of Forecast Service Performance link back to the information provided in Part 2 above.
  - Forecast Financial Statements of Departments contain forecast financial information for the Budget year.
  - Statements of Intent – although the responsibility to produce these is on each department, they are part of the *Information Supporting the Estimates*.

For more information on the content of the *Information Supporting the Estimates*, see the introduction of any of the volumes of the *Information Supporting the Estimates* which goes through the key sections in more detail.

<http://www.treasury.govt.nz/budget/2010/ise/v1/ise10-v1-intro.pdf>

## Procurement – New

A department's objectives and overall operational performance link to its procurement strategy and should be reflected in its Strategic Procurement Outlook and Annual Procurement Plan.<sup>5</sup>

### What Happens and When?

Key Task	Period
Departments discuss with their Minister(s) high-level outcomes and priorities, as well as the outputs required to deliver on these outcomes and priorities	September to November
Technical Estimates Guidance released	November/December
Estimates module available on CFISnet	December/January
Departments discuss proposed approach for reviewing Estimates documents with their Treasury Vote Team	February
Departments notify Treasury of core data requests for the Estimates	February
Departments finalise in CFISnet their Estimates documents content after engaging with the Minister and Treasury	April
Expected date for Cabinet Budget decisions	April
Vote Analysts OK Estimates documents and tables from departments for consistency with Budget decisions	April
Vote Ministers sign off on Estimates information from departments	April
Lead sector agencies email Treasury the Ministers' signed off sector overview	Late April
Treasury does final check to ensure that there have been no further changes to CFISnet since the Vote Minister signed off their chapter	Late April
Printed SOI required at Treasury's printer and electronic version for Budget CD provided to Treasury	May in advance of Budget day
Printing of Estimates documents	May
Budget Day	May

Departments should involve Vote Ministers and Offices early in the Estimates documents drafting process – the first time the Minister sees the document should not be when he/she is asked to sign it out. Departments should engage early with the Minister on key aspects of

<sup>5</sup> Under the Mandatory Rules for Procurement all Public Service departments, NZ Police and NZ Defence Force are required to publish a Strategic Procurement Outlook (SPO) and an Annual Procurement Plan (APP). A SPO is a high level summary of your agency's purpose, goals and overarching procurement objectives. An APP is a rolling list of planned procurements. SPOs and APPs must be posted on MED's website by 1 July each year and updated every 6 months. Reference Agency / Annual Procurement Plans at [www.procurement.govt.nz](http://www.procurement.govt.nz)

the content to allow time to build in the Minister's feedback. This could be done concurrently with SOI discussions and reporting.

### **When do the Estimates have to be ready?**

Ministers need to submit the Estimates for their Votes to the Minister of Finance's Office no later than 1pm on the due date. The date differs for forecasting departments because of the fiscal forecasts. Specific due dates will be provided in the coming months as the Budget timetable is finalised.

Please ensure that you read the associated Estimates Technical Guidance before you begin compiling your Estimates documents (see below). You should also ensure you give yourself plenty of time to make this deadline. This guidance will be available on the PSI and Treasury websites. Release is planned for late November to coincide with when the Estimates module is released.

### **Additional Guidance**

Treasury has produced three technical guides on how to prepare the SOI, Estimates, Information Supporting the Estimates, Supplementary Estimates and Information Supporting the Supplementary Estimates documents:

- SOI - Guide to the Content and Production– details the content requirements of the SOI. This guidance is available now.
- Technical Guides – *Estimates* and *Supplementary Estimates* on the content and the expected quality standards of the content for the *Estimates*, *Supplementary Estimates* and supporting information for both these documents. This guidance will be available in late November 2010.
- Style Guide – guidance on formats and editing. This guidance is available now.

Following these guides is critical, as they impact on the overall consistency of the Estimates documents. The technical guides will be available once released on the PSI ([Home - Improving Accountability Information](#)), the Treasury website ([Estimates Technical & Style Guides - Treasury](#)) and on CFISnet.

## **Security and Electronic Copies**

### **Security Arrangements with Printers for Hard Copies**

Until tabled on Budget day, SOIs are classified "Budget Sensitive". Please note that each department is responsible for the security of their SOI (including, if necessary, its transport to the Treasury's printers) until it is signed over to the Treasury's printer for collation into the *Information Supporting the Estimates*. The following security rules apply to the printing of all "Budget Sensitive" documents. Please ensure that the contract with your printer includes the following rules:

- Access to the area where the documents will be printed must be limited to authorised personnel.

- Security must be placed on the doors of the printer.
- All documents (tapes, disks, page-proofs, or photographic plates) must be locked away when not being used.
- Completed documents must be stored in security safes until delivery.
- All deliveries must be accompanied by a security guard and a designated person must sign for the documents.
- All waste must be shredded.
- Email should not be used to deliver electronic versions of SOIs between the printers, design companies or departments.
- No visitors are allowed into areas where Budget-related printing is being carried out. A list of authorised departmental personnel is to be supplied to the printer. Only those named people may be allowed to visit.

If the department wants to have copies of its own SOI prior to Budget day, then it needs to ensure it complies with the above security requirements, and the chief executive needs to accept responsibility for any accidental release of information before the Budget documents are officially released on Budget day. All copies held within the department prior to Budget day need to be tracked and carefully managed to limit any potential release.

### **Electronic Copies**

The Treasury requires an Adobe PDF file copy the SOI for the electronic version of the Information Supporting the Estimates of Appropriations to be included on the Budget CD-Rom.

Departments must supply an Adobe PDF version of the SOI that is low resolution (150 dpi) and includes the document's cover page. The file size of the PDF should be less than 600 KB, but for large SOIs (more than 80 pages) a maximum of 1.2 MB is permissible. Delivery should be by SEE Mail to [performanceinfo@treasury.govt.nz](mailto:performanceinfo@treasury.govt.nz) or by safe-hand delivery on disk. The deadline for delivery of the Adobe PDF copy of the SOI is the same as for delivering printed copies to Treasury's printers, ie, early May in advance of Budget day.

The Minister of Finance has powers to prescribe minimum publication requirements for reports prepared under the Public Finance Act 1989. We do not propose to ask the Minister to apply this power to SOIs, but we encourage all departments to electronically publish their SOIs according to the practice recommended in the New Zealand Government Web Standards at <http://webstandards.govt.nz>. Almost all departments currently publish these documents on their websites.

### **Security Arrangements for Electronic Copies**

SOIs are classified "Budget Sensitive" and therefore should never be sent by email unless both sender and recipient are using the SEE Mail system, which secures email between participating government agencies (including Ministers' offices).

External designers and printers are not on SEE Mail, so safe-hand delivery on disk by courier must be used to deliver electronic copies of the SOI. Any department that is not on SEE Mail must always use safe-hand delivery of MS Word, Adobe PDF and other electronic copies of the SOI, even to the Treasury and Ministers' offices.

## Sign-Off

The *Information Supporting the Estimates* is tabled by the Minister of Finance on behalf of Responsible Ministers. The Responsible Minister retains ownership of the content and quality of their material.

The sign-off by departments supports the sign-off by Responsible Ministers. Sign off sheets for departments and Vote Ministers will be available as templates on CFISnet, under the 'Treasury Circulars' menu. These templates will be released soon and we will inform departments when we do.

Departments should ensure that their Minister, or another Minister with authority to approve the documents, is available to sign off all of the Estimates documents on or before the deadlines. It is therefore essential that Treasury receive confirmation that the Vote Minister has signed-off on the documents, or before, the dates specified to ensure the smooth and timely production of the Budget documentation.

### How do I do it?

The key requirement when departments sign off the documents is the **accuracy** of the text and tables. This includes factual accuracy (eg, output classes are correctly specified) and technical accuracy (eg, the numbers include all the decisions made to date, and they add up).

Note that the final version number in CFISnet must be the same as the version number the Vote Minister signs off.

## Budget Legislation

### Appropriation Acts (Core Estimates and Supplementary Estimates)

It is very important that all Estimates numbers loaded into CFIS are correct as these are the numbers that will be used in compiling the legislation that will be introduced into Parliament. Once the legislation is finalised changes are very difficult to incorporate. It is important that the numbers receive adequate QA, including checking actual outturns for the current financial year with the numbers for the current financial year in the Supplementary Estimates.

Departments should also submit information for appropriations affected by Sections 21 or 32A of the Public Finance Act.

## What happens and when?

Key Task	Period	Additional Information
Departments with Appropriations affected by Sections 21 or 32A of the PFA submit information to Treasury	Early April	Also included in the timetable for the Estimates
Legislation prepared by Treasury and PCO based on numbers included in the Estimates	May	

## How do I do it?

### a) Revenue Dependent Appropriations (Section 21 of the PFA)

Departments with revenue-dependent appropriations (RDA) approved by the Minister of Finance should complete the template (available on CFISnet, under the 'Treasury Circulars' menu) and upload to CFISnet so they can be listed in a schedule to the relevant Appropriation Bill.

A RDA is a departmental output expense appropriation authorised under section 21 of the PFA that allows a department to incur expenses up to the amount of revenue earned by the department from the supply of a specified class of outputs.

#### CFISnet Information

Departments are requested to complete the template and upload to CFISnet using the general upload area:

CFISnet ⇒ Info ⇒ Upload a file to CFISnet

Please include "section 21" in the comment field to allow us to identify the relevant documents. No response is considered a 'nil' return. Treasury Vote teams will discuss the content of the submission with departments in advance of the submission date. Departments should email their Vote Analyst once they have uploaded the template.

When submitting the template, departments should include a reference (eg, Cabinet Minute or letter) confirming the Minister of Finance has approved the use of an RDA for each specified output class. The requirements and process for obtaining the Minister of Finance's approval for an RDA are set out in Treasury Circular 2007/05, available on CFISnet.

### b) Non-Departmental Appropriations for which a Statement of Service Performance or Statement of Results is Required (Section 32A of the PFA)

Departments administering non-departmental appropriations, for which a Statement of Service Performance or Statement of Results is to be required at the end of the financial year (in accordance with section 32A of the PFA), need to provide a list of the relevant appropriations to Treasury for inclusion in a schedule to the Appropriation Bill. A template for this purpose will be available on CFISnet (under the 'Treasury Circulars' menu). The template should be **uploaded** to CFISnet.

The criteria used to determine which eligible appropriations should be reported under section 32A have traditionally been based on recommendations made by the Finance and Expenditure Select Committee (FEC).

Amendments to the Public Finance Act in 2004 have, however, significantly expanded the range of appropriations that could be reported under section 32A, to include potentially any non-departmental appropriation or part thereof.

In Budget 2010, FEC agreed to a new set of criteria for determining which appropriations should be reported under section 32A. The criteria will continue to apply. The criteria is that reports are required on the service performance or results achieved during the relevant financial year in relation to:

- Each non-departmental other expense appropriation or non-departmental capital expenditure appropriation except where:
- The House already receives or has ready access to information that covers the key aspects of performance relevant to the appropriation; or
- The inherent nature of the transaction or causal event giving rise to the expense or expenditure means there is likely to be little additional performance information that could be usefully reported on an annual basis; or
- The annual appropriation (or its annual average equivalent for multi-year and permanent appropriations) is under \$5 million for other expenses or under \$15 million for capital expenditure.

And

- Each output class within a non-departmental output expense appropriation except where:
  - there is already a requirement or commitment to report to the House on service performance in respect of the whole of that output class, or
  - the expected level of annual (or annual average) expenses for the output class, or the part that would otherwise be unreported, is under \$5 million.

For an output class where only part of the class would otherwise be unreported, the report may cover the whole class or the unreported part, at the discretion of the Minister responsible for the appropriation.

See Treasury Circular 2010/03 for more information about the application of Section 32A.

#### CFISnet Information

Departments are requested to complete the template and upload to CFISnet using the general upload area:

CFISnet ⇒ Info ⇒ Upload a file to CFISnet

Please include “Section 32A” in the comment field to allow us to identify the relevant documents. No response is considered a ‘nil’ return. Treasury Vote teams will discuss the content of the submission with departments in advance of the submission date.

## March Baseline Update (MBU)

In Budget 2010 the Baseline Update process was run in February so that all technical changes were dealt with prior to the March submission of Baseline Alignment Proposals. The earlier submission of Four-year Budget Plans in Budget 2011 means that this is not practical and the date returns to March to provide some time to assemble the information required for the Baseline Update process.

MBU should cover only those technical changes provided for under CO (09) 6. Any substantive policy decisions should be included in Four-year Budget Plans. Exact dates will be provided in December.

**Statutory requirement:** section 17 (1)(a) of the PFA “if information about an appropriation or department was provided in the Estimates for the same financial year, state any changes to the information about that appropriation or department...”

### What happens and when?

Key Task	Date for Completion*	Additional Information
Treasury Vote Teams discuss specific requirements for MBU with their departments.	February	
Last date for coredata changes to be submitted to CFISnet for MBU.	Late February	
Submissions developed by departments and changes to baseline entered into CFISnet.	March	Departments enter data into CFISnet and lock.
Submission to the Minister of Finance.	March	Ministers provide two hard copies of their submission to the Minister of Finance.
Final date for Treasury Vote teams to advise of status of update.	March	
Minister of Finance notifies Ministers of the outcome of the update.	March	The Minister of Finance will send each Minister a letter advising of the outcome

### How do I do it?

A template for Vote Ministers' submission to the Minister of Finance will be available on CFISnet (under the 'Treasury Circulars' menu) in early 2010 along with the specific deadlines for submissions.

The guidelines for joint Ministerial changes to baselines were changed in September 2009. Cabinet Office Circular CO (02) 17 was replaced by CO (09) 6. Ministers and departments should ensure that the proposed technical changes can be approved by Joint Ministers under their delegated authority outlined in Cabinet Office Circular CO (09) 6.



Any changes that cannot be agreed under CO (09) 6 will need to be considered separately by Cabinet. You can discuss these particular cases with your Vote Analyst. In many cases the changes will be able to be considered alongside the financial recommendations in the Budget Cabinet paper. Changes that cannot be agreed under CO (09) 6 and require additional funding should be considered by departments during the Four-year Vote Plan phase of the Budget process.

Departments should discuss any potentially contentious issues with their Treasury Vote team as early as possible, so these can be resolved in advance of the Vote Minister submission.

Proposed changes should be explained in the Vote Minister's submission as follows:

Change type	Explanation contained in Vote Minister submission
Cabinet decisions	No explanation required, but relevant Cabinet Minute and title of Cabinet Paper <b>must</b> be recorded in the Table 2 attachment.
<ul style="list-style-type: none"> <li>• Technical adjustments</li> <li>• Fiscally neutral adjustments</li> <li>• Expense or Capital Transfers</li> </ul>	One short paragraph for each change, in line with requirements specified in CO (09) 6.
Forecasts	A short paragraph outlining the factors in the forecast change.
Return of savings	A short paragraph outlining the savings.

*a Forecasting changes*

Treasury Vote teams will contact departments to discuss whether a revised forecast is necessary and any information requirements additional to the short paragraph description in the Vote Minister submission. This additional information should be provided directly to the Vote team by the department and need not be included in the Vote Minister submission.

CO (09) 6 describes the process around forecast changes in more detail. Not all forecast changes are agreed automatically and departments should consider whether it is appropriate to absorb the cost changes from within baselines. The circumstances outlining whether forecasting changes should be met from within baselines are described in CO (09) 6.

*b Expense and Capital Transfers - Approval in principle*

Expense and Capital Transfers (ECTs) are the only MBU changes that can be approved in-principle. In-principle ECTs should be sought where the final amount of ECTs cannot be finalised until **after** the due date for MBU submissions (eg, amounts will only be known when accounts are audited).

In order for the fiscal forecasts to be as accurate as possible, and as noted in CO(09) 6 Ministers should limit the scope of in-principle ECTs as much as possible. This means that they should transfer the proportion of funding they are sure of and only use an in-principle transfer for the remainder. When updating forecast information, departments should use their best estimate of the actual spending patterns.

These transfers do not constitute sufficient authority to incur expenses until the actual amount is *confirmed and agreed* by Joint Ministers, normally in the following October Baseline Update. The level of parliamentary authority is now monitored on a monthly basis by the Controller and Auditor General. Any expenditure incurred without authority (in this case, any expenditure incurred in relation to these transfers prior to obtaining confirmation of the quantum approved) will be reported as unappropriated and will require validation by Parliament.

For more information see Treasury Circular 2006/4 *Unappropriated Expenditure - Avoiding Unintended Breaches*.

Please note that confirmations of in-principle transfers are limited both by the level of remaining appropriation, as well as the revenue associated with the output. This has caused problems for departments, in particular those with Revenue Other appropriations.

## Budget Economic and Fiscal Update

**Statutory requirement:** section 26O of the PFA: “the Minister must, in accordance with subsection (2), present to the House of Representatives, an economic and fiscal update prepared by the Treasury for each financial year”

The Budget Economic and Fiscal Update includes fiscal forecasts for the year to which the update relates (estimated actual forecasts) and the subsequent four years.

### What happens and when?

Key Task	Period
Departments submit preliminary fiscal forecasts to Treasury via CFISnet	March
Departments submit final fiscal forecasts and supporting elimination documents to Treasury via CFISnet	April
Departments submit Statement of Representation	April
Departments confirm contingent liabilities disclosure based on 31 March actuals to Treasury	April

## Fiscal Forecasts

The following CFISnet schedules are required for the 2011 Budget Economic and Fiscal Update five-year forecast and March Baseline Update.

Schedule Reference	Description	Outyears to be completed
1:50:0, 1:70:0	Statement of Financial Performance (interim and annual)	0 to 4
1:50:1, 1:70:1	Notes to Statement Financial Performance	0 to 4
1:51:0, 1:71:0	Statement of Financial Position (interim and annual)	0 to 4
1:51:1, 1:71:1	Notes to Financial Position - non Financial Instruments	0 to 4
1:51:7, 1:71:7	Notes to Financial Position - Financial Instruments	0 to 4
1:52:0, 1:72:0	Statement of Cash Flow (interim and annual)	0 to 4
1:53:0, 1:73:0	Department reconciliation of expenses and appropriations	0 to 4
1:53:1	Department reconciliation of operating income and output revenue	0 to 4
1:56:0, 1:76:0	Stats schedule	0 to 4

Please note the following schedules are **not** required for the five year forecast:

Schedule Reference	Description
1:51:3, 1:71:3	Notes to Financial Position - non Financial Instruments (annual)
1:51:5, 1:71:5	Notes to Financial Position - Liquidity Analysis (annual)
1:51:6, 1:71:6	Notes to Financial Position - Financial Instruments (annual)
1:54:0, 1:74:0	Commitments, Contingent A&L (interim and annual)
1:57:0, 1:77:0	Trust accounts

All information submitted must comply with Crown accounting and forecasting policies outlined in Treasury Instructions.

The schedule line dictionary and the schedule line rule definition listings (under the data menu) are useful tools to help complete the CFISnet schedules. In addition there is a FAQ section on CFISnet. We always welcome your questions and feedback.

The forecast information provided via the CFISnet schedules should be prepared on a basis of best professional judgement, reflecting information and circumstances at the date the forecasts are provided.

As forecasts should reflect best estimates, they will typically differ from appropriations as appropriations represent upper spending limits, not estimates of expected spending.

The following table identifies where best estimates are required for MBU, Supplementary and Budget exercises and where approved appropriation amounts (upper spending limits) are required.

Exercise	MBU	MBU	Supplementary	Budget	Budget
Exercise No.	364	364	366	367	367
Outyear	0	1 – 4	0	0	1 - 4
Vote Specific Schedules	Approved Appropriation	Approved Appropriation	Approved Appropriation	Best estimates	Approved Appropriation
Common Schedules	Best estimates	Best estimates	Best estimates	Best estimates	Best estimates

Note that only Budget exercise 367 uses best estimates for the Vote specific schedules, and even then only for outyear 0. This is because these numbers are used to populate the “estimated actual” data in the core Estimates. In all other cases, completion of the reconciliation schedule below will be required.

As with the previous years we will be reporting back to departments after year end regarding the accuracy of the fiscal forecasts compared with actual results.

### Department Reconciliation of Expenses and Appropriations

CFISnet schedules 1:53:0 (for Departmental) and 1:73:0 (for Non-Departmental activities) are used to reconcile the differences between total appropriation expenses in the Vote specific schedules and the mid-point forecasts reported in the common schedules (schedules 1:50:0 and 1:70:0). Such differences should be reported in lines 110 to 165 of the reconciliation schedules. A separate line should be used for each significant<sup>6</sup> adjustment and the text description field used to identify the relevant appropriation. Less significant adjustments can be aggregated into one line. Refer to the sample reconciliation below.

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<sup>6</sup> As a guide, adjustments greater than +/- \$50 million would usually be considered significant.

**Dept Reconciliation of Expenses and Appropriations (interim and annual) : Common Schedule (\$'000s)**

Line		308:0:6
5	Total expenses appropriated	800,000
20000	<b>RECONCILING ITEMS</b>	
20010	<b>Remeasurements</b>	
10	detailed input line	0
15	detailed input line	0
...	...	...
70	detailed input line	0
75	detailed input line	0
99	Total remeasurements	0
20020	<b>Other adjustments not appropriated</b>	
110	detailed input line	-60,000
115	detailed input line	-55,000
120	detailed input line	-25,000
125	detailed input line	0
...	...	...
160	detailed input line	0
165	detailed input line	0
199	Total other adjustments not appropriated	-140,000
299	Total reconciling items	-140,000
399	Total expenses per Operating Statement	660,000

**Sample Text Descriptions:**

"F/cast adj to Policy Advice" appropriation  
 "F/cast adj to Services for XYZ" appropriation  
 "Other f/cast adj across approps"

**Department Reconciliation of Operating Income and Output Revenue**

CFISnet schedule 1:53:1 (for Departments) is used to reconcile the differences between total output revenue in the Vote specific schedules and the best estimate forecasts reported in the operating statements (schedule 1:50:0). Such differences should be recorded in one of the three different sections of the schedule: Revenue Crown (lines 10 to 40), Revenue Department (lines 210 to 240), or Revenue Other (lines 410 to 440), depending on the nature of the difference.

It is expected that in most, if not all, instances the total forecast adjustment across all revenue types in schedule 1:53:1 will offset the forecast adjustments to expenses in schedule 1:53:0.

**Statement of Representation**

The Minister of Finance and the Secretary of the Treasury are jointly required to sign a Statement of Responsibility to the effect that the Budget forecasts fairly reflect the forecast operations and fiscal position of the Government. In signing that Statement, the Minister of Finance and the Secretary of the Treasury rely on assurances provided by Chief Executives and Chief Financial Officers.

Accordingly, a signed Statement of Representation needs to be sent to Treasury once the final CFISnet schedules are submitted. To help Chief Executives and Chief Financial Officers gain assurance around the forecasts supplied, we recommend you review the CFISnet Summary Financial Statements report.

## Inter-Entity Eliminations

The elimination framework is available at:

<http://www.treasury.govt.nz/publications/guidance/reporting/nzifrs/pdfs/nzifrs-ef-23jul07.pdf>

Please note this framework applies to all exercises including forecast tracks. Please take the time to refamiliarise yourself with this framework.

## Financial Instruments

To enable inter-entity financial instruments to be eliminated (refer eliminations framework) information is collected by spreadsheet for the following transactions:

- Government stock balances (excluding non-market holdings)
- Crown entity or SOE debt greater than \$10 million
- Air New Zealand shares, and
- derivatives where the book value is greater than \$1 million.

The spreadsheet is on CFISnet's homepage under 'CFISnet links', and is to be uploaded to Treasury with each completed exercise.

The spreadsheet can be uploaded into CFISnet as follows:

- Info > Document Sharing > Upload or Download a Document and select the "Elimination – Transactions with Depts, SOEs and CE" process.

## Other Eliminations

Eliminating inter-entity transactions and balances is critical to our consolidation and we would like to reinforce the importance of ensuring:

- elimination entries are correctly identified and recorded in the correct lines and the text column is used to identify the specific entity for all inter-entity lines. This is especially important for financial instruments (including derivative contracts). Refer above for a link to the elimination framework
- entities agree funding flows with other Crown reporting entities
- the financial instruments elimination spreadsheet is completed and submitted on time as mentioned above
- the text column in the DataLoad is used to identify the other entity when necessary (as outlined in the schedule line dictionary), and
- where "Detailed Input" lines are used, a brief comment in the text column should be provided to indicate what the item relates to and who it is with.

Pro-forma confirmation letters can be downloaded from Circulars section in CFISnet (and amended as necessary) to confirm funding flows of \$10 million or greater for the forecast

exercises with other Crown reporting entities. The confirmation letters do not need to be sent to Treasury.

### Budget Monthly Forecast Tracks

Forecast Tracks for April and May 2011 will be required in May. These tracks will be based on estimated actuals information submitted as part of the Budget 2011 exercise.

Given the forecast tracks are collected close to the end of the fiscal years we would expect there to be a high degree of accuracy in the forecasts tracks.

In addition, forecast tracks for September and October will be derived from the Budget 2011, upyear 1 year forecast. These forecast tracks will most likely be collected in September.

### Fiscal Risks

**Statutory requirement:** Section 26U (1), (2) & (3) of the PFA refers to disclosure of policy decisions and other circumstances that may influence future fiscal situation

#### Introduction

The collection of fiscal reporting information and how decisions are made on what is to be published in the Budget Economic and Fiscal Update has three phases to the new process: collection, decision, and production.

- In the collection phase existing fiscal risks are updated and information on new material matters that may affect the forecasts is collected (within broad criteria)<sup>7</sup> from a range of sources. The information collected is then presented to Treasury's Fiscal Risks Committee.
- The Fiscal Risks Committee considers the updated risks and new matters and decides whether a matter is material or certain enough to be included in the forecasts, or should be published as a risk, or excluded altogether.
- In the production phase the risks are either incorporated into the forecasts or are published in a "Risks to the Forecasts" chapter of the EFU.

#### Criteria and Rules for Fiscal Risk Reporting

By requiring disclosure of decisions and circumstances except as expressly exempted by the Act, the PFA has a strong bias towards full disclosure. This has led to the adoption of a hierarchical system for considering how matters with a material effect on the fiscal and economic outlook are disclosed. The presumption is that all matters with a material effect are to be included in the forecasts. However, if the Treasury's criteria for inclusion in the forecasts are not met, matters are then to be considered for disclosure in the statement of SFRs. Three sets of criteria have been developed, which will be considered sequentially to determine whether any given matter is to be included in the forecasts, disclosed as a risk in

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<sup>7</sup> More than \$10 million in any one year and realistically possible (better than 10% chance) that it will be approved/occur.

the statement of SFRs, or finally, excluded from the EFU. Departments role in the process is that they are required to inform the Treasury of all matters that may have a material effect on the fiscal and economic outlook, that are in excess of \$10 million in any one year and that are *realistically possible*.

The criteria and rules are:

<b>Information To Be Collected For Consideration By Risks Committee</b>
<p>Matters that:</p> <ul style="list-style-type: none"> <li>• have an impact of more than \$10 million in any one year, and</li> <li>• it is <b>realistically possible</b> (better than 10% chance) that the matter will be approved or occur.</li> </ul>
<b>Include In Forecasts</b>
<p>Matters for which:</p> <ul style="list-style-type: none"> <li>• a decision has not yet been taken, but it is <b>reasonably probable</b> (better than 50% chance) the matter will be approved (<i>matters requiring decision only</i>), or</li> <li>• it is <b>reasonably probable</b> (better than 50% chance) the situation will occur (<i>matters not requiring decision</i>), and in either case</li> <li>• the impact of the matter can be quantified for or assigned to particular years with reasonable certainty, and</li> <li>• the impact is more than \$10 million in one year.</li> </ul> <p><i>Any other matters</i> that the Secretary considers, using his or her best professional judgement, may have a material effect on the fiscal and economic outlook and are certain enough to include in the fiscal forecasts.</p>
<b>Disclose as SFRs</b>
<p>Matters for which:</p> <ul style="list-style-type: none"> <li>• the impact is more than \$10million in one year (note that the materiality threshold for disclosure is being reviewed), and</li> <li>• a decision has not yet been taken, but it is <b>reasonably possible</b> (between 20% and 50% chance) the matter will be approved (<i>matters requiring decision only</i>), or</li> <li>• it is <b>reasonably possible</b> (between 20% and 50% chance) the situation will occur (<i>matters not requiring decision</i>), or in either case</li> <li>• the impact of the matter <u>cannot</u> be quantified for or assigned to particular years with reasonable certainty.</li> </ul> <p><i>Any other matters</i> that the Secretary considers, using his or her best professional judgement, may have a material effect (greater than \$10m) on the fiscal and economic outlook but are not certain enough to include in the fiscal forecasts.</p>
<b>EXCLUDE FROM EFU</b>
<p>Matters that:</p> <ul style="list-style-type: none"> <li>• have an impact of less than \$10million in one year, or</li> <li>• it is <b>unlikely</b> (less than 20% chance) the matter will be approved/occur, or</li> <li>• covered by PFA s26V (see page 4 for details)</li> </ul>



### Submission of New Risk Information

Departments are required to advise their Treasury Vote Team of all changes to the status of the fiscal risks for their department published in HYEPU 2010 and any new matters of which they are aware that may have a material effect on the economic and fiscal outlook, provided:

- the matter will have an impact of more than \$10 million in any one year, and
- it is **realistically possible** that the matter will be approved or occur. *Realistically possible* is to be taken to mean that in the judgement of the department, the event has more than a 10% chance of being approved or occurring during the forecast period.

These criteria are significantly broader than the previous criteria for the reporting of SFRs by departments (please note that there is no longer an “under active consideration” criteria). If departments are in doubt as to whether or not to disclose a matter, they should disclose it. Matters to be disclosed include (amongst others):

- Matters within Crown Entities for which the department has monitoring responsibilities.
- Matters funded by 3rd party revenue for which the Crown may have a liability should the revenue collected be insufficient to maintain services.
- Matters that were previously not disclosed as they failed to meet the “under active consideration” criteria.
- Matters that were previously disclosed as Time Limited Funding.

The fiscal impacts of decisions already taken are to be included in departments’ forecast financial schedules (via CFISnet). Only matters for which a decision has not yet been taken, or for which a decision is not required are to be disclosed through the fiscal risks reporting process.

The criteria for the initial collection of information are necessarily broad. The test that will be applied by Treasury’s Fiscal Risks Committee for including matters in the EFU as a fiscal risk is narrower. It is based on the judgement of the committee that the matter has a reasonable likelihood of occurring and could be expressed as a 20% chance. This means that some of the matters identified by departments may be excluded from disclosure by the committee.

The following information is to be provided to Treasury Vote Teams by departments for each new matter identified (not more than one page for each matter):

- a title that is concise but sufficiently informative to both uniquely identify the matter and provide an indication of its substance. The title is to be of a standard that could be published in an EFU
- a description that provides a similar degree of information previously provided for SFRs. The description should concisely (in 5-10 lines) describe the nature of the matter, what actions the Government is taking or planning to address the matter, and the impact the matter would have on the operating balance and/or debt. The description is to be of a standard that could be published in an EFU

- likely operating and capital costs across the forecast period (and beyond if appropriate) and where possible the specific years the costs would be assigned to
- information on:
  - how far advanced the policy work is
  - how aligned the matter is to government priorities
  - what indications of support for the matter the Government has made (including public announcements)
  - any signals from the Government that the matter will occur (including public announcements)
  - the department's past experience and precedents in this area or with similar matters
  - any lack of discretion around the matter (eg, legislated entitlements)
  - whether the matter should be considered for exclusion from the EFU on the basis of the grounds set out in section 26V of the PFA as disclosure is likely to:
    - prejudice the substantial economic interests of New Zealand, or
    - prejudice the security or defence of New Zealand or the international relations of the Government, or
    - compromise the Government in a material way in negotiation, litigation, or commercial activity, or
    - result in material loss of value to the Government
  - whether or not the Minister of Finance (or his or her office) has been advised of the matter, and if he or she has, how this was done (cabinet paper, discussion document, aide memoire, e-mail etc).

Departments are to certify in their Statement of Representation that they have disclosed to the Treasury all matters in the Votes for which they are responsible that may have a material effect on the fiscal and economic outlook.

Treasury is currently reviewing its risk reporting. This includes the materiality threshold for disclosure of specific fiscal risks. This may result in changes to what is published in the EFUs but will not affect the information we collect from Departments at this stage. Exact dates on when risk information is due will be provided in December.

## Contingent Liabilities

Contingent liabilities are costs that the Crown will have to face if a particular event occurs, eg, guarantees and indemnities, legal disputes and claims, and uncalled capital. We include contingent liabilities in the Fiscal Risks chapter under a separate heading. Contingent liabilities which exist at 31 March 2011 will be used for the 2011 BEFU. The BEFU will separately disclose contingent liabilities that are greater than \$10 million (GST excl).

Please note that the responsibility for identifying and disclosing litigation risks as contingent liabilities rests with the department, not with Crown Law when they are taking the action on the behalf of departments.

### Time-limited Funding

Treasury previously published information on Time-limited Funding in a separate section of the SFR chapter to increase transparency about initiatives with funding profiles that cease or decrease over the funding period. We published those that cease/decrease and may or may not be extended, eg, pilot programmes. We did not publish those that cease for a specific reason, eg, one-off publicity expenses associated with the rollout of a policy.

This information is no longer disclosed in a separate section of the chapter. It is now incorporated into the wider statement of fiscal risks. Consequently, there is no requirement for departments to provide a separate TLF return. Information on TLF that may continue is to be submitted as a normal matter for consideration by the Fiscal Risks Committee.

### Where can I get more information?

The Treasury website (<http://www.treasury.govt.nz/budget/forecasts>) contains further information about the Economic and Fiscal Updates.

## Media Statements

This section focuses on drafting and quality assuring numbers in media releases.

For OIAs, please refer to your departmental policies on responding to OIA requests. Treasury and departments should inform each other if a Budget-related OIA request has been received. This enables cross-government coordination of responses as Budget requests are seldom lodged in only one area.

Hotline, Lockup and Technical Briefing guidance will be provided directly to departments and Vote Teams as necessary.

### How do I do it?

The Minister of Finance's office issues detailed guidance to press secretaries on preparing media releases. This guidance is issued in April, soon after Cabinet signs off on the Budget Package.

The main guidelines for presenting numbers in media releases are:

- i For initiatives with ongoing costs, present the numbers as a four-year total, ie, showing the impact over 2010/11 to 2013/14. If there is a cost in the current 2010/11 year, this should not be added to the four-year total but referred to separately.
- ii For initiatives with funding that has a specific start and end date, present the numbers as a total for that specific period.

iii For an initiative that has both operating and capital funding, present the total for the operating component over the four years 2010/11 to 2013/14 and the total for the capital component over the specific period it is provided.

iv Millions of dollars should be rounded to one decimal place. The exception is if you are referring to amounts less than \$1 million or to specific one-off funding.

The Budget Package Cabinet Paper and Minute include an annex with the operating balance and/or debt impacts of all agreed initiatives. This document, and a template that will be completed by your Vote Analyst, should be used when drafting media releases to ensure consistency of numbers. A copy of the draft template can be found in Annex 2.

### **Where can I get more Information?**

Contact your Treasury Vote team for further information about Budget information for the Media, MPs and the public.

## Glossary

Abbreviation	
BEFU	Budget Economic and Fiscal Update
BPS	Budget Policy Statement
Dept	Department
DPMC	Department of Prime Minister and Cabinet
FM Systems	Financial Management Systems
FM	Fiscal Management
FR	Fiscal Reporting
FSR	Fiscal Strategy Report
HYEFU	Half-year Economic and Fiscal Update
MBU	March Baseline Update
OBU	October Baseline Update
PFA	Public Finance Act
SFR	Specific Fiscal Risks
SOI	Statement of Intent
SSC	State Services Commission
VA	Vote Analyst
VM	Vote Manager
VT	Vote Team

## Timeline Details

This timeline will be updated early in 2011 with exact dates once the Budget date has been agreed and all the due dates have been finalised. Dates that will be updated are given an indicative month in italics.

<b>Task</b>	<b>Date</b>
Four-year Budget Plans due	1 December 2010
Cabinet consideration of major policy proposals	February/March
Discuss approach for reviewing Estimates with Treasury Vote team	<i>February</i>
Last date for coredata changes to be submitted to CFISnet for MBU	<i>February</i>
Notify Treasury of coredata requests for Estimates	<i>February</i>
Technical MBU changes entered into CFISnet and locked	<i>March</i>
2 hard copies of MBU submissions due to the Minister of Finance	<i>March</i>
Submit preliminary fiscal forecasts to Treasury via CFISnet	<i>March</i>
Departments with appropriations affected by Sections 21 or 32A of the PFA submit information to Treasury	<i>Early April</i>
Agree content of Estimates with Vote Minister and Treasury and finalise documents in CFISnet	<i>April</i>
Ensure Vote Minister has signed off Estimates information	<i>April</i>
Final fiscal forecasts and supporting elimination documents due in CFISnet	<i>April</i>
Advise Treasury Vote Team of changes to Fiscal Risks	<i>April</i>
Statement of Representation due	<i>April</i>
Printed Statement of Intent required at Treasury's printer	<i>May (before Budget day)</i>
Update Strategic Procurement Outlook and Annual Procurement Plan	June

## Annex 1: Four-Year Budget Plan Template

**Vote [name(s)]**

### Four-year Budget Plan

Version [1]

[Date]

Submitted by:

**[Vote Minister's name]**

## Section 1: New Baseline and Summary of Changes

This section is to be no more than 2 pages.

### Direction of Change

Please describe your priorities and strategy for the Vote(s) over the next four years, including any changes to existing service delivery or the mix of services provided. This section should provide a succinct description of the major priorities, the major programme changes and how these will contribute to achieving Government priorities.

### Overall Impact

Operating	Impact (\$000s)				
	2010/11	2011/12	2012/13	2013/14	2014/15
Current Baseline	xxx	xxx	xxx	xxx	xxx
Cost of new/increased activities	xxx	xxx	xxx	xxx	xxx
Amount reprioritised	xxx	xxx	xxx	xxx	xxx
New baseline	xxx	xxx	xxx	xxx	xxx

Capital	Impact (\$000s)				
	2010/11	2011/12	2012/13	2013/14	2014/15
Capital proposals seeking new funding in Budget 2011.	xxx	xxx	xxx	xxx	xxx
Capital proposals seeking decisions in Budget 2011 funded within baselines.	xxx	xxx	xxx	xxx	xxx
Total capital intentions					

Note:

- The tables are intended to provide a high-level summary of financial movements and should provide aggregate numbers only for each line (eg, the amount reprioritised should sum all the detailed reprioritisation movements in section 4).
- In the first table, the 'New baseline' line should only be greater than the 'Current baseline' line where Votes have been allocated funding from the Budget 2011 operating allowance.
- The line "capital proposals seeking decisions in Budget 2011 funded within baselines" should cover all stage 1 or 2 business cases that require a decision in Budget 2011, but that are funded from within baselines.



## Section 2: Vote Priorities and Pressures

Use this section to set out the priorities and pressures in your Vote(s) from 2011/12 to 2014/15.

Please keep the discussion at a high level (1-2 pages) so your colleagues can test your assumptions and why specific priorities and trade-offs have been chosen.

The information in this section will be used to assess the merit of the proposals for reprioritisation in section 3.

Please discuss:

1. What you intend to achieve over the next four years (as outlined in the priorities letter agreed with the Prime Minister and as presented to ECC).
2. How these achievements link to the Government's priorities.
3. Relative to Government priorities, identify the lowest value programmes within the Vote(s).
4. The major pressures facing the Vote(s) over the forecast period. Where possible these should be quantified.
5. The drivers of costs in the Vote(s) (eg, inflation/price pressure, demographic changes, one-off pressures).
6. The measures being put in place to manage these pressures within the Vote(s).
7. What risks do these pressures create?

### **Section 3: Proposed Changes for Budget 2011 (Reprioritisation)**

Use this section to set out in detail what reprioritisation is needed in the Vote(s) to achieve your priorities, and meet the pressures outlined in section 2, within the total operating and capital funding available to the Vote(s) over the next four years. This section should also include any capital proposals seeking new funding in Budget 2011.

The discussion on each of the proposed reprioritisation below should be commensurate with the significance of the activity. Where there are a number of minor changes, the detailed provided should be at a reasonable level of aggregation.

*What will be new or increased?*

Please include a description for each new or increased activity that you propose within the Vote.

For each new or increased activity, please discuss:

1. What is new or different compared to what is currently being delivered?
2. The contribution of the activity to your priorities (ie, as set out in section 1).
3. Summary of information supporting the proposed changes (see next paragraph).

For the information referred to in point 3 (above), the analysis that supports a proposed change in activity should be appropriate to the significance of the proposal. Analysis supporting a proposed change should cover the basic questions of intervention logic; options analysis; and how the new activity will be implemented and evaluated. In some cases, a full business case will be appropriate. This analysis does *not* need to be included in full in this template, but should be provided to The Treasury.

*What will change?*

Please include a description for each activity that you propose to change, whether it be to make more efficient or effective, stop, or decrease.

For each activity, please discuss (as applicable):

1. The reason why the activity is not effective, of lower value or not aligned with priorities (ie, why it does not align with the priorities in section 2);
2. How efficiencies can be made (eg, how the activity can operate with reduced funding);
3. How the activity could be reduced or stopped while still being effective; and
4. What are the effects of changing, decreasing or stopping the activity? Are there risks and if so, do they need to be mitigated?

#### **Section 4: Summary of Financial Movements**

This section details the changes to appropriations (including new appropriations) which are required to implement all of the proposed changes in section 3.

**Departments should generate this report from CFISnet.** An example of the report that will be generated from CFISnet is set out below.

**Four-Year Budget Plan - Financial Summary Report (Operating - incl. operating associated with capital initiatives 2011)**

Vote:	2010/11 (\$000)	2011/12 (\$000)	2012/13 (\$000)	2013/14 (\$000)	2014/15 (\$000)
Share Allocation	3,500	0	0	0	0
<b>Operating Baseline (2010/11 OBU)</b>	20,000	0	0	0	0
Changes:					
Centralised Saving	-1,500				
Initiative Title (Centralised Savings initiative 1)	-200				
Initiative Title (Centralised Savings initiative 2)	-1,700				
Total Centralised Saving	-1,700				
Reprioritisation	100				
Initiative Title (Reprioritisation initiative 3)	-700				
Initiative Title (Reprioritisation initiative 4)	2,100				
Capital Initiative (Operating Component) 5	1,500				
Total Reprioritisation	2,500				
Transfers Outside Vote	900				
Initiative Title (Transfers Outside Vote initiative 6)	3,400				
Initiative Title (Transfers Outside Vote initiative 7)	0				
Total Transfers Outside Vote	3,200				
<b>Total Changes</b>	23,200	0	0	0	0
<b>Total Proposed Operating Baseline</b>	43,200	0	0	0	0

Entered by Treasury as a single Share Allocation initiative for the vote. Does not contribute to any calculations on this page.

From OBU data in CFI/Net All non-capital appropriations

sum of Centralised Saving initiatives eg initiative 1 + 2

sum of Reprioritisation initiatives eg initiatives 3 + 4 + 5

sum of transfers outside vote initiatives eg initiatives 6 + 7

Total Changes = sum of:  
+ Total Centralised Saving  
+ Total Reprioritisation  
+ Total Transfers Outside Vote

sum of Baseline + Total Changes

**Four-Year Budget Plan - Financial Summary Report (Capital 2011)**

Vote:	2010/11 (\$000)	2011/12 (\$000)	2012/13 (\$000)	2013/14 (\$000)	2014/15 (\$000)
Capital Baseline (2010/11 OBU)	170,000	0	0	0	0
Proposals for new Capital Funding					
Refurbish/Replace	25,000				
Initiative Title (Refurbish/Replace initiative 1)	65,000				
Initiative Title (Refurbish/Replace initiative 2)	0				
Total Refurbish/Replace	90,000				
Improve Functionality	50,000				
Initiative Title (Improve functionality initiative 3)	75,000				
Initiative Title (Improve functionality initiative 4)	125,000				
Total Improve Functionality	30,000				
Meet Demand	32,000				
Initiative Title (Meet Demand initiative 5)	62,000				
Initiative Title (Meet Demand initiative 6)	0				
Total Meet Demand	62,000				
Capital Associated with Operating Initiatives	25				
Initiative Title (Transfers Outside Vote initiative 6)	40				
Initiative Title (Reprioritisation initiative 3)	0				
Total Capital Associated with Operating Initiatives	27,065	0	0	0	0
<b>Total Capital Proposals</b>	277,065	0	0	0	0
<b>Total Proposed Capital Baseline</b>	447,065	0	0	0	0

From OBU data in CFI/Net All Capital appropriations

sum of Capital: Refurbish/Replace initiatives eg Capital initiative 1 + 2

sum of Capital: Improve Functionality initiatives eg Capital initiative 3 + 4

sum of Capital: Meet Demand initiatives eg Capital initiative 5 + 6

sum of "Capital Associated with Operating Initiatives"

Total Capital Proposals = sum of:  
+ Total Refurbish/Replace  
+ Total Improve Functionality  
+ Total Meet Demand  
+ Total Capital Associated with Operating Initiatives

sum of Baseline + Total Capital proposals

## Annex 2: CFISnet Templates

### CFISnet Initiatives Template for Operating Expenditure

<p><b>Vote</b></p> <p>Select your Vote from the drop-down list.</p> <p>In the case of cross-Vote initiatives, each Vote should submit a bid for the funding that corresponds to its part of the initiative. It is critical that the title of the initiative is the same for each Vote concerned, so that when all initiatives are reported to Ministers they can be bundled together.</p>
<p><b>Title (Characters: goal 40, limit 80)</b></p> <p>The title needs to be brief but informative, and should avoid acronyms unless they are widely used and understood.</p>
<p><b>Description (Characters: goal 200, limit 300)</b></p> <p>The description should provide a concise summary of the proposed change.</p>
<p><b>Initiative Type</b></p> <p>Select the most appropriate Initiative Type from the drop-down box options:</p> <p><input type="checkbox"/> Reprioritisation</p> <p>This is likely to be the most common type of initiative. This proposes the amount of each specific reprioritisation proposal within the Vote. Initiatives should be entered at a sensible level of aggregation to provide visibility to Ministers over proposed changes.</p> <p><input type="checkbox"/> Transfers Outside Vote</p> <p>This type of initiative is similar to reprioritisation except it should be used where Minister(s) propose reducing funding in one Vote with a corresponding increase in another Vote. Each Vote affected should enter an initiative showing the effect on that particular Vote. For example, if Vote A has an increase of \$50 million, Vote B should have an initiative for a corresponding decrease of \$50 million.</p> <p><input type="checkbox"/> Centralised Saving</p> <p>This proposes the amount of any savings item that the Minister(s) proposes returning to the centre.</p> <p>The final option will only be used where specifically agreed by Cabinet.</p> <p><input type="checkbox"/> Share Allocation</p> <p>Departments are not to use this option. If the Vote is allocated any funding from the operating allowance this will be entered for the Vote by the Vote Analyst.</p> <p>NB: Any capital associated with operating initiatives will appear in a separate line of the Financial Summary Report</p>

<p><b>Priority Area</b></p> <p>Not applicable for operating expenditure proposals.</p>
<p><b>PA Objective</b></p> <p>Not applicable for operating expenditure proposals.</p>
<p><b>Portfolio Minister</b></p> <p>Select the portfolio Minister's name from the drop-down list.</p>
<p><b>Ranking</b></p> <p>Not applicable for Budget 2011.</p>
<p><b>Funding Sought</b></p> <p>Enter the impact of the proposed change in the "Gross" funding line in thousands. For changes that decrease an activity, enter the amount as a decrease (negative integer) in the "Gross" funding line.</p> <p>The net impact on the operating balance will self-populate and will reconcile as follows: Gross – Savings = Net. The 'Savings/Offsetting Revenue' line is entered to show corresponding decreases in activity elsewhere in the Vote.</p> <p>Departments requesting funding for multi-year appropriations (MYAs) should enter the indicative spending profile of the MYA. If funding is approved, the technical aspects will be dealt with later on in the financial recommendations for Cabinet.</p> <p>Any changes in funding beyond 2014/15 should be noted in the Four-year Budget Plan.</p>
<p><b>Performance Specification - Table</b></p> <p>Not applicable for Budget 2011.</p>
<p><b>Performance Specification – Text (Characters: goal 400, limit 500)</b></p> <p>Not applicable for Budget 2011.</p>
<p><b>Recommended Decision in Budget 2011 (Characters: goal 400, limit 500)</b></p> <p>Not applicable for operating expenditure proposals.</p>
<p><b>Risk if Budget 2011 Decision is not made (Characters: goal 300, limit 500)</b></p> <p>Not applicable for operating expenditure proposals.</p>
<p><b>Gateway Number (Characters: goal 200, limit 300)</b></p> <p>Not applicable for operating expenditure proposals.</p>

**Whole of Life Cost (Characters: goal 200, limit 300)**

Not applicable for operating expenditure proposals.

**The CFISnet Initiatives Template for Capital Expenditure**

**Vote**

Select your Vote from the drop-down list.

In the case of cross-Vote initiatives, each Vote should submit a bid for the funding that corresponds to its part of the initiative. It is critical that the title of the initiative is the same for each Vote concerned, so that when all initiatives are reported to Ministers they can be bundled together. In the accompanying Word document, note the other Votes that are involved.

**Title (Characters: goal 40, limit 80)**

The title needs to be brief but informative, and should avoid containing acronyms unless they are widely used and understood.

If the proposal is a Stage 1 or Stage 2 business case, please include “Stage 1” or “Stage 2” at the end of the title.

**Description (Characters: goal 200, limit 300)**

The description should provide a concise summary of the proposed change.

**Initiative Type**

Select “Capital” from the drop-down box options:

**Priority Area**

Select the Budget in which a decision on the proposal is required:

⇒ Budget 2011

Where possible, a supporting business case should be provided, either in the Word version of this template, or separately.

⇒ Budget 2012 (CFISnet auto populate only)

CFISnet will pre-populate proposals for Budget 2012 identified in CAM returns based on the information in those returns (Treasury is collecting this for information only, agencies are not expected to provide any additional information on business cases requiring a decision in Budget 2012).

**PA Objective**

Regardless of the Priority Area selected (above), select the category which best fits the nature of the proposal:

<p>⇒ Refurbish/ replace Where the initiative is to maintain existing capability and/or delivery levels.</p> <p>⇒ Meet demand Where the initiative is to increase capacity without changing <i>what</i> is delivered, eg, to maintain service levels to a growing population.</p> <p>⇒ Improved functionality Where the initiative would provide a new capability, which is <i>different</i> to existing service delivery.</p> <p>NB: Any operating associated with capital is expected to be funded from baselines or within the share allocation for the vote. In the Financial Summary table, the operating will be appear under the 'reprioritisation' initiative type.</p>
<p><b>Portfolio Minister</b></p> <p>Select the portfolio Minister's name from the drop-down list.</p>
<p><b>Ranking</b></p> <p>Not applicable for Budget 2011.</p>
<p><b>Funding Sought</b></p> <p>Enter the full cost of the project in the "Gross" funding line in thousands.</p> <p>Enter the amount which can be funded from within baselines or third-party sources in the 'Savings/Offsetting Revenue' line.</p> <p>CFISnet will then calculate the net cost requested from the Crown (in some cases this will be zero).</p> <p><b>For Stage 1 proposals</b>, only the costs sought at the first stage should be entered – not the full costs of the investment – these will be sought through the Stage 2 proposal.</p> <p>Departments requesting funding for multi-year appropriations should enter the indicative spending profile of the MYA. If funding is approved, the technical aspects will be dealt with later on in the financial recommendations for Cabinet.</p> <p>Any changes in funding beyond 2014/15 should be noted in the Word version of the initiative template or supporting business case if this is provided separately. Or this may be noted as part of the Whole of Life Cost (see field below).</p>
<p><b>Performance Specification - Table</b></p> <p>Not applicable for Budget 2011.</p>
<p><b>Performance Specification – Text (Characters: goal 400, limit 500)</b></p> <p>Not applicable for Budget 2011.</p>
<p><b>Recommended Decision in Budget 2011 (Characters: goal 400, limit 500)</b></p> <p>In most cases, for Budget 2011 decisions, this will be "approve".</p>



In situations where business cases will not be fully developed by February/March in time for Budget 2011 decisions, please describe the timing for the business case and the decision required during Budget 2011 (eg, a contingency).

**Risk if Budget 2011 Decision is not made (Characters: goal 300, limit 500)**

Describe succinctly the risk if the recommended decision (above) is not made. Risk could include potential for service delivery failure, inefficient delivery etc.

**Gateway Number (Characters: goal 200, limit 300)**

If the project is subject to the Gateway review scheme, please set out which Gate the project has passed.

**Whole of Life Cost (Characters: goal 200, limit 300)**

All the economic costs of providing the asset over its expected economic life. The full cost includes direct and indirect costs, and attributable overheads, the initial capital cost, plus operating and maintenance costs associated with that capital cost, or in the case of leased assets, all lease payments.

Residual values from disposal should be included (these reflect alternative use within an organisation, in a second-hand market, or as scrap).

Staff costs, depreciation and capital charges should not be included (although for appropriation and budgeting purposes they may be important).

The value should be expressed in nominal dollars, not in discounted cash flow terms.

## Annex 3: Media Statements

### VOTE [X]

#### Headline Numbers:

New funding: \$[x]m (4 year total)

Reprioritised funding within the vote: \$[x]m (4 year total)

Reprioritised funding from other votes: \$[x]m (4 year total)

Total funding for new initiatives: \$[x]m (4 year total)

Guidance notes:

New funding is the Budget allocation; most votes will not have any.

Total funding for new initiatives is the sum of new and reprioritised funding.

#### New Initiatives summary:

[Initiative Title]: \$[x]m (4 year total)

[Initiative Title]: \$[x]m capital (one off total) \$[x]m (4 year total)

Guidance notes:

Initiatives should add to the “Total funding for new initiatives” total

If an initiative is time-limited, specify the period that the funding is for, eg. 3 years.

For Capital initiatives, specify the capital amount and give the operating amount as a 4 year total

BM-2-2-2012

9 February 2012

Treasury Circular 2012/02

Restricted Distribution

Chief Executives  
Directors of Finance/Chief Accountants

**Contact for Enquiries:**

Budget process queries: Your Treasury Vote Analyst

Forecasting queries: Nicola Haslam (04) s9(2)(k)  
[nicola.haslam@treasury.govt.nz](mailto:nicola.haslam@treasury.govt.nz)

CFISnet entry queries: CFISnet Helpdesk (04) 917 6198  
[CFISnet@treasury.govt.nz](mailto:CFISnet@treasury.govt.nz)

**BUDGET 2012: TIMETABLE AND TECHNICAL REQUIREMENTS FOR DEPARTMENTS**

**Introduction**

1. In October 2011 Treasury released guidance for departments on Budget 2012 (Treasury Circular 2011/13). This current circular supplements that information with the timetable for the production of Budget 2012, and includes reminders about key items in the production process.
2. The Process and Technical Guide for Departments outlining technical requirements for Budget 2012 is now available on CFISnet. The template annexes in this Guide will be available in Word format on CFISnet as a related file to this Circular.
3. Please note that Budget Day for 2012 has not yet been finalised. As such, the production timetable should be considered indicative and sensitive. Treasury Vote teams will update departments if there are any changes.

### Production Timetable for Budget 2012

Requirement	Deadline	More detail
Last date for coredata changes to be submitted to CFISnet for the March Baseline Update (MBU).	1pm Wednesday 15 February	Treasury Circular 2011/15
Final date for ALL departments (incl IRD Crown and forecasting depts) to update and lock CFISnet for MBU (used to produce preliminary fiscal forecasts).	1pm Thursday 1 March	Treasury Circular 2011/15
2 copies of Minister's MBU submissions for each Vote delivered to Minister of Finance.	1pm Friday 2 March	Treasury Circular 2011/15
Final date for Treasury Vote teams to advise departments of status of MBU updates. Departments update CFISnet to reflect any required changes (excl forecasting depts.).	1pm Thursday 8 March	Treasury Circular 2011/15
Update of MBU (preliminary fiscal forecasts) due from forecasting <sup>1</sup> departments (incl IRD Crown).	1pm Friday 9 March	Technical guidance paras 15-37
Minister of Finance notifies Ministers of the outcome of the MBU.	1pm Week beginning 12 March	Treasury Circular 2011/15
Departments provide Treasury with either updated signatures for the Estimates or confirmation of a nil return.	1pm Monday 12 March	Budget 12 technical guidance, paras 58-61
Departments advise Treasury Vote Teams of any changes to the Fiscal Risks published in PREFU 2011 and any new matters that may have a material effect on the economic and fiscal outlook.	1pm Monday 12 March	Technical guidance paras 42-50
IRD Crown updates MBU for preliminary Kiwisaver forecasts.	1pm Thursday 15 March	Technical guidance paras 15-37
Final date for departments to update Coredata Requests in CFISnet for Budget and Estimates changes.	1pm Thursday 15 March	
Draft financial recommendations due from departments.	12pm Friday 16 March 12pm Monday 2 April (only if outstanding decisions 16/03)	Technical guidance paras 8-11

<sup>1</sup> Forecasting departments are IRD Crown, Customs tax, Social Development, Transport, Treasury, Building and Housing and NZDF (Veterans Affairs)

<b>Requirement</b>	<b>Deadline</b>	<b>More detail</b>
Final date for ALL departments (incl IRD Crown and forecasting depts) to update and lock CFISnet for Supps and Mains exercises (used to produce fiscal forecasts).	1pm Wednesday 4 April	Technical guidance paras 15-37
Departments complete all Estimates documentation for Main Estimates, Supplementary Estimates and all supporting information.	1pm Wednesday 4 April	Technical guidance paras 51-53
Departments send near-final SOI to Treasury for check of financial information against other Budget documentation.	1pm Wednesday 4 April	
Budget Cabinet paper considered, following which Budget Moratorium begins.	1pm Monday 16 April	Below
All Estimates documents (except for those requiring changes following Cabinet on 16 April and forecasting departments) signed by Minister and delivered to Minister of Finance.	1pm Tuesday 17 April	Technical guidance paras 54-57
Estimates documents that required changes following Cabinet on 16 April signed by Minister and delivered to Minister of Finance.	1pm Thursday 19 April	
Departments with output expenses affected by section 21 and appropriations affect by section 32A of the PFA submit templates to Treasury.	1pm Thursday 19 April	Technical guidance paras 72-84
Forecasting departments (incl IRD Crown) to update Supps and Mains exercises (used to produce fiscal forecasts).	1pm Friday 27 April	Technical guidance paras 15-37
Last date for departments to provide Treasury with the Statement of Responsibility, December Ministerial Certification and Register of Contingent Assets and Contingent Liabilities.	1pm Friday 27 April	Technical guidance paras 38-41
Departments complete April and May 2012 forecast tracks.	5pm Monday 30 April	Below
Forecasting departments' Estimates documents signed by Vote Minister and delivered to Minister of Finance.	5pm Tuesday 1 May	
Last date for printed SOIs to be provided to Printlink.	1pm Friday 11 May	Technical guidance paras 62-67 and below
Departments email URL for where their SOI will be held on their website and indicate date range of SOI ( <a href="mailto:performanceinfo@treasury.govt.nz">performanceinfo@treasury.govt.nz</a> ).	1pm Friday 11 May	
Departments deliver an electronic PDF version of the final SOI to Treasury (Gavin Hamilton) by safe-hand or S.E.E.Mail ( <a href="mailto:performanceinfo@treasury.govt.nz">performanceinfo@treasury.govt.nz</a> )	1pm Friday 11 May	
Last date for any proposed 'in principle' transfers that were not included in the March Baseline Update to be forwarded to the Minister of Finance.	1pm Wednesday 13 June	

### ***Fiscal Risks***

4. Departments must advise their Treasury Vote Team by **12 March** of all changes to the status of the fiscal risks for their department published in the 2011 PREFU and any new matters of which they are aware that may have a material effect on the economic and fiscal outlook.
5. Items should be disclosed to Treasury where:
  - The matter will have an impact of more than \$10 million in any one year; and
  - It is **realistically possible** that the matter will be approved or occur. 'Realistically possible' is to be taken to mean that in the judgement of the department, the event has more than a 10% chance of being approved or occurring during the forecast period.
6. The fiscal impacts of decisions that have already been taken should be included in departments' forecast financial schedules. Only matters for which a decision has not yet been taken, or for which a decision is not required are to be disclosed through the Fiscal Risks reporting process.
7. If departments are in doubt as to whether or not to disclose a matter to the Treasury, they should disclose it.

### ***Five-year forecasts***

8. The MBU and Budget exercises include the submission of five-year forecasts. These five year forecasts form the basis for reporting against the Government's fiscal strategy, including the objective of returning to surplus by 2014/15.
9. Forecasts supplied as part of MBU (due **1 March** for all departments and **9 March** for forecasting departments) will be used for a preliminary forecast and used to aid decision making in Budget 2012. Particular care should therefore be taken with these forecasts to ensure they represent best estimates based on current conditions, and are appropriately reviewed.
10. The Budget exercise should be accompanied by a Statement of Responsibility and the latest Statement of Contingent Liabilities and Contingent Assets (refer paras 38-41 in the accompanying technical guide). The Minister of Finance and Secretary to the Treasury rely on the assurances provided in the Statement of Responsibility by Chief Executives and Chief Financial Officers. These documents should be either scanned and uploaded into CFISnet or emailed to Don Rangi ([don.rangi@treasury.govt.nz](mailto:don.rangi@treasury.govt.nz)) by **27 April**.

### ***Sign-Off of Complex Issues***

11. In recent times, reporting entities have been managing an increasing number of complex issues as part of their reporting to Treasury. As a result, the Treasury is planning to introduce a more formal process around the sign-off of complex issues from reporting entities.
12. The sign-off process would initially be targeted at entities with specific issues that are considered a significant risk to the fiscal forecasts. This new process is

expected to improve the quality of forecasts and ensure the consistency of assumptions.

13. We plan to introduce the sign-off as part of the Half-Year forecast update later this year. More information on the sign-off process will be provided closer to the time of introduction.

### ***Forecast Tracks***

14. Submission dates for the April and May 2012 forecast tracks (exercise 409) are set out in the production timetable above. These tracks should be based on estimated actual (Outyear 0) submitted as part of Budget 2012 (exercise 399).

### ***Budget Moratorium***

15. There will be a moratorium on Cabinet, Cabinet Committees and joint Ministers approving any financial recommendations after Cabinet meets on **16 April** until Budget Day. Departments must not put up any papers with financial implications during this period. The moratorium exists so that the Budget documents and legislation include the fiscal implications of all Government decisions.

### ***Security Arrangements for Budget documents***

16. The following security rules apply to the printing of all 'Budget Sensitive' documents. Please ensure that the contract with your printer includes all the following rules:
  - Access to the area where the documents will be printed must be limited to authorised personnel.
  - Security must be placed on the doors of the printer.
  - All documents (tapes, disks, page-proofs, or photographic plates) must be locked away when not being used.
  - Completed documents must be stored in security safes until delivery.
  - All deliveries must be accompanied by a security guard and a designated person must sign for the documents.
  - All waste must be shredded.
  - Email should not be used to deliver electronic versions of SOIs between the printers, design companies or departments.
  - No visitors are allowed into areas where Budget-related printing is being carried out. A list of authorised departmental personnel is to be supplied to the printer. Only those named people may be allowed to visit.

***Production of Statements of Intent***

17. Until tabled on Budget day, SOIs are classified as 'Budget Sensitive' and therefore should never be sent by email unless both sender and recipient are using the S.E.E.Mail system, which secures email between participating government agencies. Because external designers and printers are not on S.E.E.Mail, safe-hand delivery on disk (not on a USB stick) by courier must be used to deliver electronic copies of the SOI. Any department that is not on S.E.E.Mail must always use safe-hand delivery of electronic copies of the SOI, even to the Treasury and Ministers' offices.
18. Departments are also responsible for the security of their SOI (including, if necessary, its transport to the Treasury's printers) until it is signed over to the Treasury's printer for collation into the *Information Supporting the Estimates*.
19. If a department wants to have copies of its own SOI prior to Budget day, then it needs to ensure it complies with the above security requirements, and the chief executive will need to accept responsibility for any accidental release of information before the Budget documents are officially released on Budget day. All copies held within the department prior to Budget day need to be tracked and carefully managed to limit any potential release.

***Delivery of Statements of Intent***

20. The Treasury's printer collates all SOIs with the Information Supporting the Estimates to produce the parliamentary copies. Departments are required to ensure delivery of 200 copies to the Treasury's printer: Printlink, 33-43 Jackson Street, Petone. Copies must be delivered to Printlink by **11 May**.
21. The Treasury also requires an Adobe PDF file copy of the SOI to be supplied by **11 May** for the electronic version of the *Information Supporting the Estimates of Appropriations* to be included on the Budget CD-ROM. The PDF file, prepared to specifications set out in the Budget 2012 Process and Technical Guide for Departments, may be sent by S.E.E.Mail to [performanceinfo@treasury.govt.nz](mailto:performanceinfo@treasury.govt.nz) or on disc (not a USB device) by safe-hand delivery to Gavin Hamilton, Team Leader, Web and Publishing, The Treasury, 1 The Terrace, Wellington

Colin Hall  
for the Secretary of the Treasury



## Budget 2012

# Process and Technical Guide for Departments

February 2012



**THE TREASURY**  
Kaitohutohu Kaupapa Rawa

New Zealand Government

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**BUDGET-SENSITIVE**

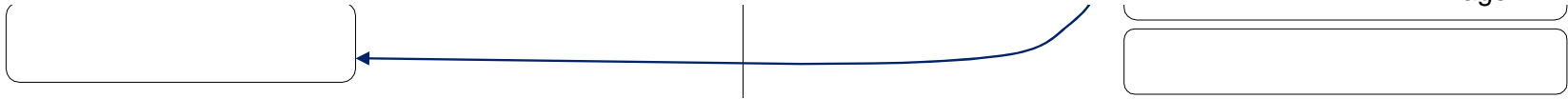
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BUDGET-SENSITIVE

## The Budget Process

	Budget decisions	March Baseline Update	Budget Economic and Fiscal Update	Production of Estimates, Supplementary Estimates and SOIs
January	<b>31 Jan:</b> Departments submit final Four-year Budget Plans.			
February	Budget Ministers make decisions on Four-year Budget Plans and overall Budget 2012 package			
March	<b>(Feb – March).</b>  <b>16 March:</b> Departments enter draft financial recommendations into CFIS.	<b>1 March:</b> Departments upload MBU submission to CFISnet.  Forecast updates feed into Budget decision making.	<b>12 March:</b> Departments advise Treasury of any changes to Specific Fiscal Risks.	
April	<b>2 April:</b> Financial recommendations from outstanding Departments due.  ↓ <b>16 April:</b> Cabinet considers Budget package.		<b>4 April:</b> Departments enter fiscal forecasts into CFISnet ( <b>27 April</b> for forecasting Departments).  <b>27 April:</b> Statements of Representation, December Ministerial Certification and Register of Contingent Assets and Liabilities due.	<b>4 April:</b> Estimates documentation completed by departments for checking by Treasury.  Final Estimates documents signed by Ministers and forwarded to Minister of Finance  <b>19 April</b> Section 21 and section 32A reports due.
May	<b>Budget Day:</b> Appropriation Bills introduced in Parliament.			<b>(17, 19 April or 1 May).</b>  <b>11 May:</b> Printed SOIs delivered to Printlink and electronic versions to Treasury.  <b>Budget Day:</b> Budget documents released.





## BUDGET-SENSITIVE

### About this Guidance

1. In October 2011, Treasury released guidance for departments on preparing four-year budget plans for Budget 2012 (Treasury Circular 2011/13). This guidance focuses on the technical and process steps required for Budget 2012 after the four-year budget plans have been submitted.
2. You should use this document as your first port of call for guidance on the process for Budget 2012. General enquiries about the information contained in this guidance can be directed to your Treasury Vote team.
3. Please note that the deadlines in this guide are indicative and sensitive, as Budget Day for 2012 has not yet been finalised. Your Vote team will advise you if there are any changes to the dates.
4. The Annex templates attached to this document can be downloaded from the Circulars section of CFISnet. Any comments on how we could improve this guidance can be directed to [guidance@treasury.govt.nz](mailto:guidance@treasury.govt.nz).

### Budget Process

5. Once four-year budget plans have been submitted to Ministers and the Minister of Finance, the following steps remain in the Budget 2012 process:
  - Budget Decisions.
  - The March Baseline Update.
  - Budget Economic and Fiscal Update.
  - Production of the Budget documents (Estimates, Supplementary Estimates, Supporting Information and Statements of Intent).
  - Preparation and introduction of the Appropriation Acts.
  - Preparation of media statements for Ministers.
6. These steps are presented graphically on page 2.

### Budget Decisions

7. A group of Budget Ministers, made up of the Prime Minister, Minister of Finance and the Associate Ministers of Finance, will meet over February and March to:
  - Make initial decisions on the four-year budget plans to accept or decline proposals, or request further information from Vote Ministers. Four-year budget plans that are accepted in full will have their financial recommendations agreed in the main Budget Cabinet paper in April.
  - Agree to a final consolidated Budget package, based on four-year budget plan decisions and Cabinet decisions on major policy issues. This package will be taken to Cabinet on **16 April** for consideration.

## BUDGET-SENSITIVE

### Financial recommendations

#### *What are the deadlines?*

8. The Budget package Cabinet paper is prepared by Treasury, and includes a large number of financial recommendations for Ministers to approve. These recommendations are completed by departments in CFISnet.<sup>1</sup> CFISnet will load an initial set of recommendations based on departmental four-year budget plans. Departments will be able to complete financial recommendations from around **15 February**. For most departments, financial recommendations must be entered by **12pm 16 March**, after Budget Ministers have taken decisions on four-year budget plans. For Votes with decisions outstanding at 16 March, financial recommendations will be due at **12pm on 2 April**. CFISnet will advise when the Recommendations module is ready for departments to complete their financial recommendations.
9. If Budget Ministers agree to a department's four-year budget plan, Treasury will accept the financial recommendations in CFISnet and they will be added to the Cabinet paper. In some circumstances, Budget Ministers may decide to scale or alter a specific proposal, in which case Treasury will amend the relevant financial recommendation. In other cases, Budget Ministers may choose not to accept a proposal (eg, because there is not room within the Budget 2012 operating allowance). These proposals will not form part of the final Budget package.
10. The financial recommendations in the final Budget Cabinet paper are generated automatically from the recommendations that departments complete in CFISnet. Therefore, financial recommendations must match the initiatives included in your department's four-year budget plan and must be correctly drafted. Because of the limited time available in the production schedule, Treasury will **not** be proof-checking financial recommendations prior to Cabinet. Departments will need to QA their own recommendations to ensure they are of Cabinet minute quality.
11. Any specific questions about technical issues or the wording of Financial Recommendations should be directed to your Vote team. Further guidance on how to enter financial recommendations into CFISnet is available on the CFISnet Help page under „Baselines“ > „Recommendations“.

### March Baseline Update (MBU)

12. The March Baseline Update (MBU) allows departments to update baselines to reflect Cabinet and joint ministerial decisions that have taken place since the last baseline update in October, and other changes. As in all Baseline Updates, MBU should only cover technical changes provided for under CO(11) 6. Departments should include changes to baselines resulting from Cabinet decisions on efficiency savings and Kiwisaver/SSRSS adjustments in MBU.

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<sup>1</sup> CFISnet stands for Crown Financial and Information System. It is a secure, Internet-based information system departments and Treasury use to manage and track Government finances.



## BUDGET-SENSITIVE

13. Treasury released guidance on MBU 2012 in December 2012. Please refer to Treasury Circular 2011/15 for details.

### Budget Economic and Fiscal Update (BEFU)

14. The Minister of Finance is required by law to table an Economic and Fiscal Update on Budget Day. The BEFU includes Treasury's overall economic forecasts and the forecast financial statements of the Government. These forecasts are important for helping Parliament and the public understand the state of the Government's finances and their likely future performance.

#### Fiscal forecasts

##### *Departmental input*

15. Treasury prepares fiscal forecasts based on information that all departments provide through MBU and the Budget process:
- Forecast information provided by departments through MBU is critical for creating Treasury's preliminary fiscal forecasts, which Budget Ministers use to make decisions on the final Budget package in March. This information is due with the Treasury by **1 March (9 March for forecasting departments<sup>2</sup>)**.
  - Information provided through the Budget process is used to generate the final forecasts which will appear in BEFU. This information is due with the Treasury on **4 April (27 April for forecasting departments)**.
16. The Minister of Finance and the Secretary of the Treasury are jointly required to sign a Statement of Responsibility to the effect that the Budget forecasts fairly reflect the forecast operations and fiscal position of the Government. In signing that Statement, the Minister of Finance and the Secretary of the Treasury rely on assurances provided by departmental Chief Executives and Chief Financial Officers.
17. Accordingly, a signed Statement of Responsibility needs to be sent to Treasury by each department once the final CFISnet forecast schedules are submitted (see **Annex 5**). This year, departmental Statements of Responsibility are due on **27 April**. To help Chief Executives and Chief Financial Officers gain assurance around the forecasts supplied, we recommend you review the CFISnet Summary Financial Statements report.

##### *Expectations for five-year forecasts*

18. We expect that the forecasts provided reflect your best estimates based on current conditions, even if they differ from the last approved forecast. As forecasts should reflect best estimates, they will typically differ from appropriations, as

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<sup>2</sup> Forecasting departments are IRD Crown, Customs tax, Social Development, Transport, Treasury, Building and Housing and NZDF (Veterans Affairs).

## BUDGET-SENSITIVE

appropriations represent maximum spending limits, not estimates of expected spending.

19. We expect all financial information reported by Crown Reporting entities for the five-year forecasts to be:
  - submitted on time (as per timetables published in Treasury circulars)
  - appropriately reviewed and authorised
  - free from material errors and omissions
  - complete, accurate and internally consistent, including any associated checklists, other supporting information or certification
  - accompanied by clear and accurate analysis, including explanations for material departures from forecasts
  - credible and supportable, particularly where judgements are required (eg, forecasting, measuring complex obligations - What significant assumptions were made? What judgements were required?)
  - consistent with other information provided to Treasury or published
  - in compliance with Cabinet decisions where applicable
  - in accordance with Crown accounting policies set out in Treasury Instructions (available here: <http://www.treasury.govt.nz/publications/guidance/instructions/2011>) and Treasury Circulars
  - subject to effective internal controls that provide assurance over the information delivered to Treasury, and
  - correctly report inter-entity transactions and balances and confirm and agree with other entities these transactions and balances as required.
20. We further expect entities to:
  - regularly inform their stakeholders (including responsible Ministers) on the financial information that they report to Treasury, particularly if there are significant departures from previous forecasts
  - proactively identify and resolve issues promptly
  - manage other key relationships (eg, auditors). This will include being proactive and communication constructively.

**BUDGET-SENSITIVE**

What do you need to provide?

21. Departments provide fiscal forecast information through CFISnet, by completing the schedules outlined below:

Schedule Reference	Description	Outyears to be completed
1:50:0, 1:70:0	Statement of Financial Performance (interim and annual)	0 to 4
1:50:1, 1:70:1	Notes to Statement Financial Performance	0 to 4
1:51:0, 1:71:0	Statement of Financial Position (interim and annual)	0 to 4
1:51:1, 1:71:1	Notes to Financial Position - non Financial Instruments	0 to 4
1:51:7, 1:71:7	Notes to Financial Position - Financial Instruments	0 to 4
1:52:0, 1:72:0	Statement of Cash Flow (interim and annual)	0 to 4
1:53:0, 1:73:0	Department reconciliation of expenses and appropriations	0 to 4
1:53:0 1:53:1	Department reconciliations of operating expenditure to appropriations; and income to output revenue	0 to 4
1:56:0, 1:76:0	Stats schedule	0 to 4

22. Please note the following schedules are **not** required for the five year forecast:

Schedule Reference	Description
1:51:3, 1:71:3	Notes to Financial Position - non Financial Instruments (annual)
1:51:5, 1:71:5	Notes to Financial Position - Liquidity Analysis (annual)
1:51:6, 1:71:6	Notes to Financial Position - Financial Instruments (annual)
1:54:0, 1:74:0	Commitments, Contingent A&L (interim and annual)
1:57:0, 1:77:0	Trust accounts

23. The following table identifies where best estimates are required for MBU, Supplementary and Budget exercises and where approved appropriation *amounts* (upper spending limits) are required.

Exercise	MBU	MBU	Supplementary	Budget	Budget
Exercise No.	397	397	398	399	399
Outyear	0	1 – 4	0	0	1 - 4
Vote Specific Schedules	Approved Appropriation	Approved Appropriation	Approved Appropriation	Best estimates	Approved Appropriation
Common Schedules	Best estimates	Best estimates	Best estimates	Best estimates	Best estimates

## BUDGET-SENSITIVE

24. Please note that only Budget exercise 399 outyear 0 uses best estimates for the Vote specific schedules. This is because these numbers are used to populate the “estimated actual” data in the core Estimates. In all other cases, completion of the reconciliation schedules below will be required.
25. As with the previous years we will be reporting back to departments after year end regarding the accuracy of the fiscal forecasts compared with actual results.
26. If you need assistance, there is a FAQ section on CFISnet. Alternatively, please contact [CFISnet@treasury.govt.nz](mailto:CFISnet@treasury.govt.nz)

### *Department Reconciliation of Expenses and Appropriations*

27. In order for Treasury to prepare the fiscal forecasts, it is important that all departments reconcile their expenses with their appropriations.
28. CFISnet schedules 1:53:0 (for Departmental) and 1:73:0 (for Non-Departmental activities) are used to reconcile the differences between total appropriation expenses in the Vote specific schedules and the best estimate forecasts reported in the common schedules (schedules 1:50:0 and 1:70:0). Such differences should be reported in lines 110 to 165 of the reconciliation schedules. A separate line should be used for each significant<sup>3</sup> adjustment and the text description field used to identify the relevant appropriation. Less significant adjustments can be aggregated into one line. Refer to the sample reconciliation below.

### **Dept Reconciliation of Expenses and Appropriations (interim and annual) : Common Schedule (\$'000s)**

Line	308:0:0
5 Total expenses appropriated	800,000
20000 <b>RECONCILING ITEMS</b>	
20010 <b>Remeasurements</b>	
10 detailed input line	0
15 detailed input line	0
---	---
70 detailed input line	0
75 detailed input line	0
99 Total remeasurements	0
20020 <b>Other adjustments not appropriated</b>	
110 detailed input line	-60,000
115 detailed input line	-55,000
120 detailed input line	-25,000
125 detailed input line	0
---	---
160 detailed input line	0
165 detailed input line	0
199 Total other adjustments not appropriated	-140,000
299 Total reconciling items	-140,000
399 Total expenses per Operating Statement	660,000

<sup>3</sup> As a guide, adjustments greater than +/- \$50 million would usually be considered significant.

## BUDGET-SENSITIVE

### *Department Reconciliation of Operating Income and Output Revenue*

29. It is important that departments ensure that their forecast total income and different revenue streams (Revenue Crown, Revenue Department, Revenue Other) match Vote Schedules. This helps the Treasury finalise the fiscal forecasts.
30. CFISnet schedule 1:53:1 (for Departments) is used to reconcile the differences between total output revenue in the Vote specific schedules and the best estimate forecasts reported in the operating statements (schedule 1:50:0). Such differences should be recorded in one of the three different sections of the schedule: Revenue Crown (lines 10 to 40), Revenue Department (lines 210 to 240), or Revenue Other (lines 410 to 440), depending on the nature of the difference.

### *Eliminations*

31. In order for Treasury to prepare the consolidated financial accounts for the total Crown, transactions between different Crown organisations need to be eliminated, to prevent double-counting.
32. Eliminating inter-entity transactions and balances is critical to Treasury's consolidation and we would like to reinforce the importance of ensuring:
  - elimination entries are correctly identified and recorded in the correct lines and the text column is used to identify the specific entity for all inter-entity lines. This is especially important for financial instruments (including derivative contracts)
  - entities agree funding flows with other Crown reporting entities
  - the financial instruments elimination spreadsheet is completed and submitted on time as mentioned above (see paras 35-37 below)
  - the text column in the DataLoad is used to identify the other entity when necessary (as outlined in the schedule line dictionary), and
  - where "Detailed Input" lines are used, a brief comment in the text column should be provided to indicate what the item relates to and who it is with.
33. More information on the elimination framework is available here: <http://www.treasury.govt.nz/publications/guidance/reporting/nzifrs/pdfs/nzifrs-ef-23jul07.pdf>. Please note this framework applies to all exercises including forecast tracks.
34. Pro-forma confirmation letters can be downloaded from Circulars section in CFISnet (and amended as necessary) to confirm funding flows of \$10 million or greater for the forecast exercises with other Crown reporting entities (a copy is also available as **Annex 6**). The confirmation letters do not need to be copied to Treasury.
35. To enable inter-entity financial instruments to be eliminated, departments should provide Treasury with information for the following transactions:
  - Government stock balances (excluding non-market holdings)

## BUDGET-SENSITIVE

- Crown entity or SOE debt greater than \$10 million
  - Air New Zealand shares, and
  - derivatives where the book value is greater than \$1 million.
36. This information should be provided through the spreadsheet available on CFISnet's homepage under „CFISnet links“, and be uploaded to Treasury with each completed exercise. These are due with Treasury on **4 April (27 April for forecasting departments.)**
37. The spreadsheet can be uploaded into CFISnet as follows:
- Info > Document Sharing > Upload or Download a Document and select the “IFRS Info (FSG3, Elims, Stmt Reps, Contingent)” process.

### *Contingent liabilities*

38. Contingent liabilities are costs that the Crown will have to face if a particular event occurs eg, guarantees and liabilities, legal disputes and claims, and uncalled capital. The Government's contingent liabilities and commitments must be disclosed in the Budget Economic and Fiscal Update by law. Contingent liabilities which exist at 31 March 2012 will be used for the 2012 BEFU. The BEFU will separately disclose contingent liabilities that are greater than \$10 million (GST excl).

### *What do you need to provide and when?*

39. The amount disclosed with regards to quantified contingent liabilities and commitments will be based on the information submitted for 31 March actual reporting. The information disclosed with regards to unquantified liabilities will be based on information provided at 30 June 2011, updated for significant changes.
40. To ensure that the latest information on the Crown's contingencies is included in the BEFU, a copy of the 31 December 2011 Ministerial Certification (along with a copy of the Register of Contingent Assets and Contingent Liabilities) should be provided to Don Rangi at the Treasury ([don.rangi@treasury.govt.nz](mailto:don.rangi@treasury.govt.nz); s9(2)(k) ) by no later than **27 April**. Alternatively, the relevant documents can be uploaded into CFISnet through Info > Document Sharing > Upload or Download a Document > IFRS Info (FSG3, Elims, Stmt Reps, Contingent).
41. In addition, the Statement of Responsibility (see **Annex 5**) should list any material changes to that Register between 31 December 2011 and 31 March 2012.

### **Specific Fiscal Risks**

42. Under the Public Finance Act, the BEFU must also incorporate to the fullest extent possible, all Government decisions and other circumstances that may have a material effect on the fiscal and economic outlook. These are known as fiscal risks - ie, items that could positively or negatively affect the economy or Government balance sheet, if they occur.

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43. Treasury compiles the list of fiscal risks, based on information that departments provide at each Economic and Fiscal Update (EFU). The most recent EFU was the Pre-election Economic and Fiscal Update (PREFU), published in October 2011 (<http://www.treasury.govt.nz/budget/forecasts/prefu2011/21.htm>).

### *What are the deadlines for Specific Fiscal Risks?*

44. Departments must advise their Treasury Vote Team by **12 March** of all changes to the status of the fiscal risks for their department published in the 2011 PREFU and any new matters of which they are aware that may have a material effect on the economic and fiscal outlook.
45. Departments must also certify in their Statement of Responsibility (see **Annex 5**) that they have disclosed to the Treasury all matters in the Votes for which they are responsible that may have a material effect on the fiscal and economic outlook. The Statement of Responsibility is due with the Treasury on **27 April**.

### *What do you need to provide?*

46. Items should be disclosed to Treasury where:
- the matter will have an impact of more than \$10 million in any one year, and
  - it is **realistically possible** that the matter will be approved or occur. „Realistically possible“ is to be taken to mean that in the judgement of the department, the event has more than a 10% chance of being approved or occurring during the forecast period.
47. The fiscal impacts of decisions that have already been taken should be included in departments' forecast financial schedules. Only matters for which a decision has not yet been taken, or for which a decision is not required are to be disclosed through the Fiscal Risks reporting process.
48. If departments are in doubt as to whether or not to disclose a matter to the Treasury, they should disclose it. Matters to be disclosed include (amongst others):
- Matters relating to Crown entities for which the department has monitoring responsibilities.
  - Matters funded by 3rd party revenue for which the Crown may have a liability should the revenue collected be insufficient to maintain services.
  - Matters that were previously not disclosed as they failed to meet the “under active consideration” criteria.
  - Matters that were previously disclosed as Time Limited Funding.

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49. The following information should be provided to Treasury Vote Teams by departments for each new matter identified (not more than one page for each matter):
- A title that is concise but sufficiently informative to both uniquely identify the matter and provide an indication of its substance. The title should be of a standard that could be published in an Economic and Fiscal Update (EFU).
  - A description that provides a similar degree of information previously provided for Specific Fiscal Risks (SFRs). The description should concisely (in 5-10 lines) describe the nature of the matter, what actions the Government is taking or planning to address the matter, and the impact the matter would have on the operating balance and/or debt. The description is to be of a standard that could be published in an EFU.
  - Likely operating and capital costs across the forecast period (and beyond if appropriate) and where possible the specific years the costs would be assigned to.
  - For matters requiring decision:
    - How far advanced the policy work is.
    - How aligned the matter is to Government priorities.
    - What indications of support for the matter the Government has made (including public announcements).
    - Any lack of discretion around the matter.
  - For matters not requiring decision:
    - Any signals from the Government that the matter will occur (including public announcements).
    - The department's past experience and precedents in this area or with similar matters.
    - Any lack of discretion around the matter (eg, legislated entitlements).
  - Whether the matter should be considered for exclusion from the EFU on the basis of the grounds set out in section 26V of the PFA as disclosure is likely to:
    - Prejudice the substantial economic interests of New Zealand; or
    - Prejudice the security or defence of New Zealand or the international relations of the Government; or
    - Compromise the Government in a material way in negotiation, litigation, or commercial activity; or
    - Result in material loss of value to the Government.



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- Whether or not the Minister of Finance (or his office) has been advised of the matter, and if he has, how this was done (Cabinet paper, discussion document, aide memoire, e-mail etc).
50. Once this information has been collected from departments, an internal Treasury Risks Committee assesses and recommends to the Secretary of the Treasury which matters should be disclosed in the BEFU. The following types of matters are generally not disclosed:
- Matters that fail to meet the materiality threshold (ie, are less than \$100 million over five years).
  - Matters that are unlikely to be approved or occur over the next five years.
  - Matters whose disclosure could:
    - prejudice the substantial economic interests of New Zealand
    - prejudice the security or defence of New Zealand or international relations of the Government
    - compromise the Crown in a material way in negotiation, litigation or commercial activity, or
    - result in a material loss of value to the Crown.

## Production of Estimates, Supplementary Estimates, Supporting Information and Statements of Intent

51. The *Estimates* and *Information Supporting the Estimates of Appropriations* provide information to Parliament on the appropriations the Government is seeking for 2012/13 through the Budget and what those appropriations will be used for. The *Supplementary Estimates* reflect changes to 2011/12 appropriations since the 2011/12 Estimates were tabled in Parliament. *Statements of Intent* spell out a department's contribution over the medium-term to the Government's priorities.
52. Departmental Chief Executives are responsible to the Minister(s) for the quality and accuracy of the Budget documents prepared by their departments (ie, Estimates, Supplementary Estimates, Supporting Information and Statements of Intent). This includes factual accuracy (eg, output classes are correctly specified) and technical accuracy (eg, the numbers include all the decisions made to date, and they add up). Departments are therefore encouraged to read and be familiar with the detailed Budget process instructions in the following documents:

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Document	Content	Link
Estimates, Supplementary Estimates and their Supporting Information: Technical Guide for Departments	Sets out the purpose and content requirements for the Estimates, Supplementary Estimates and their Supporting Information for Budget 2012.	<a href="http://www.treasury.govt.nz/publications/guidance/planning/estimates/tech-est">http://www.treasury.govt.nz/publications/guidance/planning/estimates/tech-est</a>
Style Guide for Estimates and Supplementary Estimates of Appropriations and Supporting Information	Guidance on how to prepare accurate and consistent Estimates documents.	<a href="http://www.treasury.govt.nz/publications/guidance/planning/estimates/style">http://www.treasury.govt.nz/publications/guidance/planning/estimates/style</a>
Preparing the Statement of Intent: Guidance and Requirements for Departments	Sets out requirements for preparing SOIs.	<a href="http://www.treasury.govt.nz/publications/guidance/strategy/soi-depts">http://www.treasury.govt.nz/publications/guidance/strategy/soi-depts</a>
Treasury Circular 2011/14: Option for Departments to Implement Triennial Statements of Intent from Budget 2012	Lays out requirements and issues to consider for departments implementing triennial SOIs	<a href="http://www.treasury.govt.nz/downloads/pdfs/tc-2011-14.pdf">http://www.treasury.govt.nz/downloads/pdfs/tc-2011-14.pdf</a>

53. All Estimates documents must be completed by departments and loaded into CFISnet by **1pm 4 April**, so that Treasury can cross-check these against the final Budget Cabinet paper. Near-final versions of your Statement of Intent should also be provided to Treasury by **1pm 4 April**.

### *Sign-off of Estimates Documents by Ministers*

54. Each departmental Chief Executive must sign off that the content of all the *Estimates* and *Supplementary Estimates* documents complies with relevant Treasury guides, and Ministers responsible for appropriations in a Vote must sign off *Estimates* and *Supplementary Estimates* documents before Treasury can compile them directly from CFISnet for printing, after Cabinet has taken decisions on the Budget. The relevant sign-off sheets are attached as **Annexes 2-4**.
55. Departments should ensure that their Minister, or another Minister with authority to approve the documents, is available to sign off all of the *Estimates* and *Supplementary Estimates* documents on or before these deadlines. Please confirm to your Treasury Vote team when the Vote Minister has signed-off on the documents.
56. Please note that the version number of the *Estimates* and *Supplementary Estimates* that your Vote Minister signs off must be the same as final version

## BUDGET-SENSITIVE

number of the *Estimates* and *Supplementary Estimates* submitted through CFISnet.

57. All Estimates documents (except for those requiring changes following Cabinet on 16 April and forecasting departments) must be signed by Vote Ministers and delivered to the Minister of Finance by **17 April**. Estimates documents that required changes following Cabinet must be signed and delivered to the Minister of Finance by **1pm 19 April**. Forecasting departments Estimates documents must be signed and delivered to the Minister of Finance by **5pm 1 May**.

### *Signatures for printing Statements of Responsibility in the Budget Documents*

58. Each departmental and Ministerial Statement of Responsibility, including the signatures of Responsible Ministers, Chief Executives and Chief Financial Officers is published in the *Information Supporting the Estimates of Appropriations*. In order to prepare the final Budget documents, Treasury requires electronic versions of these signatures.
59. Treasury will use signatures from Budget 2011 documents for the Budget 2012 documents, where Responsible Ministers, Chief Executives or Chief Financial Officers have not changed.
60. Where there have been no changes to these personnel since Budget 2011, a nil return by email to [CFISnet@treasury.govt.nz](mailto:CFISnet@treasury.govt.nz) is sufficient. Departments should provide either new signatures or a nil return to Treasury by **12 March**.
61. In cases where there have been changes, please use the signature collection template (in PDF format) on CFISnet from the menu: Baselines/Estimates Production/Signature Collection. The first page of the PDF document contains full guidance on the collection process.

### *Delivery of Printed Statements of Intent*

62. The Treasury's printer collates all SOIs with the Information Supporting the Estimates to produce the parliamentary copies. Departments are required to ensure delivery of 200 copies to the Treasury's printer (Printlink, 33-43 Jackson Street, Petone) by **11 May**.
63. If you are intending to implement a triennial Statement of Intent, please advise your Vote team and [performanceinfo@treasury.govt.nz](mailto:performanceinfo@treasury.govt.nz) by **11 May** and indicate the time period that it will cover.

### *Electronic Publishing of Statements of Intent*

64. Departments are required to supply to [performanceinfo@treasury.govt.nz](mailto:performanceinfo@treasury.govt.nz) by **11 May** the specific URL where the SOI will be available on the department's website after 2pm on Budget Day. The URL supplied can be the general home page for all SOIs or accountability documents on the department's website but a specific URL directly to this year's SOI is the most convenient URL for users of the Budget material on the Treasury website.

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65. The Treasury also requires an Adobe PDF file copy of the SOI for the electronic version of the *Information Supporting the Estimates of Appropriations* to be included on the Budget CD-ROM. The PDF version of the SOI must be low resolution (150-200 dpi) and include the document's cover page. The file size of the PDF should be less than 600KB, but for large SOIs (more than 70 pages) a maximum of 1.2MB is permissible.
66. The deadline for delivery of the PDF copy of the SOI is **11 May**. SOIs are BUDGET-SENSITIVE so delivery should be by secure email (SEE Mail) to [performanceinfo@treasury.govt.nz](mailto:performanceinfo@treasury.govt.nz) or by safe-hand delivery on disk (CD-Rom or DVD, not a USB stick) to Gavin Hamilton, Team Leader, Web and Publishing, Level 5, 1 The Terrace, Wellington.
67. All departments are encouraged to electronically publish their SOIs according to the practice recommended in the New Zealand Government Web Standards at: <http://webstandards.govt.nz>. SOIs should not be published before the embargo on the Budget is lifted at 2pm on Budget Day.

## Appropriation Bills (2012/13 Estimates and 2011/12 Supplementary Estimates)

68. All changes to appropriations agreed by Cabinet through the Budget must be agreed by Parliament in an Appropriation Act.
69. Treasury, in conjunction with the Parliamentary Counsel Office, will compile the Appropriation (2012/13 Estimates) Bill and the Appropriation (2011/12 Supplementary Estimates) Bill after Cabinet has agreed to a final Budget package and after all departments have loaded their Estimates documents into CFISnet.
70. It is very important that all Estimates numbers loaded into CFIS are correct as these are the numbers that will be used in compiling the legislation that will be introduced into Parliament. Once the legislation is finalised and introduced, changes are virtually impossible. It is important that the numbers receive adequate QA, including checking actual outturns for the current financial year with the numbers for the current financial year in the Supplementary Estimates.
71. Departments should also submit information for appropriations affected by Sections 21 or 32A of the Public Finance Act.

### *Revenue Dependent Appropriations (Section 21 of the PFA)*

72. A Revenue Dependent Appropriation (RDA) is an output expense appropriation that allows a department to incur expenses up to the amount of revenue earned by the department from the supply of a specified class of outputs (as opposed to being funded by the Crown). Like all other appropriations, changes to RDAs – including the creation of new RDAs – must be reported to Parliament, so that they can be approved through the Appropriation Acts.
73. Departments with revenue-dependent appropriations approved by the Minister of Finance should complete the template (available on CFISnet, under the „Treasury Circulars“ menu and as **Annex 7**) and upload to CFISnet so they can be listed in a

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schedule to the relevant Appropriation Bill. These completed templates must be uploaded by **19 April**.

74. When submitting the template, please include the document reference (eg, Cabinet Minute or letter) where the Minister of Finance approved the use of an RDA for each specified output class. Please email your Vote team once you have uploaded the template.
75. The completed templates can be uploaded through the Info > Document Sharing > Upload or Download a Document > "IFRS Info (FSG3, Elims, Stmt Reps, Contingent)" tabs. Please include „section 21" in the comment field to allow Treasury to identify the relevant documents. No response is considered a nil return. Vote teams will discuss the content of the submission with you in advance of the submission date.
76. The requirements and process for obtaining the Minister of Finance's approval for an RDA are set out in Treasury Circular 2007/05, available on CFISnet.

### *Non-Departmental Appropriations for which a Statement of Service Performance or Statement of Results is Required (Section 32A of the PFA)*

77. A number of departments administer non-departmental appropriations, for which a Statement of Service Performance or Statement of Results must be prepared at the end of the financial year (in accordance with section 32A of the Public Finance Act). These appropriations enable the government to contract with other organisations to provide services or outputs. Because the department is not accountable for the performance achieved from non-departmental appropriations, it is not required to report on performance in its own annual report. However, information must be provided to Parliament on this performance, to ensure accountability for public funds. This information is generally known as a „section 32 report".
78. Vote Ministers are obliged by law to present section 32A reports to Parliament within 3 months of the end of the financial year. However, to make it easier for Parliament to scrutinise section 32A reports, the reports are tabled as a compendium by the Minister of Finance on behalf of all Ministers.

### *What do you need to provide?*

79. Departments that administer non-departmental appropriations, for which a Statement of Service Performance or Statement of Results is required, need to provide a list of the relevant appropriations to Treasury for inclusion in a schedule to the Appropriation Bill. In preparing this list, departments should check whether appropriations in the current schedule still meet the section 32A criteria (see paras 82-4 below). If not, these appropriations should not be included in this year's schedule.
80. A template for this purpose will be available on CFISnet (under the „Treasury Circulars" menu) and is appended to this guide as **Annex 8**. The template should be uploaded to CFISnet by **19 April**.

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81. The completed templates can be uploaded through the Info > Document Sharing > Upload a File to CFISnet tabs. Please include „section 32A” in the comment field to allow Treasury to identify the relevant documents. No response is considered a nil return. Vote teams will discuss the content of the submission with you in advance of the submission date.

### *Section 32A criteria*

82. Late in 2009, Parliament’s Finance and Expenditure Select Committee agreed to a new set of criteria for determining which appropriations should be reported under section 32A. These criteria will continue to apply. The criteria are that reports are required on the service performance or results achieved during the relevant financial year in relation to:

- Each non-departmental other expense appropriation or non-departmental capital expenditure appropriation *except where*:
  - The House already receives or has ready access to information that covers the key aspects of performance relevant to the appropriation; or
  - The inherent nature of the transaction or causal event giving rise to the expense or expenditure means there is likely to be little additional performance information that could be usefully reported on an annual basis; or
  - The annual appropriation (or its annual average equivalent for multi-year and permanent appropriations) is under \$5 million for other expenses or under \$15 million for capital expenditure.

and

- Each output class within a non-departmental output expense appropriation *except where*:
    - there is already a requirement or commitment to report to the House on service performance in respect of the whole of that output class, or
    - the expected level of annual (or annual average) expenses for the output class, or the part that would otherwise be unreported, is under \$5 million.
83. For an output class where only part of the class would otherwise be unreported, the report may cover the whole class or the unreported part, at the discretion of the Minister responsible for the appropriation.
84. See “Preparing Reports on Non-departmental Appropriations: Guidance and Requirements for Administering Departments” for more information about Section 32A.

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### Media Statements

85. The Minister of Finance's office issues detailed guidance to Ministerial press secretaries on preparing media releases. This guidance is issued in April, soon after Cabinet signs off on the Budget Package.
86. The main guidelines for presenting numbers in media releases are:
  - i For initiatives with ongoing costs, present the numbers as a four-year total, ie, showing the impact over 2012/13 to 2015/16. If there is a cost in the current 2011/12 year, this should not be added to the four-year total but referred to separately.
  - ii For initiatives with funding that has a specific start and end date, present the numbers as a total for that specific period.
  - iii For an initiative that has both operating and capital funding, present the total for the operating component over the four years 2012/13 to 2015/16 and the total for the capital component over the specific period it is provided.
  - iv Millions of dollars should be rounded to one decimal place. The exception is if you are referring to amounts less than \$1 million or to specific one-off funding.
87. The Budget Package Cabinet Paper and Minute include an annex with the operating balance and/or debt impacts of all agreed initiatives. This document, and a template that will be completed by your Vote Analyst, should be used when drafting media releases to ensure consistency of numbers. A copy of the draft template can be found in **Annex 9**.
88. Contact your Treasury Vote team for further information about Budget information for the media, MPs and the public.

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**Guide to the Annexes**

<b>Annex No.</b>	<b>What</b>	<b>Due date</b>	<b>Who needs to use it</b>
1	Budget 2012 Financial Recommendations Chief Financial Officer Sign Off	<b>12pm on 16 March or 2 April</b>	Departments seeking Cabinet agreement to changes to appropriations in Budget 2012
2	Budget 2012 Departmental Chief Executive Check Sheet for Estimates Documents	With Estimates documents	All departments
3	2012/13 Estimates Chief Executive and Minister Sign Off	With Estimates documents	All departments
4	2011/12 Supplementary Estimates Chief Executive and Minister Sign Off	With Estimates documents	Departments that have Supplementary Estimates
5	2012 BEFU Statement of Responsibility	<b>27 April</b>	All departments
6	Confirmation of Transactions Equal to or Greater than \$10 Million	-	Departments making inter-departmental transactions greater than \$10 million
7	Template for Section 21 Appropriations	<b>19 April</b>	Departments with output expense appropriations restricted by revenue (section 21)
8	Template for Non-departmental Appropriations and Output Classes Requiring Section 32A Reports	<b>19 April</b>	Departments that administer any appropriations or output classes requiring section 32A reports
9	Media Statements template	-	Departments whose Ministers wish to prepare media statements on Budget initiatives.



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**ANNEX 1**

**BUDGET 2012 FINANCIAL RECOMMENDATIONS  
CHIEF FINANCIAL OFFICER SIGN OFF**

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**Vote**

The Financial Recommendations for the above Vote contain all decisions for Cabinet consideration as part of the 2012 Budget Package.

These have been completed in accordance with Financial Recommendations requirements as set out in Treasury Circulars and guides.

<b>Aspect</b>	<b>Check ( ✓ / ✗ )</b>
All applicable recommendations have been included and reflect decisions taken by Budget Ministers.	
All technical changes entered through the Four-year Budget Plan have been entered into the correct appropriation.	
For Votes that are receiving new funding, the initiative name and description clearly specifies what the money is allowed to be spent on.	
The new initiative is spelt correctly and has the appropriate capitals (use capitals for all words except for words such as of, it, to etc). <b>Note</b> that departments are able to change titles without changing the original budget bid.	
The scope statement for any <b>new</b> appropriation begins with "This appropriation is limited to ....", and is clear, concise and jargon-free.	
Funding is going into the correct appropriations.	
Any implications for baselines outside the forecast period (ie, in outyears) are clearly documented in the recommendations	
Where initiatives relate to more than one Vote, that departments have coordinated their recommendations so that no information is missing or duplicated	

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Additional "non-standard" tables needed by departments have been inserted	
Revenue type is correct („Revenue Other" for third parties; „Revenue Department" where another department purchases the good/service; or „Revenue Crown", and the <b>GST</b> implications are correct (ie, all financial recommendations should be GST exclusive).	
The impact statement is correct ("with a corresponding / no impact on the operating balance / debt")	

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Name

Chief Financial Officer

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Signature

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Date

Please forward this document to your Vote Team no later than **12pm on 16 March** or **2 April**.  
Your Vote team will advise you which deadline is relevant.

**BUDGET-SENSITIVE**

**ANNEX 2**

**BUDGET 2012 DEPARTMENTAL CHIEF EXECUTIVE CHECK SHEET  
FOR ESTIMATES DOCUMENTS**

**Vote**

Below are the requirements departmental Chief Executives should ensure have been carried out by departments for Budget 2012 Core Estimates and Information Supporting the Estimates.

<b>Requirement</b>	<b>Check (✓/✗)</b>
Version number to be signed by the Minister matches the current version in CFISnet	
Acknowledge that any list of CFISnet-generated warnings regarding structure have been reviewed and accepted as not applicable	
All Cabinet decisions with fiscal implications up to 16 April have been accurately reflected in the document	
The overview of the Vote is concise and in plain English	
The High-level Objectives of the Vote in Part 1.2 of the Information Supporting the Estimates are consistent with the Government's priorities	
The Intended Impacts, Outcomes and Objectives for each Part in the Information Supporting the Estimates are consistent with the High-level Objectives of the rest of the document	
Information on expected performance in the Information Supporting the Estimates for the Vote reflects the key aspects and levels of performance agreed with the Minister responsible for the appropriation	
The names of the appropriations listed in the Information Supporting the Estimates matches the appropriations listed in the Core Estimates	
The numbers in the Core Estimates are represented alongside the correct appropriations in the Information Supporting the Estimates	
Appropriate adjustments have been included in the Summary of Financial Activity table in Part 1.3 relating to prior years Actuals information for Departmental Capital Expenses and Multi-Year Appropriations.	
A list of current and past initiatives have been included and split by current and previous governments	
The text is consistent with the Technical Guide and the Style Guide	

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The tables are consistent with the Technical Guide released by Treasury	
The format of the numbers in the text are consistent with the Style Guide	
The numbers in text match the numbers in tables	
The spelling and grammar is consistent with the Style Guide	
All Free-form tables comply with the Government web standards as recommended by SSC ( <a href="#">Self-Audit Compliance Checklist - New Zealand E-government Programme</a> )	

I certify that all of the requirements for the Estimates documents for the Vote above have been completed.

\_\_\_\_\_

Name of Manager responsible                      Date                      Signature  
for preparation of documents

I acknowledge that all of the requirements have been completed for the above Vote.

\_\_\_\_\_

Name Chief Executive                      Date                      Signature

**Please forward this document to the Minister of Finance’s office along with your Estimates documents.**

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**ANNEX 3**

**2012/13 ESTIMATES CHIEF EXECUTIVE AND MINISTER SIGN OFF**

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**Vote(s)**

In signing this statement, I acknowledge that I am responsible for the information contained in the *Estimates of Appropriation 2012/13* and the *Information Supporting the Estimates of Appropriation 2012/13* for B.5A Vol [X] relating to the [name of department] and Vote / Votes for which the [name of department] is the administering department. The documents are accurate and ready for publishing without further amendment or editing.

The information provided is consistent with the policies and performance expectations of the government and has been prepared in accordance with the Public Finance Act 1989. It is also consistent with the proposed appropriations to be set out in the Appropriation (2012/13 Estimates) Bill, and with existing appropriations and financial authorities.

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Name

Chief Executive

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Signature

-----  
Date

**BUDGET-SENSITIVE**

I acknowledge that the information provided is consistent with the policies and performance expectations of the government and that all of the requirements have been completed for the above Vote(s). I am satisfied that the information on operating intentions for 2012/13 included in the *Information Supporting the Estimates* for the [Xxx Sector] is provided in accordance with section 41 of the Public Finance Act 1989.

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Name

Responsible Minister

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Signature

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Date

**Please forward this document to the Minister of Finance's office along with your Estimates documents.**

**BUDGET-SENSITIVE**

**ANNEX 4**

**2011/12 SUPPLEMENTARY ESTIMATES CHIEF EXECUTIVE  
AND MINISTER SIGN OFF**

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**Vote(s)**

In signing this statement, I acknowledge that I am responsible for the information contained in the *Supplementary Estimates of Appropriation 2011/12* and the *Information Supporting the Supplementary Estimates of Appropriation 2011/12* relating to the [name of department] and Vote / Votes for which the [name of department] is the administering department. The documents are accurate and ready for publishing without further amendment or editing.

The information provided is consistent with the policies and performance expectations of the government and has been prepared in accordance with the Public Finance Act 1989. It is also consistent with existing appropriations and financial authorities, and proposed changes to appropriations to be set out in the Appropriation (2011/12 Supplementary Estimates) Bill.

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Name

Chief Executive

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Signature

-----

Date

**BUDGET-SENSITIVE**

I acknowledge that the changes to appropriations proposed in the *Supplementary Estimates of Appropriation 2011/12* and the *Information Supporting the Supplementary Estimates of Appropriation 2011/12* are consistent with the policies and performance expectations of the government, and that all of the requirements have been completed for the above Vote(s).

-----

Name

Responsible Minister

-----

Signature

-----

Date

**Please forward this document to the Minister of Finance's office along with your Estimates documents.**



## BUDGET-SENSITIVE

### ANNEX 5

#### 2012 BUDGET ECONOMIC AND FISCAL UPDATE STATEMENT OF RESPONSIBILITY

Entity: **[INSERT NAME]**

The CFISnet schedules (the “schedules”) have been prepared to provide information for the preparation of the 2012 Budget Economic and Fiscal Update (including the forecast financial statements). We verify that:

- a. The schedules have been prepared on the basis of our best professional judgement, reflecting circumstances and information as at the date the schedules were provided.
- b. The schedules have been completed so as to show information in a manner consistent with the accounting policies of the Government and generally accepted accounting practice for the applicable years, except for:
  - 
  -
- c. Transactions and balances with entities within the Government reporting entity greater than \$10 million have been confirmed with the other entity.
- d. We have advised Treasury of all matters that are not included in the schedules, but which meet the criteria for the submission of risk information (the matter could have an impact of more than \$10 million in any year and it is realistically possible that the matter will be approved or occur).
- e. The Ministerial certification and register of contingent liabilities and contingent assets (as at 31 December 2011) we have provided is not materially different to the position at 31 March 2012 except for (itemise changes if applicable) –
  - 
  -
- f. There are no other matters that you should be aware of in the preparation of the forecast Government financial statements except for (itemise assumptions/exclusions if applicable) –
  - 
  -

## BUDGET-SENSITIVE

- g. We undertake to inform the Treasury of any circumstances or information that comes to light before the Economic and Fiscal Update is published which are material to our forecast returns.

Signed

Signed

**[INSERT NAME]**

**[INSERT NAME]**

Chief Executive

Chief Financial Officer

Date: [INSERT DATE]

Date: [INSERT DATE]

**Please forward this document to Don Rangi ([don.rangi@treasury.govt.nz](mailto:don.rangi@treasury.govt.nz)) no later than 27 April.**

**BUDGET-SENSITIVE**

**ANNEX 6**

**CONFIRMATION OF TRANSACTIONS EQUAL TO OR GREATER THAN  
\$10 MILLION**

**[Entity name]** is currently recording transactions greater than \$10 million in the year with your agency. As required under the Treasury’s elimination framework for completing the Crown financial statements and forecasts we are requesting that you confirm the following transactions:

	2011/12	2012/13	2013/14	2014/15	2015/16
Revenue					
Expenses					
Assets					
Liabilities					

We are required to submit our information to Treasury on **[INSERT DATE]** for the **[INSERT EXERCISE]** and would appreciate if you could confirm these amounts two days prior to the deadline.

If there are significant differences, please contact me on **[INSERT PHONE NUMBER]**.

Note: These confirmation letters should not be copied to Treasury, but are the basis for enabling confirmation of inter-entity transactions and balances as required. Please note that Chief Executives and Chief Financial Officers must attest that these transactions and balances have been confirmed.

**BUDGET-SENSITIVE**

**ANNEX 7**

**SECTION 21 – EXPENSES RESTRICTED BY REVENUE OUTPUT CLASSES IN  
APPROPRIATION BILL – SUBMISSION TEMPLATE**

Instructions:

- (1) Fill this table out if your department has revenue-dependent output expense appropriations (s.21). Check pages 16-18 for further details.
- (2) **Upload** to CFISnet by **1pm, 19 April**.

List all existing s21 appropriations ie, those appearing in 2011/12 Core Estimates	Has the Minister of Finance approved the use of s21?  Yes/No	Should it be included in the 2012/13 Core Estimates?  Yes/No	Note any Vote/Name changes, and any other relevant information
List any new s21 appropriations for the 2011/12 Supplementary Estimates			
List any new s21 appropriations to appear in the 2012/13 Core Estimates			

**BUDGET-SENSITIVE**

**ANNEX 8**

**NON-DEPARTMENTAL APPROPRIATIONS AND OUTPUT CLASSES REQUIRING SECTION 32A REPORTS – SUBMISSION TEMPLATE**

Instructions:

- (1) Provide information in this table if your department administers any non-departmental output expense, other expense or capital expenditure appropriations or non-departmental output classes on which there is no other end-of-year performance reporting to Parliament. See Treasury Circular 2010/03 for the criteria for when section 32A reports are required.

**(2) Upload to CFISnet by 1pm, 19 April.**

List all existing s32A appropriations ie, those appearing in 2011/12 Estimates	Should it be included in the 2012/13 Core Estimates?  Yes/No	Note any Vote/Name changes, and any other relevant information
List any new s32A appropriations for the 2011/12 Supplementary Estimates		
List any new s32A appropriations to appear in the 2012/13 Estimates		

## BUDGET-SENSITIVE

### ANNEX 9: MEDIA STATEMENTS TEMPLATE

#### **VOTE [X]**

##### **Headline Numbers:**

New funding: \$[x]m (4 year total)

Reprioritised funding within the vote: \$[x]m (4 year total)

Reprioritised funding from other votes: \$[x]m (4 year total)

Total funding for new initiatives: \$[x]m (4 year total)

Guidance notes:

New funding is the Budget allocation; most votes will not have any.

Total funding for new initiatives is the sum of new and reprioritised funding.

##### **New Initiatives summary:**

[Initiative Title]: \$[x]m (4 year total)

[Initiative Title]: \$[x]m capital (one off total) \$[x]m (4 year total)

Guidance notes:

Initiatives should add to the “Total funding for new initiatives” total

If an initiative is time-limited, specify the period that the funding is for, eg. 3 years.

For Capital initiatives, specify the capital amount and give the operating amount as a 4 year total

BM-2-2-2013

5 February 2013

Treasury Circular 2013/01

Restricted Distribution

Chief Executives  
Directors of Finance/Chief Accountants

**Contact for Enquiries:**

Budget process queries: Your Treasury Vote Analyst

Forecasting queries: Kamlesh Patel s9(2)(k)  
[kamlesh.patel@treasury.govt.nz](mailto:kamlesh.patel@treasury.govt.nz)

CFISnet entry queries: CFISnet Helpdesk (04) 917 6198  
[CFISnet@treasury.govt.nz](mailto:CFISnet@treasury.govt.nz)

**BUDGET 2013: TIMETABLE AND TECHNICAL REQUIREMENTS FOR DEPARTMENTS**

**Introduction**

1. On 4 September 2012, the Treasury and the State Services Commission released guidance for departments on preparing Four-year Plans for Budget 2013. This current circular supplements that information with the timetable for the production of Budget 2013, and includes reminders about key items in the production process.
2. The “Process and Technical Guide for Departments” outlining technical requirements for Budget 2013, is now available on CFISnet. The template annexes in this Guide will be available in Word format on CFISnet as a related file to this Circular.
3. Please note that Budget Day for 2013 has not yet been finalised. As such, the production timetable should be considered indicative and sensitive. Treasury Vote teams will update departments if there are any changes.

### Production Timetable for Budget 2013

Unless advised otherwise all requirements are due by 1pm.

Requirement	Deadline	More detail
Submission of Four-year Plans	Thursday 20 December	Budget 2013 – Four-year Plan Guide
Central agencies' assessment of Four-year Plans	Late January	
Departments upload initiatives to CFISnet	Tuesday 5 February	Technical Guide, para 9
Last date for coredata changes to be submitted to CFISnet for the March Baseline Update (MBU)	Wednesday 13 February	Treasury Circular 2012/10
Final date for all departments to update and lock CFISnet for MBU changes (exercise 439)	Wednesday 27 February	Treasury Circular 2012/10
Preliminary five-year fiscal forecasts due from all departments (including forecasting departments <sup>1</sup> ) to be submitted to the MBU exercise		Technical Guide, para 16
Last date for departments to provide Treasury with December Ministerial Certification and Register of Contingent Assets and Contingent Liabilities		Technical Guide, paras 41 – 44
Two copies of Minister's MBU submissions for each Vote delivered to the Minister of Finance	Thursday 28 February	Treasury Circular 2012/10
Earthquake returns due (targeted departments only)	Friday 1 March	Refer paras 14 – 16
Final date for Treasury Vote teams to advise departments of status of MBU updates.	Wednesday 6 March	Treasury Circular 2012/10
Departments update CFISnet to reflect any required changes		
Updated five-year fiscal forecasts due from forecasting departments <sup>1</sup> (updated for economic forecasts)	Friday 8 March	Technical Guide, para 16
Departments provide Treasury with either updated signatures for the Estimates or confirmation of a nil return	Tuesday 12 March	Technical Guide, paras 61 – 64
Departments advise Treasury Vote Teams of any changes to the Fiscal Risks published in HYEUFU 2012 and any new matters that may have a material effect on the economic and fiscal outlook	Tuesday 12 March	Technical Guide, paras 45 – 53
Minister of Finance notifies Ministers of the outcome of the MBU	From Monday 18 March	Treasury Circular 2012/10
Departments provide the Treasury with draft Estimates documents	Thursday 21 March	
Financial recommendations for Votes with no outstanding decisions	Monday 25 March	Technical Guide, para 10
Departments complete all documentation for Main Estimates, Supplementary Estimates and all supporting information	Thursday 28 March	Technical Guide, paras 54 – 56
Departments send near-final SOI to Treasury for check of financial information against other Budget		

<sup>1</sup> Forecasting departments are IRD Crown, Customs tax, MSD, Transport, Treasury, MBIE (Building and Housing) and NZDF (Veterans Affairs)



<b>Requirement</b>	<b>Deadline</b>	<b>More detail</b>
documentation.		
Financial recommendations for all Votes with outstanding decisions at 25 March	Tuesday 2 April	Technical Guide, para 10
Final date for all departments (including forecasting departments) to complete five-year fiscal forecasts in CFISnet and lock the BEFU (exercise 441)	Thursday 4 April	Technical Guide, paras 16
Departments with output expenses affected by section 21, and appropriations affected by section 32A of the PFA, submit templates to Treasury of all appropriations affected.  <b>Departments are required to check each appropriation carefully, and not assume that those identified last year still meet the criteria.</b>	Friday 5 April	Technical Guide, paras 75 – 87
Budget Moratorium begins	Expected to be Monday 8 April	Cabinet Office Circular (11) 6, para 19
Supplementary Estimates documents (except for those requiring changes following Cabinet on 8 April) signed by Minister and delivered to Minister of Finance	Tuesday 9 April	Technical Guide, para 60
Main Estimates documents (except those requiring changes following Cabinet on 8 April) signed by Minister and delivered to Minister of Finance		
All remaining Supplementary Estimates signed by Minister and delivered to Minister of Finance	Wednesday 10 April	
All remaining Main Estimates signed by Minister and delivered to Minister of Finance	Thursday 11 April	
Forecasting departments' Supplementary Estimates signed by Minister and delivered to Minister of Finance	Wednesday 17 April	Technical Guide, para 60
Forecasting departments to update their final five-year fiscal forecasts in CFISnet (exercise 441)	Thursday 18 April	Technical Guide, para 16
Last date for departments to provide Treasury with the Statement of Responsibility.	Friday 19 April	Technical Guide, Annex 5
Forecasting departments' Estimates documents signed by Vote Minister and delivered to Minister of Finance	Tuesday 23 April	Technical Guide, para 60
Departments submit April and May 2013 forecast tracks	Friday 3 May	Para 17 – 18
Last date for printed SOIs to be provided to printer	Friday 3 May	
Departments email URL for where their SOI will be held on their website and indicate date range of SOI ( <a href="mailto:performanceinfo@treasury.govt.nz">performanceinfo@treasury.govt.nz</a> ).	Friday 3 May	Technical Guide, paras 67 – 70
Departments deliver an electronic PDF version of the final SOI to Treasury (Gavin Hamilton) by safe-hand or S.E.E.Mail ( <a href="mailto:performanceinfo@treasury.govt.nz">performanceinfo@treasury.govt.nz</a> )	Friday 3 May	
Last date for any proposed 'in-principle' expense and capital transfers, and retention of underspends, that were not included in the March Baseline Update to be forwarded to the Minister of Finance.	Tuesday 11 June	Cabinet Office Circular (11) 6, paras 34 – 37; 42 - 43

### ***Fiscal Risks***

4. Departments must advise their Treasury Vote Team by **Tuesday 12 March** of all changes to the status of the fiscal risks for their department published in the 2012 HYEPU and any new matters of which they are aware that may have a material effect on the economic and fiscal outlook.
5. Items should be disclosed to Treasury where:
  - The matter will have an impact of more than \$10 million in any one year; and
  - It is **realistically possible** that the matter will be approved or occur. 'Realistically possible' is to be taken to mean that in the judgement of the department, the event has more than a 20% chance of being approved or occurring during the forecast period.
6. The fiscal impacts of decisions that have already been taken should be included in departments' forecast financial schedules. Only matters for which a decision has not yet been taken, or for which a decision is not required are to be disclosed through the Fiscal Risks reporting process.
7. If departments are in doubt as to whether or not to disclose a matter to the Treasury, they should disclose it.

### ***Five-year fiscal forecasts***

8. The MBU and Budget exercises include the submission of five-year forecasts. These five-year forecasts form the basis for reporting against the Government's fiscal strategy, including the objective of returning to surplus by 2014/15.
9. Matters included in the fiscal forecasts should meet the following criteria:
  - The matter can be quantified for particular years with reasonable certainty.
  - A decision has been taken, or a decision has not yet been taken but it is reasonably probable<sup>2</sup> the matter will be approved, or it is reasonably probable the situation will occur.
10. Forecasts supplied as part of MBU (exercise 439) (due **Wednesday 27 February** for all departments and updated on **Friday 8 March** for forecasting departments) will be used for a preliminary forecast and used to aid decision making in Budget 2013. Particular care should therefore be taken with these forecasts to ensure they represent best estimates based on current conditions.
11. The Budget exercise (exercise 441) should include final forecasts updated for Budget decisions. These are due **Thursday 4 April** for all departments, with forecasting departments updating for the final economic forecasts on **Thursday 18**

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<sup>2</sup> For these purposes "reasonably probable" is taken to mean that the matter is **more likely than not** to be approved within the forecast period (by considering, for example, whether there is a better than 50% chance of the matter occurring or being approved).

**April.** These final forecasts will be used to prepare the published five-year forecasts in Budget 2013.

12. All exercises should be appropriately reviewed before they are submitted into CFISnet.
13. The Budget exercise should be accompanied by a Statement of Responsibility and the latest Statement of Contingent Liabilities and Contingent Assets (refer paras 41 – 44 in the accompanying technical guide). The Minister of Finance and Secretary to the Treasury rely on the assurances provided in the Statement of Responsibility by Chief Executives and Chief Financial Officers. These documents should be either scanned and uploaded into CFISnet or emailed to Don Rangi ([don.rangi@treasury.govt.nz](mailto:don.rangi@treasury.govt.nz)) or faxed to s9(2)(k) by **Friday 19 April**.

### ***Earthquake Reporting***

14. Treasury will again be collecting details of any earthquake related costs or revenue recognised in the five-year forecasts to ensure that all significant transactions are recognised. The following departments have previously incurred significant earthquake costs and are required to complete an earthquake return:
  - a) Canterbury Earthquake Recovery Authority
  - b) Department of Internal Affairs
  - c) Ministry of Business, Innovation, and Employment
  - d) Ministry of Social Development
  - e) Ministry of Education (including TEIs and Schools)
  - f) Ministry of Health (including DHBs)
15. We will be contacting these departments shortly to provide a template to complete and return by 1 March.
16. If your department is not listed above but you have incurred, or expect to incur, earthquake related costs, or receive revenue, in excess of \$10 million, please contact Catherine Moger by email ([catherine.moger@treasury.govt.nz](mailto:catherine.moger@treasury.govt.nz)) before 8 February. No action is required for departments with transactions below \$10million.

### ***Forecast Tracks***

17. The April and May 2013 forecast tracks are due from all departments on **Friday 3 May**. These tracks should be based on the estimated actuals (i.e. outyear 0) submitted as part of Budget 2013 (exercise 441).
18. A table of the common schedules for submitting the forecast track exercise to CFISnet can be found in paras 24 – 26 in the accompanying technical guide.

### ***Budget Moratorium***

19. There will be a moratorium on Cabinet, Cabinet Committees and joint Ministers approving any financial recommendations after Cabinet agrees the Budget package (expected to be **Monday 8 April**) until Budget Day. Departments must not submit any papers to Cabinet with financial implications during this period. The moratorium exists so that the Budget documents and legislation accurately reflect the fiscal implications of all Government decisions.

### ***Security Arrangements for Budget documents***

20. The following security rules apply to the printing of all 'Budget Sensitive' documents. Please ensure that the contract with your printer includes all the following criteria:

- Access to the area where the documents will be printed must be limited to authorised personnel.
- The printing area must be secure.
- All documents (tapes, disks, page-proofs, or photographic plates) must be locked away when not being used.
- Completed documents must be stored in security safes until delivery.
- All deliveries must be accompanied by a security guard and a designated person must sign for the documents.
- All waste must be shredded.
- Email should not be used to deliver electronic versions of SOIs between the printers, design companies or departments.
- No visitors are allowed into areas where Budget-related printing is being carried out. A list of authorised departmental personnel is to be supplied to the printer. Only those named people may be allowed to visit.

### ***Production of Statements of Intent***

21. Until tabled on Budget day, SOIs are classified as 'Budget Sensitive' and therefore should never be sent by email unless both sender and recipient are using the S.E.E.Mail system, which secures email between participating government agencies. Because external designers and printers are not on S.E.E.Mail, safe-hand delivery on disk (not on a USB stick) by courier must be used to deliver electronic copies of the SOI. Any department that is not on S.E.E.Mail must always use safe-hand delivery of electronic copies of the SOI, even to the Treasury and Ministers' offices.

22. Departments are also responsible for the security of their SOI (including, if necessary, its transport to the Treasury's printers) until it is signed over to the Treasury's printer for collation into the *Information Supporting the Estimates*.

23. If a department wants to have copies of its own SOI prior to Budget day, then it needs to ensure it complies with the above security requirements, and the chief executive will need to accept responsibility for any accidental release of information before the Budget documents are officially released on Budget day. All copies held within the department prior to Budget day need to be tracked and carefully managed to limit any potential release.

***Delivery of Statements of Intent***

24. The Treasury's printer collates all SOIs with the Information Supporting the Estimates to produce the parliamentary copies. Departments are required to ensure delivery of 200 copies to the Treasury's printer (location to be advised) by **Friday 3 May**.
25. The Treasury also requires an Adobe PDF file copy of the SOI to be supplied by **Friday 3 May** for the electronic version of the *Information Supporting the Estimates of Appropriations* to be included on the Budget CD-ROM. The PDF file, prepared to specifications set out in the Budget 2013 Process and Technical Guide for Departments, may be sent by S.E.E.Mail to [performanceinfo@treasury.govt.nz](mailto:performanceinfo@treasury.govt.nz) or on disc (not a USB device) by safe-hand delivery to Gavin Hamilton, Team Leader, Web and Publishing, The Treasury, 1 The Terrace, Wellington

Colin Hall  
for the Secretary to the Treasury

## Budget 2013

# Process and Technical Guide for Departments

February 2013



**THE TREASURY**  
Kaitohutohu Kaupapa Rawa

New Zealand Government

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**BUDGET-SENSITIVE**

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BUDGET-SENSITIVE

## The Budget Process

	Budget decisions	March Baseline Update	Budget Economic and Fiscal Update	Production of Estimates, Supplementary Estimates and SOIs
January	<p><b>20 Dec:</b> Ministers submit final Four-year Plans.</p> <div style="border: 1px solid black; border-radius: 15px; padding: 10px; margin: 10px 0;"> <p><b>By 5 Feb:</b> Departments enter Budget initiatives to CFISnet based on final Four-year Plans.</p> </div>			
February	<p>Budget Ministers make decisions on Four-year Plans and overall Budget 2013 package <b>(Feb – March).</b></p> <p><b>7 March</b> Departments enter additional Budget initiatives to CFISnet</p>	<p><b>27 Feb:</b> All departments upload MBU submission and five-year forecasts into CFISnet.</p> <p><b>8 Mar:</b> Forecast updates feed into Budget decision making.</p>	<p><b>27 Feb:</b> December Ministerial Certification and Register of Contingent Assets and Liabilities due.</p> <p><b>12 March:</b> Departments advise Treasury of any changes to Specific Fiscal Risks.</p> <p><b>4 April:</b> Departments enter</p>	
March	<p><b>2 April:</b> Financial</p>		<p>fiscal forecasts into CFISnet to update forecasts (<b>18 April</b> for forecasting Departments).</p> <p><b>19 April:</b> Statements of Representation due.</p>	<p><b>28 March:</b> Estimates documentation completed by departments for checking by Treasury.</p> <p>Final Estimates documents signed by Ministers and forwarded to Minister of Finance <b>(9, 10, 11, or 23 April)</b></p>
April	<p>commendations from outstanding departments due.</p> <p style="text-align: center;">↓</p> <p><b>8 April</b> Cabinet considers Budget package.</p>			<p><b>5 April:</b> Section 21 and section 32A reports due.</p>
May	<p><b>Budget Day:</b> Appropriation Bills introduced in Parliament.</p>			<p><b>3 May:</b> Printed SOIs delivered to Treasury printer and electronic versions to Treasury.</p> <p><b>Budget Day:</b> Budget documents released.</p>





## BUDGET-SENSITIVE

### About this Guidance

1. On 4 September 2012, the Treasury and the State Services Commission released guidance for departments on preparing Four-year Plans for Budget 2013. As the Four-year Plans have now been submitted, this guidance document focuses on the technical and process steps required for Budget 2013.
2. You should use this document as your first port of call for guidance on the process for Budget 2013. General enquiries about the information contained in this guidance can be directed to your Treasury Vote team.
3. Please note that the deadlines in this guide are indicative and sensitive, as Budget Day for 2013 has not yet been finalised. Your Vote team will advise you if there are any changes to the dates and a news item will be posted on CFISnet.
4. The Annex templates attached to this document can be downloaded from the Circulars section of CFISnet.
5. Any comments on how we could improve this guidance can be directed to [guidance@treasury.govt.nz](mailto:guidance@treasury.govt.nz).

### Budget Process

6. Once Four-year Plans have been submitted to Ministers and the Minister of Finance, the following steps remain in the Budget 2013 process:
  - Budget Decisions.
  - The March Baseline Update.
  - Budget Economic and Fiscal Update.
  - Production of the Budget documents (Estimates, Supplementary Estimates, Supporting Information and Statements of Intent).
  - Preparation and introduction of the Appropriation Acts.
  - Preparation of media statements for Ministers.
7. These steps are presented graphically on page 2.

### Budget Decisions

8. A group of Budget Ministers, made up of the Prime Minister, Minister of Finance and the Associate Ministers of Finance, will meet over February and March to:
  - Make initial decisions on the Four-year Plans, to accept or decline proposals, or request further information from Vote Ministers. Budget Initiative proposals that are accepted in full will have their financial recommendations agreed in the main Budget Cabinet paper in April.

## BUDGET-SENSITIVE

- Agree to a final consolidated Budget package, based on Four-year Plan decisions and Cabinet decisions on major policy issues. This package is likely to be taken to Cabinet on **8 April** for consideration.

### Budget Initiatives and Financial Recommendations

#### *What are the deadlines?*

9. Departments are required to enter Budget Initiative proposals to CFISnet<sup>1</sup>, based on their final Four-year Plans, by **5 February**. Initiatives contained in Four-year Plans will then be considered by Budget Ministers during February and March. Agreed initiatives will become financial recommendations in the final Budget Cabinet paper. Initiatives that seek to reprioritise funding across appropriations and years should be aggregated into a single “reprioritisation” initiative.
10. The final Budget package Cabinet paper is prepared by Treasury, and includes a large number of financial recommendations. These recommendations are completed by departments in CFISnet. Financial recommendations are due for most Votes at **12pm on 25 March**. For Votes with decisions outstanding at 25 March, final financial recommendations are due at **12pm on 2 April**. CFISnet will advise when the Recommendations module is ready for departments to complete their financial recommendations.
11. If Budget Ministers agree to a department’s Budget Initiative proposal in full, Treasury will accept the financial recommendations in CFISnet and they will be added to the Cabinet paper. In some circumstances, Budget Ministers may decide to scale or alter a specific proposal, in which case Treasury and/or the department will be required to amend the relevant financial recommendation. In other cases, Budget Ministers may choose not to accept a proposal (eg, because there is not room within the Budget 2013 operating allowance). These proposals will not form part of the final Budget package.
12. The financial recommendations in the final Budget Cabinet paper are generated automatically from the recommendations that departments complete in CFISnet. Therefore, financial recommendations must match the initiatives included in your department’s Four-year Plan and must be correctly drafted. Because of the limited time available in the production schedule, Treasury will **not** be proof-checking financial recommendations prior to Cabinet. Departments will need to QA their own recommendations to ensure they are of Cabinet minute quality.
13. Any specific questions about technical issues or the wording of financial recommendations should be directed to your Vote team. Further guidance on how to enter financial recommendations into CFISnet is available on the CFISnet Help page under ‘Baselines’ > ‘Recommendations’.

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<sup>1</sup> CFISnet stands for Crown Financial and Information System. It is a secure, Internet-based information system departments and Treasury use to manage and track Government finances.

## BUDGET-SENSITIVE

### March Baseline Update (MBU)

14. The March Baseline Update (MBU) is a technical update, and allows departments to update baselines to reflect Cabinet and joint ministerial decisions that have taken place since the last baseline update in October. The MBU must not include proposals seeking new funding, or carry significant policy implications. Any such proposals are to be considered in the Budget Decisions process described above. Treasury released guidance on MBU 2013 in December 2012. Please refer to Treasury Circular 2012/10 for details.

### Budget Economic and Fiscal Update (BEFU)

15. The Minister of Finance is required by law to table an Economic and Fiscal Update on Budget Day. The BEFU includes Treasury's overall economic forecasts and the forecast financial statements of the Government. These forecasts are important for helping Parliament and the public understand the state of the Government's finances and their likely future performance.

#### Fiscal forecasts

##### *Departmental input*

16. Treasury prepares fiscal forecasts based on information that all departments provide through MBU and the Budget process:
  - *Preliminary fiscal forecasts* – Forecast information provided by departments through MBU is critical for creating Treasury's preliminary fiscal forecasts. These forecasts should be best estimates based on current decisions as they are used by Budget Ministers to make decisions on the final Budget package in March. This information is due from all departments by **27 February** (forecasting departments<sup>2</sup> then update for economic forecasts on **8 March**).
  - *Final fiscal forecasts* – The information is used to generate the final forecasts which will appear in the published Budget documents. Departments should submit their updated five-year forecasts, incorporating agreed Budget initiatives, to the Budget exercise. This information is due with the Treasury on **4 April** (updated on **18 April** by forecasting departments).
17. The Minister of Finance and the Secretary to the Treasury are jointly required to sign a Statement of Responsibility to the effect that the Budget forecasts fairly reflect the forecast operations and fiscal position of the Government. In signing that Statement, the Minister of Finance and the Secretary to the Treasury rely on assurances provided by departmental Chief Executives and Chief Financial Officers.

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<sup>2</sup> Forecasting departments are IRD Crown, Customs tax, Social Development, Transport, Treasury, MBIE, and NZDF (Veterans Affairs).

## BUDGET-SENSITIVE

18. Accordingly, a signed Statement of Responsibility needs to be sent to Treasury by each department once the final CFISnet forecast schedules are submitted (see **Annex 5**). The Statement of Responsibility is due on **19 April**.
19. To help Chief Executives and Chief Financial Officers gain assurance around the forecasts supplied, and to sign the Statement of Responsibility, we recommend reviewing the CFISnet Summary Financial Statements report (for a high level overview of the forecast) and the Baseline Update report (to review changes since the last forecast exercise).

### *Expectations for five-year forecasts*

20. We expect that the forecasts provided reflect your best estimates based on current conditions, even if they differ from the last approved forecast. As forecasts should reflect best estimates, they will typically differ from appropriations, as appropriations represent maximum spending limits, not estimates of expected spending.
21. We expect all financial information reported by departments for the five-year forecasts to be:
  - submitted on time (as per timetables published in Treasury circulars)
  - appropriately reviewed and authorised
  - free from material errors and omissions
  - complete, accurate and internally consistent, including any associated checklists, other supporting information or certification
  - credible and supportable, particularly where judgements are required (eg, forecasting, measuring complex obligations – What significant assumptions were made? What judgements were required?)
  - consistent with other information provided to Treasury or published
  - in compliance with Cabinet decisions where applicable (also see para 23 below)
  - in accordance with Crown accounting policies and forecasting policies set out in Treasury Instructions (available here: <http://www.treasury.govt.nz/publications/guidance/instructions/2012>) and Treasury Circulars
  - subject to effective internal controls that provide assurance over the information delivered to Treasury, and
  - correctly report inter-entity transactions and balances and confirm and agree with other entities these transactions and balances as required.
22. We further expect entities to:

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- regularly inform their stakeholders (including responsible Ministers) on the financial information that they report to Treasury, particularly if there are significant departures from previous forecasts, and
  - proactively identify and resolve issues promptly.
23. We expect that matters included in the fiscal forecasts will meet the following criteria:
- The matter can be quantified for particular years with reasonable certainty, and
  - a decision has been taken, or a decision has not yet been taken but it is reasonably probable<sup>3</sup> the matter will be approved, or it is reasonably probable the situation will occur.

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<sup>3</sup> For these purposes “reasonably probable” is taken to mean that the matter is **more likely than not** to be approved within the forecast period (by considering, for example, whether there is a better than 50% chance of the matter occurring or being approved).



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*What do you need to provide?*

24. Departments provide fiscal forecast information through CFISnet, by completing the common schedules outlined below:

Schedule Reference	Description	Five-year Forecasts	Monthly Forecast Tracks
1:50:0, 1:70:0	Statement of Financial Performance	Yes	Yes
1:50:1, 1:70:1	Notes to Statement Financial Performance	Yes	Yes
1:51:0, 1:71:0	Statement of Financial Position	Yes	Yes
1:51:1, 1:71:1	Notes to Financial Position - non Financial Instruments	Yes	Yes
1:51:7, 1:71:7	Notes to Financial Position - Financial Instruments	Yes	Yes
1:52:0, 1:72:0	Statement of Cash Flow	Yes	Yes
1:53:0, 1:73:0	Department reconciliation of expenses and appropriations	Yes	Yes
1:53:1	Department reconciliations of operating income and output revenue	Yes	Yes
1:56:0, 1:76:0	Statistics New Zealand schedule	Yes	No

25. Please note the following schedules are **not** required for the five year forecast:

Schedule Reference	Description
1:51:3, 1:71:3	Notes to Financial Position - non Financial Instruments
1:51:5, 1:71:5	Notes to Financial Position - Liquidity Analysis
1:51:6, 1:71:6	Notes to Financial Position - Financial Instruments
1:54:0, 1:74:0	Commitments, Contingent A&L
1:57:0, 1:77:0	Trust accounts

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26. The following table highlights where best estimates are required as opposed to where approved appropriation amounts (upper spending limits) should be used.

Exercise	MBU	Supplementary Estimates	Budget	Budget
Exercise Number	439	440	441	441
Outyear	0 – 4	0	0	1 - 4
Vote Specific Schedules	Approved Appropriation	Approved Appropriation	Best estimates	Approved Appropriation
Common Schedules	Best estimates	Best estimates	Best estimates	Best estimates

27. Please note that only Budget exercise 441 outyear 0 uses best estimates for the Vote specific schedules. This is because these numbers are used to populate the “estimated actual” data in the core Estimates documents. In all other cases, completion of the reconciliation schedules (1:52:0 and 1:73:0) described below will be required.
28. As with the previous years we will be reporting back to departments after year end regarding the accuracy of the fiscal forecasts compared with actual results.
29. If you need assistance, there is a FAQ section on CFISnet. Alternatively, please contact [CFISnet@treasury.govt.nz](mailto:CFISnet@treasury.govt.nz)

*Department Reconciliation of Expenses and Appropriations*

30. In order for Treasury to prepare the fiscal forecasts, it is important that all departments reconcile their forecast expenses with their approved appropriations (upper limits of spending).
31. CFISnet schedules 1:53:0 (for Departmental) and 1:73:0 (for Non-Departmental activities) are used to reconcile the differences between total appropriations in the Vote specific schedules and the best estimate forecasts reported in the common schedules (schedules 1:50:0 and 1:70:0). Such differences should be reported in lines 110 to 165 of the reconciliation schedules. A separate line should be used for each significant<sup>4</sup> adjustment and the text description field used to identify the relevant appropriation. Less significant adjustments can be aggregated into one line. Refer to the sample reconciliation below.

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<sup>4</sup> As a guide, adjustments greater than +/- \$25 million would usually be considered significant.

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**Dept Reconciliation of Expenses and Appropriations (interim and annual) : Common Schedule (\$'000s)**

Line	308:0:0
5 Total expenses appropriated	800,000
<b>20000 RECONCILING ITEMS</b>	
<b>20010 Remeasurements</b>	
10 detailed input line	0
15 detailed input line	0
...	...
70 detailed input line	0
75 detailed input line	0
<b>99 Total remeasurements</b>	<b>0</b>
<b>20020 Other adjustments not appropriated</b>	
110 detailed input line	-60,000
115 detailed input line	-55,000
120 detailed input line	-25,000
125 detailed input line	0
...	...
160 detailed input line	0
165 detailed input line	0
<b>199 Total other adjustments not appropriated</b>	<b>-140,000</b>
<b>299 Total reconciling items</b>	<b>-140,000</b>
<b>399 Total expenses per Operating Statement</b>	<b>660,000</b>

### *Department Reconciliation of Operating Income and Output Revenue*

32. It is important that departments ensure that their forecast total income and different revenue streams (Revenue Crown, Revenue Department, Revenue Other) match Vote Schedules. This helps the Treasury finalise the fiscal forecasts.
33. CFISnet schedule 1:53:1 (for Departments) is used to reconcile the differences between total output revenue in the Vote specific schedules and the best estimate forecasts reported in the operating statements (schedule 1:50:0). Such differences should be recorded in one of the three different sections of the schedule: Revenue Crown (lines 10 to 40), Revenue Department (lines 210 to 240), or Revenue Other (lines 410 to 440), depending on the nature of the difference.

### *Eliminations*

34. In order for Treasury to prepare the consolidated financial accounts for the total Crown, transactions between different Crown organisations need to be eliminated, to prevent double-counting.
35. Eliminating inter-entity transactions and balances is critical to Treasury's consolidation and we would like to reinforce the importance of ensuring:
  - elimination entries are correctly identified and recorded in the correct lines and the text column is used to identify the specific entity for all inter-entity lines. This is especially important for financial instruments (including derivative contracts)
  - entities agree funding flows with other Crown reporting entities

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- the financial instruments elimination spreadsheet is completed and submitted on time as mentioned above (see paras 37 – 40 below)
  - the text column in the DataLoad is used to identify the other entity when necessary (as outlined in the schedule line dictionary), and
  - where “Detailed Input” lines are used, a brief comment in the text column should be provided to indicate what the item relates to and who it is with.
36. More information on the elimination framework is available here: <http://www.treasury.govt.nz/publications/guidance/reporting/nzifrs/pdfs/nzifrs-ef-23jul07.pdf>. Please note this framework applies to all exercises including forecast tracks.
37. Pro-forma confirmation letters can be downloaded from the Circulars section in CFISnet (and amended as necessary) to confirm funding flows of \$10 million or greater for the forecast exercises with other Crown reporting entities (a copy is also available as **Annex 6**). The confirmation letters do not need to be copied to Treasury.
38. To enable inter-entity financial instruments to be eliminated, departments should provide Treasury with information for the following transactions:
- Government stock balances (excluding non-market holdings)
  - Crown entity or SOE debt greater than \$10 million
  - Air New Zealand shares, and
  - derivatives where the book value is greater than \$1 million.
39. This information should be provided through the spreadsheet available on CFISnet’s homepage under ‘CFISnet links’, and be uploaded to Treasury with each completed exercise and are due with Treasury on the same day as each five- exercise.
40. The spreadsheet can be uploaded into CFISnet as follows:
- Info > Document Sharing > Upload or Download a Document and select the “IFRS Info (FSG3, Elims, Stmt Reps, Contingent)” process.

### Contingent liabilities

41. Contingent liabilities are costs that the Crown will have to face if a particular event occurs eg, guarantees and indemnities, legal disputes and claims, and uncalled capital. The Government’s contingent liabilities must be disclosed in the Budget by law. Contingent liabilities which exist at 31 March 2013 will be used for the 2013 BEFU. The BEFU will separately disclose contingent liabilities that are greater than \$100 million (GST excl).

#### *What do you need to provide and when?*

42. The amount disclosed with regards to quantified contingent liabilities will be based on the information submitted for 31 March actual reporting. The

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information disclosed with regards to unquantified liabilities will be based on information provided at 30 June 2012, updated for significant changes.

43. To ensure that the latest information on the Crown's contingencies is included in the BEFU, a copy of the 31 December 2012 Ministerial Certification (along with a copy of the Register of Contingent Assets and Contingent Liabilities) should be provided to Don Rangi at the Treasury ([don.rangi@treasury.govt.nz](mailto:don.rangi@treasury.govt.nz); s9(2)(k) [redacted]) by no later than **27 February**. Alternatively, the relevant documents can be uploaded into CFISnet through Info > Document Sharing > Upload or Download a Document > IFRS Info (FSG3, Elims, Stmt Reps, Contingent).
44. In addition, the Statement of Responsibility (see **Annex 5**) should list any material changes to that Register between 31 December 2012 and 31 March 2013.

### Specific Fiscal Risks

45. Under the Public Finance Act, the BEFU must also incorporate to the fullest extent possible, all Government decisions and other circumstances that may have a material effect on the fiscal and economic outlook. These are known as fiscal risks – ie, items that could positively or negatively affect the economy or Government balance sheet, if they occur.
46. Treasury compiles the list of fiscal risks, based on information that departments provide at each Economic and Fiscal Update (EFU). The most recent EFU was the Half-year Economic and Fiscal Update (HYEFU), published in December 2012.

#### *What are the deadlines for Specific Fiscal Risks?*

47. Departments must advise their Treasury Vote Team by **12 March** of all changes to the status of the fiscal risks for their department published in the 2012 HYEFU and any new matters of which they are aware that may have a material effect on the economic and fiscal outlook.
48. Departments must also certify in their Statement of Responsibility (see **Annex 5**) that they have disclosed to the Treasury all matters in the Votes for which they are responsible that may have a material effect on the fiscal and economic outlook. The Statement of Responsibility is due with the Treasury on **19 April**.

#### *What do you need to provide?*

49. Items should be disclosed to Treasury where:
  - the matter will have an impact of more than \$10 million in any one year, and
  - it is **realistically possible** that the matter will be approved or occur. 'Realistically possible' is to be taken to mean that in the judgement of the department, the event has more than a 20% chance of being approved or occurring during the forecast period.

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50. The fiscal impacts of decisions that have already been taken should be included in departments' forecast financial schedules. Only matters for which a decision has not yet been taken, or for which a decision is not required are to be disclosed through the Fiscal Risks reporting process.
51. If departments are in doubt as to whether or not to disclose a matter to the Treasury, they should disclose it. Matters to be disclosed include (amongst others):
  - Matters relating to Crown entities for which the department has monitoring responsibilities.
  - Matters funded by 3rd party revenue for which the Crown may have a liability should the revenue collected be insufficient to maintain services.
  - Matters that were previously not disclosed as they failed to meet the "under active consideration" criteria.
  - Matters that were previously disclosed as Time Limited Funding.

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52. The following information should be provided to Treasury Vote Teams by departments for each new matter identified (not more than one page for each matter):
- A title that is concise but sufficiently informative to both uniquely identify the matter and provide an indication of its substance. The title should be of a standard that could be published in an Economic and Fiscal Update (EFU).
  - A description that provides a similar degree of information previously provided for Specific Fiscal Risks (SFRs). The description should concisely (in 5-10 lines) describe the nature of the matter, what actions the Government is taking or planning to address the matter, and the impact the matter would have on the operating balance and/or debt. The description is to be of a standard that could be published in an EFU.
  - Likely operating and capital costs across the forecast period (and beyond if appropriate) and where possible the specific years the costs would be assigned to.
  - For matters requiring decision:
    - How far advanced the policy work is.
    - How aligned the matter is to Government priorities.
    - What indications of support for the matter the Government has made (including public announcements).
    - Any lack of discretion around the matter.
  - For matters not requiring decision:
    - Any signals from the Government that the matter will occur (including public announcements).
    - The department's past experience and precedents in this area or with similar matters.
    - Any lack of discretion around the matter (eg, legislated entitlements).
  - Whether the matter should be considered for exclusion from the EFU on the basis of the grounds set out in section 26V of the PFA as disclosure is likely to:
    - Prejudice the substantial economic interests of New Zealand; or
    - Prejudice the security or defence of New Zealand or the international relations of the Government; or
    - Compromise the Government in a material way in negotiation, litigation, or commercial activity; or
    - Result in material loss of value to the Government.

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- Whether or not the Minister of Finance (or his office) has been advised of the matter, and if he has, how this was done (Cabinet paper, discussion document, aide memoire, e-mail etc).
53. Once this information has been collected from departments, an internal Treasury Risks Committee assesses and recommends to the Secretary of the Treasury which matters should be disclosed in the BEFU. The following types of matters are generally not disclosed:
- Matters that fail to meet the materiality threshold (ie, are less than \$100 million over five years).
  - Matters that are unlikely to be approved or occur over the next five years.
  - Matters whose disclosure could:
    - prejudice the substantial economic interests of New Zealand
    - prejudice the security or defence of New Zealand or international relations of the Government
    - compromise the Crown in a material way in negotiation, litigation or commercial activity, or
    - result in a material loss of value to the Crown.

## Production of Estimates, Supplementary Estimates, Supporting Information and Statements of Intent

54. The *Estimates* and *Information Supporting the Estimates of Appropriations* provide information to Parliament on the appropriations the Government is seeking for 2013/14 through the Budget and what those appropriations will be used for. The *Supplementary Estimates* reflect changes to 2012/13 appropriations since the 2012/13 Estimates were tabled in Parliament. *Statements of Intent* spell out a department's future operating intentions and contribution over the medium-term to the Government's priorities.
55. Departmental Chief Executives are responsible to the Minister(s) for the quality and accuracy of the Budget documents prepared by their departments (ie, Estimates, Supplementary Estimates, Supporting Information and Statements of Intent). This includes factual accuracy (eg, output classes are correctly specified) and technical accuracy (eg, the numbers include all the decisions made to date, and they reconcile). Departments are therefore encouraged to read and be familiar with the detailed Budget process instructions in the following documents:



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Document	Content	Link
Estimates, Supplementary Estimates and their Supporting Information: Technical Guide for Departments	Sets out the purpose and content requirements for the Estimates, Supplementary Estimates and their Supporting Information for Budget 2013.	<a href="http://www.treasury.govt.nz/publications/guidance/planning/estimates/tech-est">http://www.treasury.govt.nz/publications/guidance/planning/estimates/tech-est</a>
Style Guide for Estimates and Supplementary Estimates of Appropriations and Supporting Information	Guidance on how to prepare accurate and consistent Estimates documents.	<a href="http://www.treasury.govt.nz/publications/guidance/planning/estimates/style">http://www.treasury.govt.nz/publications/guidance/planning/estimates/style</a>
Preparing the Statement of Intent: Guidance and Requirements for Departments	Sets out requirements for preparing SOIs.	<a href="http://www.treasury.govt.nz/publications/guidance/strategy/soi-depts">http://www.treasury.govt.nz/publications/guidance/strategy/soi-depts</a>
Treasury Circular 2011/14: Option for Departments to Implement Triennial Statements of Intent from Budget 2013	Lays out requirements and issues to consider for departments implementing triennial SOIs.	<a href="http://www.treasury.govt.nz/downloads/pdfs/tc-2011-14.pdf">http://www.treasury.govt.nz/downloads/pdfs/tc-2011-14.pdf</a>
Preparing Reports on Non-departmental Appropriations: Guidance and Requirements for Administering Departments (also known as section 32A reports)	This guidance document sets out what is expected and/or required of administering departments in preparing reports on behalf of their Ministers in relation to non-departmental appropriations in accordance with section 32A of the Public Finance Act 1989 (the PFA).	<a href="http://www.treasury.govt.nz/publications/guidance/reporting/s32areports">http://www.treasury.govt.nz/publications/guidance/reporting/s32areports</a>

56. All Estimates documents must be completed by departments and loaded into CFISnet by **1pm 28 March**, so that Treasury can cross-check these against the final Budget Cabinet paper. Near-final versions of your Statement of Intent should also be provided to Treasury by **1pm 28 March**.

### *Sign-off of Estimates Documents by Ministers*

57. Each departmental Chief Executive must sign off that the content of all the *Estimates* and *Supplementary Estimates* documents complies with relevant Treasury guides, and Ministers responsible for appropriations in a Vote must sign off *Estimates* and *Supplementary Estimates* documents before Treasury can

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compile them directly from CFISnet for printing, after Cabinet has taken decisions on the Budget. The relevant sign-off sheets are attached as **Annexes 2-4**.

58. Departments should ensure that their Minister, or another Minister with authority to approve the documents, is available to sign off all of the *Estimates* and *Supplementary Estimates* documents on or before these deadlines. Please confirm to your Treasury Vote team when the Vote Minister has signed-off on the documents.
59. Please note that the version number of the *Estimates* and *Supplementary Estimates* that your Vote Minister signs off must be the same as final version number of the *Estimates* and *Supplementary Estimates* submitted through CFISnet.
60. Departments should submit supplementary Estimates documents as soon as they are finalised to enable prompt processing.
  - Supplementary Estimates documents (except for those requiring changes following Cabinet on 8 April and forecasting departments) must be signed by Vote Ministers and delivered to the Minister of Finance by **1pm 9 April**.
  - Supplementary Estimates documents that required changes following Cabinet must be signed and delivered to the Minister of Finance by **1pm 10 April**. Forecasting departments' Supplementary Estimates documents must be signed and delivered to the Minister of Finance by **1pm 17 April**.
  - Main Estimates documents (except for those requiring changes following Cabinet on 8 April and forecasting departments) must be signed by Vote Ministers and delivered to the Minister of Finance by **1pm 9 April**.
  - Main Estimates documents that required changes following Cabinet must be signed and delivered to the Minister of Finance by **1pm 11 April**.
  - Forecasting departments' Estimates documents must be signed and delivered to the Minister of Finance by **1pm 23 April**.

### *Signatures for printing Statements of Responsibility in the Budget Documents*

61. Each departmental and Ministerial Statement of Responsibility, including the signatures of Responsible Ministers, Chief Executives and Chief Financial Officers is published in the *Information Supporting the Estimates of Appropriations*. In order to prepare the final Budget documents, Treasury requires electronic versions of these signatures.
62. Treasury will use signatures from Budget 2012 documents for the Budget 2013 documents, where Responsible Ministers, Chief Executives or Chief Financial Officers have not changed.
63. Where there have been no changes to these personnel since Budget 2012, a nil return by email to [CFISnet@treasury.govt.nz](mailto:CFISnet@treasury.govt.nz) is sufficient. Departments should provide either new signatures or a nil return to Treasury by **12 March**.

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64. In cases where there have been changes, please use the signature collection template (in PDF format) on CFISnet from the menu: Baselines/Estimates Production/Signature Collection. The first page of the PDF document contains full guidance on the collection process.

### *Delivery of Printed Statements of Intent*

65. The Treasury's printer collates all SOIs with the Information Supporting the Estimates to produce the parliamentary copies. Departments are required to ensure delivery of 200 copies to the Treasury's printer (location to be advised) by **3 May**.
66. If you are intending to implement a triennial Statement of Intent, please advise your Vote team and [performanceinfo@treasury.govt.nz](mailto:performanceinfo@treasury.govt.nz) by **3 May** and indicate the time period that it will cover.

### *Electronic Publishing of Statements of Intent*

67. Departments are required to supply to [performanceinfo@treasury.govt.nz](mailto:performanceinfo@treasury.govt.nz) by **3 May** the specific URL where the SOI will be available on the department's website after 2pm on Budget Day. The URL supplied can be the general home page for all SOIs or accountability documents on the department's website but a specific URL directly to this year's SOI is the most convenient URL for users of the Budget material on the Treasury website.
68. The Treasury also requires an Adobe PDF file copy of the SOI for the electronic version of the *Information Supporting the Estimates of Appropriations* to be included on the Budget CD-ROM. The PDF version of the SOI must be low resolution (150-200 dpi) and include the document's cover page. The file size of the PDF should be less than 600KB, but for large SOIs (more than 70 pages) a maximum of 1.2MB is permissible.
69. The deadline for delivery of the PDF copy of the SOI is **3 May**. SOIs are BUDGET-SENSITIVE so delivery should be by secure email (SEE Mail) to [performanceinfo@treasury.govt.nz](mailto:performanceinfo@treasury.govt.nz) or by safe-hand delivery on disk (CD-Rom or DVD, not a USB stick) to Gavin Hamilton, Team Leader, Web and Publishing, Level 5, 1 The Terrace, Wellington.
70. All departments are encouraged to electronically publish their SOIs according to the practice recommended in the New Zealand Government Web Standards at: <http://webstandards.govt.nz>. SOIs should not be published before the embargo on the Budget is lifted at 2pm on Budget Day.

## Appropriation Bills (2013/14 Estimates and 2012/13 Supplementary Estimates)

71. All changes to appropriations agreed by Cabinet through the Budget must be agreed by Parliament in an Appropriation Act.
72. Treasury, in conjunction with the Parliamentary Counsel Office, will compile the Appropriation (2013/14 Estimates) Bill and the Appropriation (2012/13

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Supplementary Estimates) Bill after Cabinet has agreed to a final Budget package and after all departments have loaded their Estimates documents into CFISnet.

73. It is very important that all Estimates numbers loaded into CFIS are correct as these are the numbers that will be used in compiling the legislation that will be introduced into Parliament. Once the legislation is finalised and introduced, changes are virtually impossible. It is important that the numbers receive adequate QA, including checking actual outturns for the current financial year with the numbers for the current financial year in the Supplementary Estimates.
74. Departments should also submit information for appropriations affected by Sections 21 or 32A of the Public Finance Act.

### Revenue Dependent Appropriations (Section 21 of the PFA)

75. A Revenue Dependent Appropriation (RDA) is an output expense appropriation that allows a department to incur expenses up to the amount of revenue earned by the department from the supply of a specified class of outputs (as opposed to being funded by the Crown). Like all other appropriations, changes to RDAs – including the creation of new RDAs – must be reported to Parliament, so that they can be approved through the Appropriation Acts.
76. Departments with revenue-dependent appropriations approved by the Minister of Finance should complete the template (available on CFISnet, under the 'Treasury Circulars' menu and as **Annex 7**) and upload to CFISnet so they can be listed in a schedule to the relevant Appropriation Bill. These completed templates must be uploaded by **5 April**.
77. When submitting the template, please include the document reference (eg, Cabinet Minute or letter) where the Minister of Finance approved the use of an RDA for each specified output class. Please email your Vote team once you have uploaded the template.
78. The completed templates can be uploaded through the Info > Document Sharing > Upload or Download a Document > "IFRS Info (FSG3, Elims, Stmt Reps, Contingent)" tabs. Please include 'section 21' in the comment field to allow Treasury to identify the relevant documents. No response is considered a nil return. Vote teams will discuss the content of the submission with you in advance of the submission date.
79. The requirements and process for obtaining the Minister of Finance's approval for an RDA are set out in Treasury Circular 2007/05, available on CFISnet.

### Non-Departmental Appropriations for which a Statement of Service Performance or Statement of Results is Required (Section 32A of the PFA)

80. A number of departments administer non-departmental appropriations, for which a Statement of Service Performance or Statement of Results must be prepared at the end of the financial year (in accordance with section 32A of the Public Finance Act). These appropriations enable the government to contract with other

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organisations to provide services or outputs. Because the department is not accountable for the performance achieved from non-departmental appropriations, it is not required to report on performance in its own annual report. However, information must be provided to Parliament on this performance, to ensure accountability for public funds. This information is generally known as a 'section 32 report'.

81. Vote Ministers are obliged by law to present section 32A reports to Parliament within 3 months of the end of the financial year. However, to make it easier for Parliament to scrutinise section 32A reports, the reports are tabled as a compendium by the Minister of Finance on behalf of all Ministers.

*What do you need to provide?*

82. Departments that administer non-departmental appropriations, for which a Statement of Service Performance or Statement of Results is required, need to provide a list of the relevant appropriations to Treasury for inclusion in a schedule to the Appropriation Bill. In preparing this list, departments should check whether appropriations in the current schedule still meet the section 32A criteria (see paras 82-4 below). If not, these appropriations should not be included in this year's schedule.
83. A template for this purpose will be available on CFISnet (under the 'Treasury Circulars' menu) and is appended to this guide as **Annex 8**. The template should be uploaded to CFISnet by **5 April**.
84. The completed templates can be uploaded through the Info > Document Sharing > Upload a File to CFISnet tabs. Please include 'section 32A' in the comment field to allow Treasury to identify the relevant documents. No response is considered a nil return. Vote teams will discuss the content of the submission with you in advance of the submission date.

### *Section 32A criteria*

85. Late in 2009, Parliament's Finance and Expenditure Select Committee agreed to a new set of criteria for determining which appropriations should be reported under section 32A. These criteria will continue to apply. The criteria are that reports are required on the service performance or results achieved during the relevant financial year in relation to:
  - Each non-departmental other expense appropriation or non-departmental capital expenditure appropriation *except where*:
    - The House already receives or has ready access to information that covers the key aspects of performance relevant to the appropriation; or
    - The inherent nature of the transaction or causal event giving rise to the expense or expenditure means there is likely to be little additional performance information that could be usefully reported on an annual basis; or

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- The annual appropriation (or its annual average equivalent for multi-year and permanent appropriations) is under \$5 million for other expenses or under \$15 million for capital expenditure.

and

- Each output class within a non-departmental output expense appropriation except where:
    - there is already a requirement or commitment to report to the House on service performance in respect of the whole of that output class, or
    - the expected level of annual (or annual average) expenses for the output class, or the part that would otherwise be unreported, is under \$5 million.
86. For an output class where only part of the class would otherwise be unreported, the report may cover the whole class or the unreported part, at the discretion of the Minister responsible for the appropriation.
87. See “Preparing Reports on Non-departmental Appropriations: Guidance and Requirements for Administering Departments” for more information about Section 32A.

## Media Statements

88. The Minister of Finance’s office issues detailed guidance to Ministerial press secretaries on preparing media releases. This guidance is issued in April, soon after Cabinet signs off on the Budget Package.
89. The main guidelines for presenting numbers in media releases are:
- i For initiatives with ongoing costs, present the numbers as a four-year total, ie, showing the impact over 2013/14 to 2016/17. If there is a cost in the current 2012/13 year, this should not be added to the four-year total but referred to separately.
  - ii For initiatives with funding that has a specific start and end date, present the numbers as a total for that specific period.
  - iii For an initiative that has both operating and capital funding, present the total for the operating component over the four years 2013/14 to 2016/17, explicitly noting that it is operating funding, and the total for the capital component over the specific period it is provided, explicitly noting it is capital funding.
  - iv Millions of dollars should be rounded to one decimal place. The exception is if you are referring to amounts less than \$1 million or to specific one-off funding.
90. The Budget Package Cabinet Papers and Minutes include an annex with the operating balance and/or debt impacts of all agreed initiatives. This document, and a template that will be completed by your Vote Analyst, should be used when

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drafting media releases to ensure consistency of numbers. A copy of the draft template can be found in **Annex 9**.

91. Contact your Treasury Vote team for further information about Budget information for the media, MPs and the public.

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**Guide to the Annexes**

<b>Annex No.</b>	<b>What</b>	<b>Due date</b>	<b>Who needs to use it</b>
1	Budget 2013 Financial Recommendations Chief Financial Officer Sign Off	<b>25 March or 2 April</b>	Departments seeking Cabinet agreement to changes to appropriations in Budget 2013
2	Budget 2013 Departmental Chief Executive Check Sheet for Estimates Documents	With Estimates documents	All departments
3	2013/14 Estimates Chief Executive and Minister Sign Off	With Estimates documents	All departments
4	2011/12 Supplementary Estimates Chief Executive and Minister Sign Off	With Estimates documents	Departments that have Supplementary Estimates
5	2013 BEFU Statement of Responsibility	<b>19 April</b>	All departments
6	Confirmation of Transactions Equal to or Greater than \$10 Million	-	Departments making inter-departmental transactions greater than \$10 million
7	Template for Section 21 Appropriations	<b>5 April</b>	Departments with output expense appropriations restricted by revenue (section 21)
8	Template for Non-departmental Appropriations and Output Classes Requiring Section 32A Reports	<b>5 April</b>	Departments that administer any appropriations or output classes requiring section 32A reports
9	Media Statements template	<b>9 May</b>	Departments whose Ministers wish to prepare media statements on Budget initiatives.



**BUDGET-SENSITIVE**

**ANNEX 1**

**BUDGET 2013 FINANCIAL RECOMMENDATIONS  
CHIEF FINANCIAL OFFICER SIGN OFF**

-----

**Vote**

The Financial Recommendations for the above Vote contain all decisions for Cabinet consideration as part of the 2013 Budget Package.

These have been completed in accordance with Financial Recommendations requirements as set out in Treasury Circulars and guides.

<b>Aspect</b>	<b>Check ( ✓ / ✗ )</b>
All applicable recommendations have been included and reflect decisions taken by Budget Ministers.	
All technical changes entered through the Four-year Budget Plan have been entered into the correct appropriation.	
For Votes that are receiving new funding, the initiative name and description clearly specifies what the money is allowed to be spent on.	
The new initiative is spelt correctly and has the appropriate capitals (use capitals for all words except for words such as of, it, to etc). <b>Note</b> that departments are able to change titles without changing the original budget bid.	
The scope statement for any <b>new</b> appropriation begins with "This appropriation is limited to ....", and is clear, concise and jargon-free.	
Funding is going into the correct appropriations.	
Any implications for baselines outside the forecast period (ie, in outyears) are clearly documented in the recommendations.	
Where initiatives relate to more than one Vote, departments have coordinated their recommendations so that no information is missing or duplicated.	

**BUDGET-SENSITIVE**

Additional “non-standard” tables required by departments have been inserted.	
Revenue type is correct (‘Revenue Other’ for third parties; ‘Revenue Department’ where another department purchases the good/service; or ‘Revenue Crown’, and the <b>GST</b> implications are correct (ie, all financial recommendations should be GST exclusive).	
The impact statement is correct (“with a corresponding / no impact on the operating balance / debt”).	

-----

Name

Chief Financial Officer

-----

Signature

-----

Date

Please forward this document to your Vote team no later than **12pm on 25 March**. If decisions are still outstanding on 25 March, please forward to your Vote team no later than **12pm on 2 April**. Your Vote team will advise you which deadline is relevant.

**BUDGET-SENSITIVE**

**ANNEX 2**

**BUDGET 2013 DEPARTMENTAL CHIEF EXECUTIVE CHECK SHEET  
FOR ESTIMATES DOCUMENTS**

---

**Vote**

Below are the requirements departmental Chief Executives should ensure have been carried out by departments for Budget 2013 Core Estimates and Information Supporting the Estimates.

<b>Requirement</b>	<b>Check (✓/✗)</b>
Version number to be signed by the Minister matches the current version in CFISnet	
Acknowledge that any list of CFISnet-generated warnings regarding structure have been reviewed and accepted as not applicable	
All Cabinet decisions with fiscal implications up to 8 April have been accurately reflected in the document	
The overview of the Vote is concise and in plain English	
The High-level Objectives of the Vote in Part 1.2 of the Information Supporting the Estimates are consistent with the Government's priorities	
The Intended Impacts, Outcomes and Objectives for each Part in the Information Supporting the Estimates are consistent with the High-level Objectives of the rest of the document	
Information on expected performance in the Information Supporting the Estimates for the Vote reflects the key aspects and levels of performance agreed with the Minister responsible for the appropriation	
The names of the appropriations listed in the Information Supporting the Estimates matches the appropriations listed in the Core Estimates	
The numbers in the Core Estimates are represented alongside the correct appropriations in the Information Supporting the Estimates	
Appropriate adjustments have been included in the Summary of Financial Activity table in Part 1.3 relating to prior years Actuals information for Departmental Capital Expenses and Multi-Year Appropriations.	
A list of current and past initiatives have been included and split by current and previous governments	
The text is consistent with the Technical Guide and the Style Guide	

**BUDGET-SENSITIVE**

The tables are consistent with the Technical Guide released by Treasury	
The format of the numbers in the text are consistent with the Style Guide	
The numbers in text match the numbers in tables	
The spelling and grammar is consistent with the Style Guide	
All Free-form tables comply with the Government web standards as recommended by SSC ( <a href="#">Self-Audit Compliance Checklist - New Zealand E-government Programme</a> )	

I certify that all of the requirements for the Estimates documents for the Vote above have been completed.

\_\_\_\_\_

Name of Manager responsible                      Date                      Signature  
for preparation of documents

I acknowledge that all of the requirements have been completed for the above Vote.

\_\_\_\_\_

Name Chief Executive                      Date                      Signature

**Please forward this document to the Minister of Finance's office along with your Estimates documents.**

**BUDGET-SENSITIVE**

**ANNEX 3**

**2013/14 ESTIMATES CHIEF EXECUTIVE AND MINISTER SIGN OFF**

-----  
**Vote(s)**

In signing this statement, I acknowledge that I am responsible for the information contained in the *Estimates of Appropriation 2013/14* and the *Information Supporting the Estimates of Appropriation 2013/14* for B.5A Vol [X] relating to the [name of department] and Vote / Votes for which the [name of department] is the administering department. The documents are accurate and ready for publishing without further amendment or editing.

The information provided is consistent with the policies and performance expectations of the government and has been prepared in accordance with the Public Finance Act 1989. It is also consistent with the proposed appropriations to be set out in the Appropriation (2013/14 Estimates) Bill, and with existing appropriations and financial authorities.

-----  
Name

Chief Executive

-----  
Signature

-----  
Date

**BUDGET-SENSITIVE**

I acknowledge that the information provided is consistent with the policies and performance expectations of the government and that all of the requirements have been completed for the above Vote(s). I am satisfied that the information on operating intentions for 2013/14 included in the *Information Supporting the Estimates* for the [Xxx Sector] is provided in accordance with section 41 of the Public Finance Act 1989.

-----

Name

Responsible Minister

-----

Signature

-----

Date

**Please forward this document to the Minister of Finance's office along with your Estimates documents.**

**BUDGET-SENSITIVE**

**ANNEX 4**

**2012/13 SUPPLEMENTARY ESTIMATES CHIEF EXECUTIVE  
AND MINISTER SIGN OFF**

-----

**Vote(s)**

In signing this statement, I acknowledge that I am responsible for the information contained in the *Supplementary Estimates of Appropriation 2012/13* and the *Information Supporting the Supplementary Estimates of Appropriation 2012/13* relating to the [name of department] and Vote / Votes for which the [name of department] is the administering department. The documents are accurate and ready for publishing without further amendment or editing.

The information provided is consistent with the policies and performance expectations of the government and has been prepared in accordance with the Public Finance Act 1989. It is also consistent with existing appropriations and financial authorities, and proposed changes to appropriations to be set out in the Appropriation (2012/13 Supplementary Estimates) Bill.

-----

Name

Chief Executive

-----

Signature

-----

Date

**BUDGET-SENSITIVE**

I acknowledge that the changes to appropriations proposed in the *Supplementary Estimates of Appropriation 2012/13* and the *Information Supporting the Supplementary Estimates of Appropriation 2012/13* are consistent with the policies and performance expectations of the government, and that all of the requirements have been completed for the above Vote(s).

-----

Name

Responsible Minister

-----

Signature

-----

Date

**Please forward this document to the Minister of Finance's office along with your Estimates documents.**



## BUDGET-SENSITIVE

### ANNEX 5

#### 2013 BUDGET ECONOMIC AND FISCAL UPDATE STATEMENT OF RESPONSIBILITY

Entity: **[INSERT NAME]**

The CFISnet schedules (the “schedules”) have been prepared to provide information for the preparation of the 2013 Budget Economic and Fiscal Update (including the forecast financial statements). We verify that:

- a. The schedules have been prepared on the basis of our best professional judgement, reflecting circumstances and information as at the date the schedules were provided.
- b. The schedules have been completed so as to show information in a manner consistent with the accounting policies of the Government and generally accepted accounting practice for the applicable years, except for:
  - 
  -
- c. Transactions and balances with entities within the Government reporting entity greater than \$10 million have been confirmed with the other entity.
- d. We have advised Treasury of all matters that are not included in the schedules, but which meet the criteria for the submission of risk information (the matter could have an impact of more than \$10 million in any year and it is realistically possible that the matter will be approved or occur).
- e. The Ministerial certification and register of contingent liabilities and contingent assets (as at 31 December 2012) we have provided is not materially different to the position at 31 March 2013 except for (itemise changes if applicable) –
  - 
  -
- f. There are no other matters that you should be aware of in the preparation of the forecast Government financial statements except for (itemise assumptions/exclusions if applicable) –
  - 
  -

## BUDGET-SENSITIVE

- g. We undertake to inform the Treasury of any circumstances or information that comes to light before the Economic and Fiscal Update is published which are material to our forecast returns.

Signed

Signed

**[INSERT NAME]**

**[INSERT NAME]**

Chief Executive

Chief Financial Officer

Date: [INSERT DATE]

Date: [INSERT DATE]

**Please forward this document to Don Rangi ([don.rangi@treasury.govt.nz](mailto:don.rangi@treasury.govt.nz)) no later than 19 April.**

**BUDGET-SENSITIVE**

**ANNEX 6**

**CONFIRMATION OF TRANSACTIONS EQUAL TO OR GREATER THAN  
\$10 MILLION**

**[Entity name]** is currently recording transactions greater than \$10 million in the year with your agency. As required under the Treasury's elimination framework for completing the Crown financial statements and forecasts we are requesting that you confirm the following transactions:

	2012/13	2013/14	2014/15	2015/16	2016/17
Revenue					
Expenses					
Assets					
Liabilities					

We are required to submit our information to Treasury on **[INSERT DATE]** for the **[INSERT EXERCISE]** and would appreciate if you could confirm these amounts two days prior to the deadline.

If there are significant differences, please contact me on **[INSERT PHONE NUMBER]**.

Note: These confirmation letters should not be copied to Treasury, but are the basis for enabling confirmation of inter-entity transactions and balances as required. Please note that Chief Executives and Chief Financial Officers must attest that these transactions and balances have been confirmed.

**BUDGET-SENSITIVE**

**ANNEX 7**

**SECTION 21 – EXPENSES RESTRICTED BY REVENUE OUTPUT CLASSES IN  
APPROPRIATION BILL – SUBMISSION TEMPLATE**

Instructions:

- (1) Fill this table out if your department has revenue-dependent output expense appropriations (s.21). Check pages 16-18 for further details.
- (2) **Upload** to CFISnet by **1pm on 5 April**.

List all existing s21 appropriations ie, those appearing in 2012/13 Core Estimates	Has the Minister of Finance approved the use of s21?  Yes/No	Should it be included in the 2013/14 Core Estimates?  Yes/No	Note any Vote/Name changes, and any other relevant information
List any new s21 appropriations for the 2012/13 Supplementary Estimates			
List any new s21 appropriations to appear in the 2013/14 Core Estimates			

**BUDGET-SENSITIVE**

**ANNEX 8**

**NON-DEPARTMENTAL APPROPRIATIONS AND OUTPUT CLASSES REQUIRING SECTION 32A REPORTS – SUBMISSION TEMPLATE**

Please note, appropriations that are identified as requiring a section 32A report will be included in the relevant Appropriations Bill, after which there is no way not to complete the report. Please take care in assessing all appropriations against the Select Committee criteria which is available in this guidance document: Preparing Reports on Non-departmental Appropriations: Guidance and Requirements for Administering Departments, <http://www.treasury.govt.nz/publications/guidance/reporting/s32areports>

Instructions:

- (1) You must complete this table if your department administers any non-departmental output expense, other expense or capital expenditure appropriations or non-departmental output classes on which there is no other end-of-year performance reporting to Parliament. See. Upload the information to CFISnet by **1pm on 5 April**.

List <b>all</b> existing s32A appropriations i.e., those appearing in 2012/13 Estimates	Should it be included in the 2013/14 Core Estimates i.e does it meet the reporting Select Committee reporting criteria  Yes/No	Note any Vote/Name changes, and any other relevant information
List any <b>new</b> s32A appropriations for the 2012/13 Supplementary Estimates i.e. those created since the 2012/13 Estimates were published on May 24 2012.		

**BUDGET-SENSITIVE**

List <b>any new</b> s32A appropriations to appear in the 2013/14 Estimates		

## BUDGET-SENSITIVE

### ANNEX 9: MEDIA STATEMENTS TEMPLATE

#### **VOTE [X]**

##### **Headline Numbers:**

New funding: \$[x]m (4 year total)

Reprioritised funding within the vote: \$[x]m (4 year total)

Reprioritised funding from other votes: \$[x]m (4 year total)

Total funding for new initiatives: \$[x]m (4 year total)

Guidance notes:

New funding is the Budget allocation; most votes will not have any.

Total funding for new initiatives is the sum of new and reprioritised funding.

##### **New Initiatives summary:**

[Initiative Title]: \$[x]m (4 year total)

[Initiative Title]: \$[x]m capital (one off total) \$[x]m (4 year total)

Guidance notes:

Initiatives should add to the "Total funding for new initiatives" total

If an initiative is time-limited, specify the period that the funding is for, eg. 3 years.

For Capital initiatives, specify the capital amount and give the operating amount as a 4 year total

BM-2-2-2014

19 December 2013

Treasury Circular 2013/15

Restricted Distribution

Chief Executives  
Directors of Finance/Chief Financial Officers

**Contact for Enquiries:**

Budget process queries: Your Treasury Vote Analyst

Forecasting queries: Kamlesh Patel s9(2)(k)  
[kamlesh.patel@treasury.govt.nz](mailto:kamlesh.patel@treasury.govt.nz)

CFISnet entry queries: CFISnet Helpdesk (04) 917 6198  
[CFISnet@treasury.govt.nz](mailto:CFISnet@treasury.govt.nz)

**BUDGET 2014: TIMETABLE AND TECHNICAL REQUIREMENTS FOR DEPARTMENTS**

**Introduction**

1. On 6 August 2013, the Treasury and the State Services Commission released guidance for departments on preparing Four-year Plans for Budget 2014. This current circular supplements that information with the indicative timetable for the production of Budget 2014, and includes reminders about key items in the production process.
2. The “Budget 2014 Process and Technical Guide for Departments” outlining technical requirements for Budget 2014, is now available on CFISnet. The template annexes in this Guide are also available in Word format on CFISnet as a related file to this Circular.
3. The Treasury will be issuing a circular early in the new year covering the five-year fiscal forecasts. This circular will confirm the timetable and reporting requirements for the five-year forecasts through Budget 2014.
4. Please note that Budget Day for 2014 has not yet been finalised or publically communicated. As such, the production timetable should be considered indicative and sensitive. There is a risk that timeframes may need to be brought forward. The Treasury will release a final timetable for Budget 2014 in February once deadlines have been finalised.



### ***Budget Moratorium***

5. There will be a moratorium on Cabinet, Cabinet Committees and joint Ministers approving any financial recommendations after Cabinet agrees the Budget package (expected to be **Monday 14 April**) until Budget Day. Departments must not submit any papers to Cabinet with financial implications during this period. The moratorium exists so that the Budget documents and legislation accurately reflect the fiscal implications of all Government decisions.

### ***Security Arrangements for Budget documents***

6. The following security rules apply to the printing of all 'Budget Sensitive' documents. Please ensure that the contract with your printer includes all the following criteria:
  - Access to the area where the documents will be printed must be limited to authorised personnel.
  - The printing area must be secure.
  - All documents (tapes, disks, page-proofs, or photographic plates) must be locked away when not being used.
  - Completed documents must be stored in security safes until delivery.
  - All deliveries must be accompanied by a security guard and a designated person must sign for the documents.
  - All waste must be shredded.
  - No visitors are allowed into areas where Budget-related printing is being carried out. A list of authorised departmental personnel is to be supplied to the printer. Only those named people may be allowed to visit.

Simon McLoughlin  
for the Secretary to the Treasury

### Production Timetable for Budget 2014

Unless advised otherwise all requirements are due by 1pm.

Requirement	Deadline				More detail
	Budget 2014 Decisions	Budget Economic and Fiscal Update 2014	Budget 2014 Document Production	March Baseline Update	
Submission of Four-year Plans	Friday 13 December	-	-	-	Budget 2014 – Four-year Plan Guide
Departments upload initiatives to CFISnet	Friday 13 December	-	-	-	Technical Guide, para 23 – 27
Central agencies' advice to the Minister of Finance and the Minister of State Services on Four-year Plans	February	-	-	-	Budget 2014 – Four-year Plan Guide
Last date for coredata changes to be submitted to CFISnet for the March Baseline Update (MBU)	-	-	-	Friday 7 February	Treasury Circular 2013/14
Final date for all departments to update and lock CFISnet for MBU changes (exercise 439)	-	-	-	Wednesday 12 February	Treasury Circular 2013/14
Preliminary five-year fiscal forecasts due from all departments (including forecasting departments <sup>1</sup> ) to be submitted with the MBU exercise	-	Wednesday 12 February	-	-	TBC (circular will be released in the new year)
Two copies of Minister's MBU submissions for each Vote delivered to the Minister of Finance	-	-	-	Thursday 13 February	Treasury Circular 2013/14
Final date for Treasury Vote teams to advise departments of status of MBU updates.	-	-	-	Friday 21 February	Treasury Circular 2013/14
Departments update CFISnet to reflect any required changes from MBU	-	-	-	Friday 21 February	Treasury Circular 2013/14
CFISnet becomes available to departments to start completing Estimates documentation following integration of the Public Finance Act changes	-	-	-	Monday 24 February	Technical Guide, para 55
Minister of Finance notifies Ministers of the outcome of the MBU	-	-	-	Friday 7 March	Treasury Circular 2013/14
Updated five-year fiscal forecasts due from forecasting departments <sup>1</sup> (updated for economic forecasts)	-	Friday 7 March	-	-	TBC (circular will be released in the new year)

<sup>1</sup> Forecasting departments are IRD Crown, Customs tax, MSD, Transport, Treasury, MBIE (Building and Housing) and NZDF (Veterans' Affairs)

Requirement	Deadline				More detail
	Budget 2014 Decisions	Budget Economic and Fiscal Update 2014	Budget 2014 Document Production	March Baseline Update	
Departments advise Treasury Vote Teams of any changes to the Fiscal Risks published in HYEPU 2013 and any new matters that may have a material effect on the economic and fiscal outlook	-	Friday 7 March	-	-	Technical Guide, para 43 – 51
Last date to enter “Technical” initiatives into CFISnet for Budget 2014	Friday 14 March	-	-	-	Technical Guide, para 27
Departments provide the Treasury and relevant Ministers’ Offices with near-final Estimates documents	-	-	Thursday 20 March	-	Technical Guide, para 56
“Significant” initiatives financial recommendations for Votes with no outstanding decisions due	Thursday 27 March	-	-	-	Technical Guide, para 30
All “Technical” initiatives financial recommendations due	Thursday 27 March	-	-	-	Technical Guide, para 32
Departments complete all documentation for Main Estimates, Supplementary Estimates and all supporting information and provide documents to Treasury	-	-	Thursday 27 March	-	Technical Guide, para 57
<b>Tranche 1</b> (Votes with no Budget initiatives) Estimates documents to be submitted to Appropriations Minister	-	-	Wednesday 2 April	-	Technical Guide, para 64
<b>Tranche 1</b> (Votes with no Budget initiatives) Estimates documents to be submitted to the Minister of Finance	-	-	Thursday 3 April	-	Technical Guide, para 64
“Significant” initiatives financial recommendations for all Votes with outstanding decisions at 27 March due	Thursday 3 April	-	-	-	Technical Guide, para 30
Final date for all departments (including forecasting departments) to complete five-year fiscal forecasts in CFISnet and lock the BEFU	-	Thursday 3 April	-	-	TBC (circular will be released in the new year)
Departments with output expenses affected by section 21, and appropriations for 2013/14 (only) affected by section 32A of the PFA, submit templates to Treasury for all appropriations affected	-	-	Friday 4 April	-	Technical Guide, para 65 – 83
Cabinet considers “technical” initiatives Budget package	Monday 7 April	-	-	-	Technical Guide, para 27
<b>Tranche 2</b> (Votes with Budget initiatives) Estimates documents to be submitted to Appropriations Minister	-	-	Tuesday 8 April	-	Technical Guide, para 64
<b>Tranche 2</b> (Votes with Budget initiatives) Estimates documents to be submitted to the Minister of Finance	-	-	Wednesday 9 April	-	Technical Guide, para 64

Requirement	Deadline				More detail
	Budget 2014 Decisions	Budget Economic and Fiscal Update 2014	Budget 2014 Document Production	March Baseline Update	
Cabinet considers "significant" initiatives Budget package	Monday 14 April	-	-	-	Technical Guide, para 20
Budget Moratorium begins	Monday 14 April	-	-	-	Technical Guide, para 39
Forecasting departments to update their final five-year fiscal forecasts in CFISnet	-	Tuesday 15 April	-	-	TBC (circular will be released in the new year)
Last date for departments to provide Treasury with the Statement of Responsibility.	-	Tuesday 15 April	-	-	TBC (circular will be released in the new year)
<b>Tranche 3</b> (Forecasting departments or Votes requiring changes following Cabinet's consideration of the Budget package) Estimates documents to be submitted to Appropriations Minister	-	-	Thursday 17 April	-	Technical Guide, para 64
<b>Tranche 3</b> (Forecasting departments or Votes requiring changes following Cabinet's consideration of the Budget package) Estimates documents to be submitted to the Minister of Finance	-	-	Tuesday 22 April	-	Technical Guide, para 64
Last date for any proposed 'in-principle' expense and capital transfers, and retention of underspends, that were not included in the March Baseline Update to be forwarded to the Minister of Finance.	-	-	-	Tuesday 10 June	NA

## Budget 2014

# Process and Technical Guide for Departments

December 2013



**THE TREASURY**  
Kaitohutohu Kaupapa Rawa

New Zealand Government

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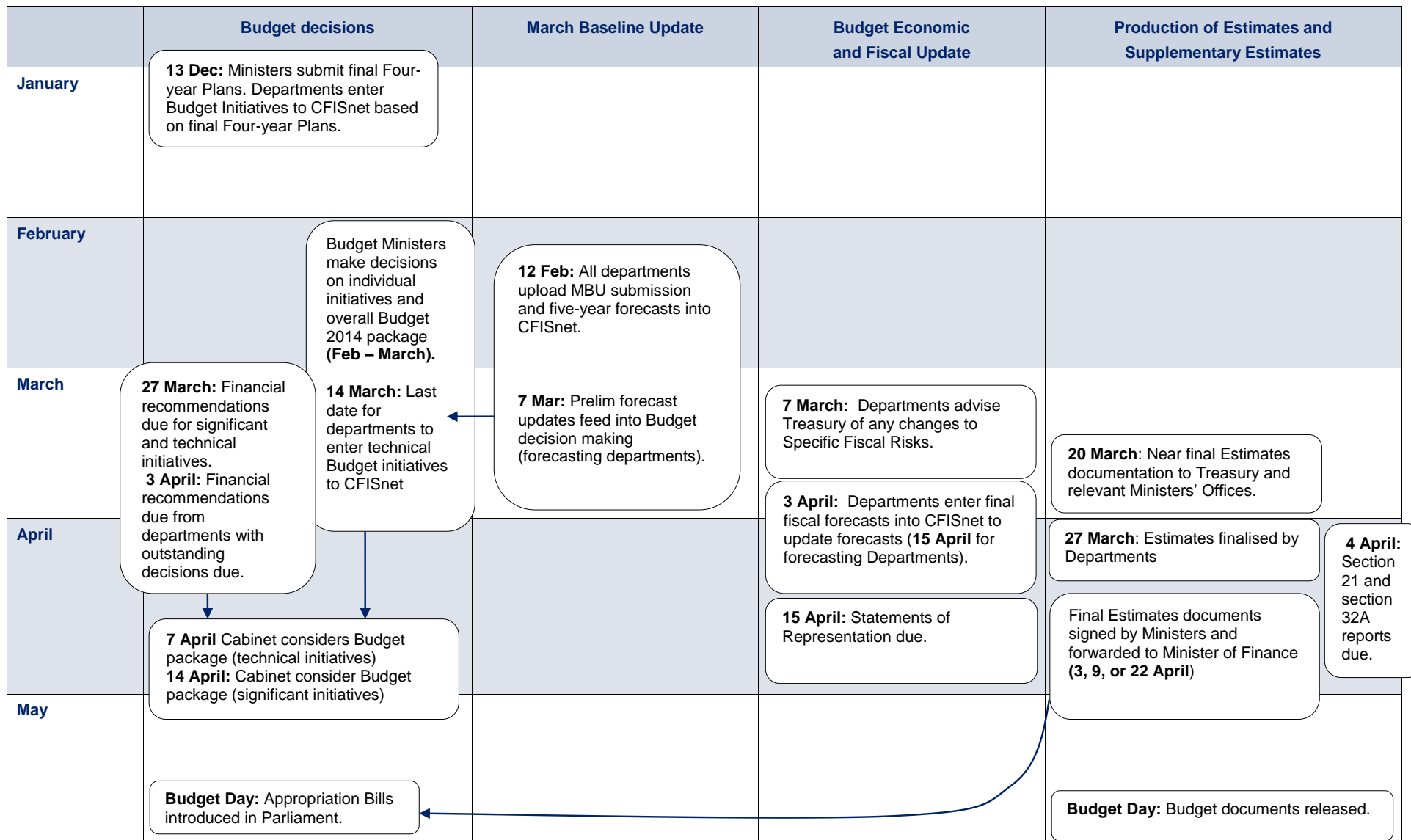
**BUDGET-SENSITIVE**

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BUDGET-SENSITIVE

# The Budget Process





## BUDGET-SENSITIVE

### About this Guidance

---

1. On Tuesday 6 August 2013, the Treasury and the State Services Commission released guidance for departments on preparing Four-year Plans for Budget 2014. As the Four-year Plans and initiatives have now been submitted, this guidance document focuses on the technical and process steps required for the decisions and production phase of Budget 2014.
2. You should use this document as your first port of call for guidance on the process for Budget 2014. General enquiries about the information contained in this guidance can be directed to your Treasury Vote team.
3. Please note that the deadlines in this guide are indicative and sensitive, as Budget Day for 2014 has not yet been finalised or publically communicated. There is a risk that timeframes may need to be brought forward. The Treasury will release a final timetable for Budget 2014 in February once deadlines have been finalised.
4. The Annex templates attached to this document can also be downloaded from the Circulars section of CFISnet.
5. Any comments on how we could improve this guidance can be directed to [guidance@treasury.govt.nz](mailto:guidance@treasury.govt.nz).

### Budget 2014

6. While the economic outlook is now improving, the global environment continues to pose significant risks to the economic and fiscal outlook. The Government continues to work towards its target of returning the operating balance before gains and losses (OBEGAL) back into surplus in 2014/15. Achieving this target will still require significant discipline with the Half Year Update 2013 only showing a modest surplus of \$86 million in 2014/15. That discipline will also need to continue in the medium term if the Government's goal of reducing net debt to 20% of GDP is to be met.
7. Cabinet has agreed that Budget 2014 will focus on improving public sector performance and that these performance improvement intentions should be demonstrated through the Four-year Plans.
8. Four-year Plans continue to be central to the Budget process. Cabinet has agreed that the financial component of Four-year Plans will be categorised into the following three categories, and that "investment ready" plans will have priority for new operating funding in Budget 2014:
  - *"Investment Ready"* – are Four-year Plans that demonstrate how existing resources are aligned to the Government's priorities and results, how risks will be managed, and the results that will be delivered with current and additional funding. Initiatives in plans that are "investment ready" will be considered for additional funding in Budget 2014;

- *“Plans that are on track”* – these are plans that show a strategic direction that is aligned with clearly defined Government priorities and broadly show how that strategy will be delivered. While a general view of costs is laid out, the plan does not clearly expose other delivery options to Ministers. Initiatives in the plan do not contain a robust analysis or outline how progress will be monitored;
  - *“Plans that do not provide options and/or do not reveal cost drivers adequately”* – the strategic direction in the plan is poorly developed or does not align with Government priorities. Where funding gaps are identified, limited options are provided beyond seeking new funding.
9. To this end, the Budget Policy Statement 2014<sup>1</sup> confirms the allowance for new operating funding for Budget 2014 at \$1.0 billion per annum. Well over half of the allowance has already been indicatively allocated to existing commitments and spending priorities (e.g. health, between-Budget contingency). Given additional spending pressures signalled through the Four-year Plans, only a very small fraction of these proposals are likely to be funded.
10. On capital, the Budget Policy Statement confirms the allowance for new capital funding from the Future Investment Fund for Budget 2014 at \$1.0 billion in total. As \$178 million has already been allocated, \$822 million remains for other new capital investment priorities in Budget 2014. Cabinet has also noted that to inform Budget 2014 decisions, the Treasury and the Government Chief Information Office intend to analyse departmental Four-year Plans and project portfolio intentions to identify the relative attractiveness of significant capital intentions (including baseline funded intentions) over the medium term taking an all-of-government perspective.

## Roles and Responsibilities

### Underlying Principles for Relationships between Key Players

11. A successful Budget is characterised by effective relationships and communications between the key players. Below are some important elements to achieve this:
- working through different perspectives
  - a ‘no surprises’ approach to the provision of advice, and
  - the provision of ‘free and frank’ advice to Ministers by officials.

### Minister of Finance

12. The Minister of Finance’s role is to:
- develop and reach agreement on the Government’s fiscal targets and the resulting Budget Strategy

---

<sup>1</sup> The Budget Policy Statement 2014 can be found at <http://www.treasury.govt.nz/budget/2014>

- manage competing priorities to ensure that the Budget package meets the Government's fiscal and wider policy goals agreed by Cabinet, and
- help ensure the value for money of government expenditure.

## Ministers

13. Ministers play a key role in the Budget process. On an individual level, with assistance from their Chief Executives, they identify priorities for their departments to deliver on. From a collective perspective (ie, through Cabinet), they agree on the Budget Strategy, the priorities the Government seeks to achieve and the final Budget package.

## Departments

14. Departments provide advice to Ministers on:
  - the key outcomes that the Minister might want the department to pursue over the medium-term and their relative priority (consistent with the Budget Policy Statement)
  - whether the existing outputs will be the most efficient and effective ones to achieve those outcomes and what alternatives could be considered
  - whether the departments in the Vote have the right capability to deliver the outputs, and
  - the main risks and how to manage these.

## Treasury

15. Treasury plays a number of different roles through the Budget process.

### *Vote teams*

16. Vote teams play two main roles:
  - an “assist” role, where they work alongside departments in the strategic phase of the Budget, and in updating baseline information. Vote teams provide the link between departments, other Treasury teams and the Minister of Finance. Vote teams are a department's first point of contact at any stage in the process, and
  - an “assess” role, where they provide advice to the Minister of Finance on a range of topics, such as the department's objectives and priorities in the Budget process, and advice to Budget Ministers on Four-year Plans and individual Budget initiatives, among others.

### *Rest of Treasury*

17. Treasury also plays a number of other roles, including co-ordinating the budget process, providing fiscal forecasts, publishing the Crown accounts, and producing the various Budget documents.

## Budget Process

18. Once Four-year Plans have been submitted by Vote Ministers to the Minister of Finance and the Minister of State Services, the following steps remain in the Budget 2014 process:

- Budget Decisions on individual initiatives, including consideration of Four-year Plans.
- The March Baseline Update.
- The Budget Economic and Fiscal Update.
- Production of the Budget documents (Estimates and Supplementary Estimates, and their Supporting Information).
- Preparation and introduction of the Appropriation Bills.
- Preparation of media statements for Ministers.
- Proactive Release

19. These steps are presented graphically on page 4.

## Budget Decisions Phase

20. A group of Budget Ministers, made up of the Prime Minister, Minister of Finance and the Associate Ministers of Finance, will meet over February and March to:

- Consider the Four-year Plans submitted, including the assessments made as to whether they are investment ready.
- Take decisions on individual Budget initiative proposals that have been identified in Four-year Plans.
- Agree to a final consolidated Budget package, based on Four-year Plan decisions and Cabinet decisions on major policy issues. This package is likely to be taken to Cabinet on **14 April** for consideration.

21. Changes that fall within the criteria set out in Cabinet Office Circular (11) 6 should be progressed through the March Baseline Update and not through the initiatives module. Treasury will remove any initiative from the module that should be progressed through the March Baseline Update.

22. Treasury will not support any initiative that has not been included in the relevant Four-year Plan.

## Budget Initiatives

23. As with Budget 2013, we will continue to run two processes for Budget initiatives – a process for “significant” initiatives and a process for “technical” initiatives.

### *Uploading initiatives for Budget 2014*

24. Initiatives are entered into CFISnet via the Baselines / Budget Initiatives / Initiatives Entry module.
- Initiatives need to be efficiently assessed by Vote Analysts and then by Budget Ministers. It is important that they can be easily matched to the details in the final Four-year Plans, both in terms of the initiative descriptions and the amounts.
  - The financial impact for individual initiatives should be detailed in the Four-year Plan. Any additional details provided to Vote Analysts as part of the initiatives assessment should be uploaded into CFISnet through the relevant initiative.
  - Departments should enter numbers into the initiatives module based on the Operating Balance and/or Debt Impact of the initiative for each year, which could be different to the changes to appropriations.
  - Where appropriate, Votes that seek to reprioritise funding across appropriations and years (and are fiscally-neutral) should be aggregated into a single “reprioritisation” initiative.
  - Ensure that any offsetting savings for each initiative is entered into the “savings/revenue” line in the initiatives module. Fiscally-neutral items (eg, reprioritisation) should have numbers entered into both the “gross” and “savings/revenue” line (which should net out to zero over the forecast period).
  - Votes that are seeking new funding should enter the initiative – even if it is being sponsored by another Minister.
  - If the initiative is across Votes, all relevant Votes should enter an initiative for the funding required for their Vote (cross-Vote initiatives should have the same title).
  - More information on the initiatives module and definitions of the choices available under “Initiative Type” is available in CFISnet Help.

### *Significant or Technical Budget Initiatives*

25. Any significant Budget initiative should have been uploaded into CFISnet on **13 December** when Four-year Plans were submitted.
26. When entering Budget initiatives into CFISnet, significant Budget initiatives should be selected as “significant” in the Priority Area dropdown depending on whether net new funding is being requested, and its policy implications. By default, all initiatives are classified as “significant”.
27. Technical initiatives are those initiatives that do not seek new funding from the centre over the five year forecast period, and do not carry significant policy implications (for example, reprioritisation). These initiatives should be entered into CFISnet as soon as possible, but no later than **14 March** (following

outcomes of the March Baseline Update). The technical initiative package is likely to be taken to Cabinet on **7 April** for consideration.

## Financial Recommendations

### *What are the deadlines?*

28. Departments should have already entered all Budget Initiative proposals to CFISnet, based on their final Four-year Plans, on **13 December**. Initiatives contained in Four-year Plans will then be considered by Budget Ministers during February and March.
29. Financial recommendations sign off sheets for Chief Financial Officers can be found in Annexes 1 and 2.

### *Significant Budget Initiatives*

30. The final Budget package Cabinet paper is prepared by Treasury, and includes a large number of financial recommendations for every agreed significant Budget Initiative proposal. These recommendations are completed by departments in CFISnet. Financial recommendations are due for most Votes at **1pm on 27 March**. For Votes with decisions outstanding at 27 March, final financial recommendations are due at **1pm on 3 April**. CFISnet will advise when the Recommendations module is ready for departments to complete their financial recommendations.
31. If Budget Ministers agree to a department's Budget Initiative proposal in full, Treasury will accept the financial recommendations in CFISnet and they will be added to the Cabinet paper. In some circumstances, Budget Ministers may decide to scale or alter a specific proposal, in which case Treasury and/or the department will be required to amend the relevant financial recommendation. In other cases, Budget Ministers may choose not to accept a proposal (eg, because there is not room within the Budget 2014 operating allowance). These proposals will not form part of the final Budget package.

### *Technical Budget Initiatives*

32. The technical Budget initiative proposal Cabinet paper is prepared by Treasury, and includes a large number of financial recommendations for every agreed technical Budget Initiative proposal. These recommendations are completed by departments in CFISnet. Financial recommendations are due for all Votes at **1pm on 27 March**. As above, CFISnet will advise when the Recommendations module is ready for departments to complete their financial recommendations.
33. The financial recommendations in the final Budget Cabinet paper are generated automatically from the recommendations that departments complete in CFISnet. Therefore, financial recommendations must match the initiatives included in your department's Four-year Plan and must be correctly drafted. Because of the limited time available in the production schedule, Treasury will **not** be proofing the financial recommendations prior to Cabinet. Departments will need to QA their own recommendations to ensure they are of Cabinet minute quality.

34. Any specific questions about technical issues or the wording of financial recommendations should be directed to your Vote analyst. Further guidance on how to enter financial recommendations into CFISnet is available on the CFISnet Help page under 'Baselines' > 'Recommendations'.

#### *PFA Amendments: Capital Injections and the Transition to MCAs*

35. Post the 2014 March Baseline Update, Treasury will run a centralised process to develop financial recommendations for existing capital injections relating to 2014/15 and outyears, for Cabinet agreement through final Budget 2014 decisions (mid April).
36. The transition from Multi-class Output Appropriations (MCOA) to Multi-Category Appropriations (MCA) will be processed as a technical initiative through the Budget 2014 exercise, not (as previously advised) in the March Baseline Update.
37. The new MCAs resulting from the MCOA transition are new appropriations and therefore require new lines in CFISnet and in the department's DataLoad. Departments are not expected to make CFISnet Coredata entries for these lines. Instead, CFISnet will insert the MCA lines into the system based on the information provided in departments' recent submission on MCOA to MCA transition.
38. Departments will be advised when the schedules have been changed in CFISnet after which they need to insert these new lines into their DataLoad and then upload the necessary adjustments to transfer the amounts currently in the Budget and outyears, from the MCOA to MCA.

#### **Budget Moratorium**

39. There will be a moratorium on Cabinet, Cabinet Committees and joint Ministers approving any financial recommendations after Cabinet agrees the final Budget package (expected to be **Monday 14 April**) until Budget Day. Departments must not submit any papers to Cabinet or Joint Ministers with financial implications during this period. The moratorium exists so that the Budget documents and legislation accurately reflect the fiscal implications of all Government decisions.

#### **March Baseline Update (MBU)**

40. The March Baseline Update (MBU) is a technical update, and allows departments to update baselines to reflect Cabinet and joint Ministerial decisions that have taken place since the last baseline update in October. The MBU must not include proposals seeking new funding, or carrying significant policy implications. Any such proposals are to be considered in the Budget Decisions process described above. Treasury has released guidance on MBU 2013 alongside this guidance. Please refer to Treasury Circular 2013/14 for further details.

## Budget Economic and Fiscal Update (BEFU)

41. The Minister of Finance is required by law to table an Economic and Fiscal Update on Budget Day. The BEFU includes Treasury's overall economic forecasts and the forecast financial statements of the Government. These forecasts are important for helping Parliament and the public understand the state of the Government's finances and their likely future performance.
42. An indicative timetable for this Update is included in the Budget 2014 Timetable and Technical Requirements for Departments Treasury Circular. Further guidance and instructions on completing the fiscal forecasts will be provided by Treasury early in 2014.

### Specific Fiscal Risks

43. Under the Public Finance Act, the BEFU must also incorporate to the fullest extent possible, all Government decisions and other circumstances that may have a material effect on the fiscal and economic outlook. These are known as fiscal risks – ie, items that could positively or negatively affect the economy or Government balance sheet, if they occur.
44. Treasury compiles the list of fiscal risks, based on information that departments provide at each Economic and Fiscal Update (EFU). The most recent EFU was the Half-year Economic and Fiscal Update (HYEFU), published in December 2013.

#### *What are the deadlines for Specific Fiscal Risks?*

45. Departments must advise their Treasury Vote Team by **7 March** of all changes to the status of the fiscal risks for their department published in the 2013 HYEFU and any new matters of which they are aware that may have a material effect on the economic and fiscal outlook.
46. Departments must also certify in their Statement of Responsibility that they have disclosed to the Treasury all matters in the Votes for which they are responsible that may have a material effect on the fiscal and economic outlook. The Statement of Responsibility is due with the Treasury on **15 April**.

#### *What do you need to provide?*

47. Items should be disclosed to Treasury where:
  - the matter will have an impact of more than \$10 million in any one year, and
  - it is **realistically possible** that the matter will be approved or occurs. 'Realistically possible' is to be taken to mean that in the judgement of the department, the event has more than a 20% chance of being approved or occurring during the forecast period.
48. The fiscal impacts of decisions that have already been taken should be included in departments' forecast financial schedules. Only matters for which a decision



has not yet been taken, or for which a decision is not required are to be disclosed through the Fiscal Risks reporting process.

49. If departments are in doubt as to whether or not to disclose a matter to the Treasury, they should disclose it. Matters to be disclosed include (amongst others):
- Matters relating to Crown entities for which the department has monitoring responsibilities.
  - Matters funded by 3rd party revenue for which the Crown may have a liability should the revenue collected be insufficient to maintain services.
  - Matters that were previously not disclosed as they failed to meet the “under active consideration” criteria.
  - Matters that were previously disclosed as Time Limited Funding.
50. The following information should be provided to Treasury Vote Teams by departments for each new matter identified (not more than one page for each matter):
- A title that is concise but sufficiently informative to both uniquely identify the matter and provide an indication of its substance. The title should be of a standard that could be published in an Economic and Fiscal Update (EFU).
  - A description that provides a similar degree of information previously provided for Specific Fiscal Risks (SFRs). The description should concisely (in 5-10 lines) describe the nature of the matter, what actions the Government is taking or planning to address the matter, and the impact the matter would have on the operating balance and/or debt. The description is to be of a standard that could be published in an EFU. For unchanged risks that have previously been published, the description should match what has been published in previous EFUs.
  - Likely operating and capital costs across the forecast period (and beyond if appropriate) and where possible the specific years the costs would be assigned to.
  - For matters requiring decision:
    - How far advanced the policy work is.
    - How aligned the matter is to Government priorities.
    - What indications of support for the matter the Government has made (including public announcements).
    - Any lack of discretion around the matter.
  - For matters not requiring decision:
    - Any signals from the Government that the matter will occur (including public announcements).

- The department’s past experience and precedents in this area or with similar matters.
  - Any lack of discretion around the matter (eg, legislated entitlements).
  - Whether the matter should be considered for exclusion from the EFU on the basis of the grounds set out in section 26V of the PFA as disclosure is likely to:
    - Prejudice the substantial economic interests of New Zealand; or
    - Prejudice the security or defence of New Zealand or the international relations of the government; or
    - Compromise the Crown in a material way in negotiation, litigation, or commercial activity; or
    - Result in material loss of value to the Crown.
    - Whether or not the Minister of Finance (or his office) has been advised of the matter, and if he has, how this was done (Cabinet paper, discussion document, aide memoire, e-mail etc).
51. Once this information has been collected from departments, an internal Treasury Risks Committee assesses and recommends to the Secretary of the Treasury which matters should be disclosed in the BEFU. The following types of matters are generally not disclosed:
- Matters that fail to meet the materiality threshold (ie, are less than \$100 million over five years).
  - Matters that are unlikely to be approved or occur over the next five years.
  - Matters whose disclosure could:
    - Prejudice the substantial economic interests of New Zealand
    - Prejudice the security or defence of New Zealand or the international relations of the Government
    - Compromise the Crown in a material way in negotiation, litigation or commercial activity, or
    - Result in a material loss of value to the Crown.

## Production of 2014/15 Estimates, 2013/14 Supplementary Estimates, and their Supporting Information

52. The *Estimates* and supporting information provide information to Parliament on the appropriations the Government is seeking for 2014/15 through the Budget and what those appropriations will be used for. The *Supplementary Estimates* and supporting information reflect changes to 2013/14 appropriations since the 2013/14 Estimates were tabled in Parliament.
53. Key changes to the production of these documents arising from recent changes to the Public Finance Act 1989 are:
- The format and content changes for both the *Estimates* and *Supplementary Estimates*.
  - Statements of Intent (SOI) are no longer part of the package of information that is tabled in the House on Budget Day. Information on strategic intentions and statements of intent is available here: <http://www.treasury.govt.nz/publications/guidance/strategy>. Departments are no longer required to provide the Treasury with a URL for their SOI. The Treasury will locate the general URL for each department's accountability publications (ie, the SOI and annual report) and include this link within the Budget package.
  - Forecast financial statements are no longer required as part of the package of information that is tabled in the House on Budget Day. These forecasts for 2014/15 are to be provided with the department's 2013/14 Annual Report, with further detail to be provided in future Annual Report guidance.
  - Performance reporting is required for all appropriations unless exempted by the Minister of Finance or is not required under s.15A(4) of the PFA (which relates to borrowing expenses and expenses of intelligence and security departments). These changes replace the current s.32A process from 1 July 2014, as discussed further below.
54. Departments should read and be familiar with the detailed information and instructions on the format and content changes to both the *Estimates* and *Supplementary Estimates* which are available in the following documents:

Document	Content	Link
Estimates, Supplementary Estimates and their Supporting Information: Technical Guide for Departments	Sets out the purpose and content requirements for the Estimates, Supplementary Estimates and their Supporting Information for Budget 2014.	<a href="http://www.treasury.govt.nz/publications/guidance/planning/estimates/tech-est">http://www.treasury.govt.nz/publications/guidance/planning/estimates/tech-est</a>

Annotated mock-up of the 2014/15 Estimates template	Shows how information should be presented in the 2014/15 Estimates	<a href="http://www.treasury.govt.nz/publications/guidance/planning/estimates/">http://www.treasury.govt.nz/publications/guidance/planning/estimates/</a>
Annotated mock-up of the 2013/14 Supplementary Estimates template	Shows how information should be presented in the 2013/14 Supplementary Estimates	<a href="http://www.treasury.govt.nz/publications/guidance/planning/estimates/">http://www.treasury.govt.nz/publications/guidance/planning/estimates/</a>
Style Guide for Estimates and Supplementary Estimates of Appropriations and Supporting Information	Guidance on how to prepare accurate and consistent Estimates documents.	<a href="http://www.treasury.govt.nz/publications/guidance/planning/estimates/style">http://www.treasury.govt.nz/publications/guidance/planning/estimates/style</a>
Preparing Reports on Non-departmental Appropriations: Guidance and Requirements for Administering Departments (also known as section 32A reports)	This guidance document applies to appropriations for 2013/14 Supplementary Estimates only. It sets out what is expected and/or required of administering departments in preparing reports on behalf of their Ministers in relation to non-departmental appropriations in accordance with section 32A of the PFA.	<a href="http://www.treasury.govt.nz/publications/guidance/reporting/s32areports">http://www.treasury.govt.nz/publications/guidance/reporting/s32areports</a>

55. Departments can start working on their Estimates documentation offline now based off the guidance and templates in the table above. Due to the PFA changes, CFISnet will not be available for departments to enter their Estimates information until **24 February**. Departments are expected to be engaging their Vote analysts and their Ministers' Office throughout the process to ensure all feedback is taken on board and issues resolved promptly.
56. Near final versions of the Estimates documents are due with Treasury and relevant Ministers' Offices by **1pm 20 March** to allow time for final comments and quality assurance.
57. Taking into account any comments from Treasury, all Estimates documents must be completed by departments and loaded into CFISnet by **1pm 27 March**, so that Treasury can cross-check these against the final Budget Cabinet paper.
58. Departmental Chief Executives are responsible to the Minister(s) for the quality and accuracy of the Budget documents prepared by their departments (ie, Estimates and Supplementary Estimates). This includes factual accuracy (eg, output classes are correctly specified) and technical accuracy (eg, the numbers include all the decisions made to date, and they reconcile).

*Sign-off of Estimates Documents by Ministers*

59. Ministers responsible for appropriations in a Vote must provide a sign off to the Minister of Finance that the *Estimates* and *Supplementary Estimates* documents are accurate and ready for publishing. Treasury can then compile them directly from CFISnet for printing, after Cabinet has taken decisions on the Budget. The relevant sign-off sheets are attached as **Annexes 3 – 6**.
60. Each Estimates and Supplementary Estimates sign-off sheet should be for one Vote. Where a Vote has more than one portfolio Minister responsible for different appropriations, the sign-off should be from one of those appropriation Ministers on behalf of all the Ministers responsible for these appropriations.
61. Departments should ensure that their Minister, or another Minister with authority to approve the documents, is available to sign off all of the *Estimates* and *Supplementary Estimates* documents on or before the relevant deadlines. Please confirm to your Treasury Vote team when the Vote Minister has signed-off on the documents.
62. Please note that the version number of the *Estimates* and *Supplementary Estimates* that your Vote Minister signs off must be the same as the final version number of the *Estimates* and *Supplementary Estimates* submitted through CFISnet.
63. Ministers should also be seeking assurance from Chief Executives that the material being submitted is accurate and ready for forwarding to the Minister of Finance. Similarly, Chief Executives will be seeking similar assurances from the person within their department responsible for preparing the department's Estimates documents.

*Deadlines for submission to Ministers of Estimates Documents*

64. Departments should submit all Estimates documents as soon as they are finalised to enable prompt processing. The production process will be split into three streams depending on whether the relevant Vote has Budget initiatives or is a forecasting department. These deadlines should be read as the final dates for submission – if your Estimates documentation is finalised earlier you should look to submit it earlier.

	<b>Deadline for submission to Appropriation Minister</b>	<b>Deadline for submission to the Minister of Finance</b>
<b>Tranche 1</b> – <i>Vote which have no initiatives in Budget 2014</i>	Wednesday 2 April	Thursday 3 April
<b>Tranche 2</b> – <i>Vote which have Budget initiatives</i>	Tuesday 8 April	Wednesday 9 April
<b>Tranche 3</b> – <i>Forecasting departments or Votes requiring change following Cabinet's consideration of the Budget package</i>	Thursday 17 April	Tuesday 22 April

## Appropriation Bills (2014/15 Estimates and 2013/14 Supplementary Estimates)

65. All changes to appropriations agreed by Cabinet through the Budget must, by law, be agreed by Parliament in an Appropriation Act.
66. Treasury, in conjunction with the Parliamentary Counsel Office, will compile the Appropriation (2014/15 Estimates) Bill and the Appropriation (2013/14 Supplementary Estimates) Bill after Cabinet has agreed to a final Budget package and after all departments have loaded their Estimates documents into CFISnet.
67. It is very important that all Estimates numbers loaded into CFIS are correct as these are the numbers that will be used in compiling the legislation that will be introduced into Parliament. Once the legislation is finalised and introduced, changes are virtually impossible. It is important that the numbers receive adequate QA, including checking actual outturns for the current financial year with the numbers for the current financial year in the Supplementary Estimates.
68. Departments should also submit information for appropriations affected by Section 21 or, for 2013/14 only, Section 32A of the Public Finance Act.

### Revenue Dependent Appropriations (Section 21 of the PFA)

69. A Revenue Dependent Appropriation (RDA) is an output expense appropriation that allows a department to incur expenses up to the amount of revenue earned by the department from the supply of a specified class of outputs (as opposed to being funded by the Crown). Like all other appropriations, changes to RDAs – including the creation of new RDAs – must be reported to Parliament, so that they can be approved through the Appropriation Acts.
70. Departments with revenue-dependent appropriations approved by the Minister of Finance should complete the template (available on CFISnet, under the ‘Treasury Circulars’ menu and as **Annex 7**) and upload to CFISnet so they can be listed in a schedule to the relevant Appropriation Bill. These completed templates must be uploaded by **4 April**.
71. When submitting the template, please include the document reference (eg, Cabinet Minute or letter) where the Minister of Finance approved the use of an RDA for each specified output class. Please email your Vote team once you have uploaded the template.
72. The completed templates can be uploaded through the Info > Document Sharing > Upload or Download a Document > “IFRS Info (FSG3, Elims, Stmt Reps, Contingent)” tabs. Please include ‘section 21’ in the comment field to allow Treasury to identify the relevant documents. No response is considered a nil return. Vote teams will discuss the content of the submission with you in advance of the submission date.
73. The requirements and process for obtaining the Minister of Finance’s approval for an RDA are set out in Treasury Circular 2007/05, available on CFISnet.

## Non-Departmental Appropriations for which a Statement of Service Performance or Statement of Results is Required (Section 32A of the PFA)

74. The following requirements apply only to the 2013/14 Supplementary Estimates as from 1 July 2014 performance reporting is required for all appropriations unless exempted.
75. A number of departments administer non-departmental appropriations, for which a Statement of Service Performance or Statement of Results must be prepared at the end of the financial year (in accordance with section 32A of the Public Finance Act). These appropriations enable the government to contract with other organisations to provide services or outputs. To ensure accountability for public funds provided to these other organisations, information must be provided to Parliament on this performance. This information is generally known as a 'section 32A report'.
76. Appropriation Ministers must present section 32A reports to Parliament within 3 months of the end of the financial year. However, to make it easier for Parliament to scrutinise section 32A reports, the reports are tabled as a compendium by the Minister of Finance on behalf of all Ministers.

### *What do you need to provide?*

77. Departments need to apply the section 32A criteria to those non-departmental appropriations in the 2013/14 Supplementary Estimates that are either new or were identified as not requiring a section 32A report in the 2013/14 Estimates (in order to confirm or otherwise that the reasons for not doing a section 32A report are still applicable).
78. A template for capturing this information will be available on CFISnet (under the 'Treasury Circulars' menu) and is appended to this guide as **Annex 8**. The template should be uploaded to CFISnet by **4 April**. Treasury will include eligible appropriations in a schedule to the Supplementary Estimates Appropriation Bill.
79. The completed templates can be uploaded through the Info > Document Sharing > Upload a File to CFISnet tabs. Please include 'section 32A' in the comment field to allow Treasury to identify the relevant documents. No response is considered a nil return.

### *Section 32A criteria*

80. Parliament's Finance and Expenditure Select Committee agreed to the following criteria for determining which appropriations should be reported under section 32A. The criteria are that reports are required on the service performance or results achieved during the relevant financial year in relation to:
  - Each non-departmental other expense appropriation or non-departmental capital expenditure appropriation *except where*:

- The House already receives or has ready access to information that covers the key aspects of performance relevant to the appropriation; or
- The inherent nature of the transaction or causal event giving rise to the expense or expenditure means there is likely to be little additional performance information that could be usefully reported on an annual basis; or
- The annual appropriation (or its annual average equivalent for multi-year and permanent appropriations) is under \$5 million for other expenses or under \$15 million for capital expenditure.

and

- Each output class within a non-departmental output expense appropriation except where:
    - there is already a requirement or commitment to report to the House on service performance in respect of the whole of that output class, or
    - the expected level of annual (or annual average) expenses for the output class, or the part that would otherwise be unreported, is under \$5 million.
81. For an output class where only part of the class would otherwise be unreported, the report may cover the whole class or the unreported part, at the discretion of the Minister responsible for the appropriation.
82. Departments can elect to provide a Section 32A report for an appropriation even where it meets the criteria for an exemption. Appropriations that are to be reported under Section 32A are listed in the Supplementary Estimates legislation and, if listed, a report must be provided.
83. See “Preparing Reports on Non-departmental Appropriations: Guidance and Requirements for Administering Departments” for more information about Section 32A: <http://www.treasury.govt.nz/publications/guidance/reporting/s32areports>.

## Media Statements

84. The Minister of Finance’s Office issues detailed guidance to Ministerial press secretaries on preparing media releases. This guidance is issued in April, soon after Cabinet signs off on the final Budget Package.
85. The main guidelines for presenting numbers in media releases are:
- **Show four-year totals:** For initiatives with ongoing costs, present the numbers as a four-year total (ie, showing the impact over 2014/15 to 2017/18). If there is a cost or saving in the current financial year (2013/14), then this should not be added to the four-year total, but referred to separately, for example:  
  
\$6.4 million over the next four years  
Or



\$210,000 of funding in the 2013/14 financial year and \$6.4 million over the next four years.

- **The only exception is if spending is time-limited:** For initiatives with funding that has a specific start and end date, present the numbers as a total for that specific period, for example:  
\$4.8 million over 2015/16 to 2017/18.
- **For an initiative that has both ongoing operating and time-limited capital funding,** present the two separately, for example:  
\$6.4 million of operating funding over the next four years and \$3.9 million of capital funding in the next two years.
- **Round to one decimal place:** Millions of dollars should be rounded to one decimal place:  
\$3.8 million, not \$3.760 million. The exception is when referring to amounts of less than \$1 million, where the figure should be presented in thousands, eg \$765,000.

86. The Budget Package Cabinet Papers and Minutes include an annex with the operating balance and/or debt impacts of all agreed initiatives. This document, and a template that will be completed by your Vote Analyst, should be used when drafting media releases to ensure consistency of numbers. A copy of the draft template can be found in **Annex 9**.
87. Contact your Treasury Vote team for further information about Budget information for the media, MPs and the public.

## Proactive Release

88. The Treasury proactively releases Budget-related documents every year about five weeks after Budget day. The purpose of the release is to cut down on the number of Official Information Act requests related to the Budget received by the Minister of Finance, appropriation Ministers, the Treasury and departments. The release is also desirable for government transparency and public accountability.
89. The release includes all key documents that have been used in Budget decision-making, including:
  - Four-year Plans
  - Budget reports
  - Budget Cabinet papers
  - Relevant Treasury Reports and Aide Memoires
  - Cabinet Minutes, including the main Budget paper and financial recommendations package

- Letters from the Minister of Finance communicating Budget Ministers' decisions
90. Treasury will provide further information on the process for the Budget 2014 proactive release in 2014.

## Guide to the Annexes

Annex No.	What	Due date	Who needs to use it
1	Budget 2014 Significant Financial Recommendations Chief Financial Officer Sign Off	<b>27 March or 3 April</b>	Departments with significant initiatives seeking Cabinet agreement to changes to appropriations in Budget 2014
2	Budget 2014 Technical Financial Recommendations Chief Financial Officer Sign Off	<b>27 March</b>	Departments with technical initiatives seeking Cabinet agreement to changes to appropriations in Budget 2014
3	2014/15 Estimates Chief Executive Sign Off	With Estimates documents	All departments
4	2013/14 Supplementary Estimates Chief Executive Sign Off	With Estimates documents	All departments
5	2014/15 Estimates Ministerial Sign Off	With Estimates documents	All departments
6	2013/14 Supplementary Estimates Ministerial Sign Off	With Estimates documents	All departments
7	Template for Section 21 Appropriations	<b>4 April</b>	Departments with output expense appropriations restricted by revenue (section 21)
8	Template for Non-departmental Appropriations and Output Classes Requiring Section 32A Reports	<b>4 April</b>	Departments that administer any appropriations or output classes requiring section 32A reports
9	Media Statements template	-	Departments whose Ministers wish to prepare media statements on Budget initiatives.

**ANNEX 1**

**BUDGET 2014 SIGNIFICANT INITIATIVES FINANCIAL RECOMMENDATIONS  
CHIEF FINANCIAL OFFICER SIGN OFF**

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**Vote**

The Significant Financial Recommendations for the above Vote contain all decisions for Cabinet consideration as part of the 2014 Budget Package.

These have been completed in accordance with Financial Recommendations requirements as set out in Treasury Circulars and guides.

<b>Aspect</b>	<b>Check ( ✓ / ✗ )</b>
All applicable recommendations have been included and reflect decisions taken by Budget Ministers.	
For Votes that are receiving new funding, the initiative name and description clearly specifies what the money is allowed to be spent on.	
The new initiative is spelt correctly and has the appropriate capitals (use capitals for all words except for words such as of, it, to etc). <b>Note</b> that departments are able to change titles without changing the original budget initiative.	
The scope statement for any <b>new</b> appropriation/category begins with “This appropriation/category is limited to ....”, and provides a clear legal boundary for the appropriation/category.	
Funding is going into the correct appropriations.	
Any implications for baselines outside the forecast period (ie, in outyears) are clearly documented in the recommendations.	
Where initiatives relate to more than one Vote, departments have coordinated their recommendations so that no information is missing or duplicated.	
Additional “non-standard” tables required by departments have been inserted.	

Revenue type is correct ('Revenue Other' for third parties; 'Revenue Department' where another department purchases the good/service; or 'Revenue Crown', and the <b>GST</b> implications are correct (ie, all financial recommendations should be GST exclusive).	
The impact statement is correct ("with a corresponding / no impact on the operating balance / debt").	

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Name

Chief Financial Officer

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Signature

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Date

Please forward this document to your Vote team no later than **1pm on 27 March**. If decisions are still outstanding on 27 March, please forward to your Vote team no later than **1pm on 3 April**. Your Vote team will advise you which deadline is relevant.

**ANNEX 2**

**BUDGET 2014 TECHNICAL INITIATIVES FINANCIAL RECOMMENDATIONS  
CHIEF FINANCIAL OFFICER SIGN OFF**

-----

**Vote**

The Technical Financial Recommendations for the above Vote contain all decisions for Cabinet consideration as part of the 2014 Budget Package.

These have been completed in accordance with Financial Recommendations requirements as set out in Treasury Circulars and guides.

<b>Aspect</b>	<b>Check ( ✓ / ✗ )</b>
All applicable recommendations have been included and reflect decisions taken by Budget Ministers.	
For Votes that are receiving new funding, the initiative name and description clearly specifies what the money is allowed to be spent on.	
The new initiative is spelt correctly and has the appropriate capitals (use capitals for all words except for words such as of, it, to etc). <b>Note</b> that departments are able to change titles without changing the original budget initiative.	
The scope statement for any <b>new</b> appropriation/category begins with “This appropriation/category is limited to ....”, and provides a clear legal boundary for the appropriation/category.	
Funding is going into the correct appropriations.	
Any implications for baselines outside the forecast period (ie, in outyears) are clearly documented in the recommendations.	
Where initiatives relate to more than one Vote, departments have coordinated their recommendations so that no information is missing or duplicated.	
Additional “non-standard” tables required by departments have been inserted.	

Revenue type is correct ('Revenue Other' for third parties; 'Revenue Department' where another department purchases the good/service; or 'Revenue Crown', and the <b>GST</b> implications are correct (ie, all financial recommendations should be GST exclusive).	
The impact statement is correct ("with a corresponding / no impact on the operating balance / debt").	

-----

Name

Chief Financial Officer

-----

Signature

-----

Date

Please forward this document to your Vote team no later than **1pm on 27 March**.

## ANNEX 3

### 2014/15 ESTIMATES CHIEF EXECUTIVE SIGN OFF

#### Template– Departmental certification letter to an appropriation Minister(s) for a Vote

[Date]

Hon [XXX]  
Minister of/for [XXX]  
BEEHIVE

Dear Minister

#### 2014/15 Estimates Documents for Vote: [Vote name]

#### Action Required

Attached, for your approval are:

- the documentation for the 2014/15 Estimates and Supporting Information for [where there is more than one appropriation Minister, insert: “the appropriations that you are responsible for in”] [Vote name], and
- a draft letter to the Minister of Finance.

#### Background

The Budget 2014 process requires that:

- the Estimates documentation for [vote] is completed by [date], and

*Either - when only one appropriation Minister is responsible for all of the appropriations in the vote, the following bullet should then be included:*

- “as the appropriation Minister for all of the appropriations in the Vote, you confirm to the Minister of Finance that this material is correct and in a form suitable for publication.”

*Or – when there is more than one appropriation Minister responsible for appropriations in the Vote, the following bullet should then be included:*

- “one of the appropriation Ministers responsible for appropriations in the Vote, on behalf of all appropriation Ministers with appropriations in the Vote, confirm to the Minister of Finance that this material is correct and in a form suitable for



*publication.”*

### **The Estimates and Supporting Information Documents**

I confirm that the information provided for your approval:

- is consistent with the policies and performance expectations of the government, and has been prepared in accordance with the Public Finance Act 1989
- is consistent with the proposed appropriations to be set out in the Appropriation (2014/15 Estimates) Bill, as entered by [department] into the Treasury’s CFISnet system
- is consistent with existing appropriations, financial authorities, and Cabinet decisions up to [date]
- has been prepared in the required format, and in accordance with the guidance that has been issued by the Treasury
- has been appropriately reviewed by [department’s] senior management team – with a particular focus on areas where new strategic information, such as statements about what an appropriation is intended to achieve, is now required, and
- has been through an appropriate quality assurance process and is free of material errors and omissions.

Either – *when only one appropriation Minister is responsible for all of the appropriations in the vote, the following bullet should then be included:*

*“The budget process requires that you review the Estimates documentation, and then confirm to the Minister of Finance that it is fit for publication.”*

Or – *when there is more than one appropriation Minister responsible for appropriations in the vote, the following bullet should then be included:*

*“As detailed below there are several appropriation Ministers associated with [vote]:*

- *Minister –list of appropriations*
- *Minister –list of appropriations*
- *Minister –list of appropriations*

*[...]*

*The budget process requires that all appropriation Ministers review the Estimates*

documentation. One appropriation Minister, on behalf of all appropriation Ministers associated with the vote, should then confirm to the Minister of Finance that the Estimates documentation for the vote is fit for publication.”

“I understand the Ministers responsible for appropriations in [Vote name] have agreed that the Minister of/for [portfolio] will sign the attached letter to the Minister of Finance, on behalf of all appropriation Ministers. Accordingly, I recommend that once appropriation Ministers are comfortable with the material for the appropriations that they are responsible for, the Minister of/for [portfolio] sign the attached letter to the Minister of Finance.”

### Recommendation

Either – when only one appropriation Minister is responsible for all of the appropriations in the vote, the following recommendation should then be included:

“I recommend that you **sign** the attached letter to the Minister of Finance”

Or – when there is more than one appropriation Minister responsible for appropriations in the vote, the following recommendation should instead be included:

“I recommend that you **agree** with the other appropriation Ministers associated with the vote which Minister will **sign** the attached letter to the Minister of Finance.”

Yours sincerely

[Chief Executive Signature]

[Chief Executive Title]

## ANNEX 4

### 2013/14 SUPPLEMENTARY ESTIMATES CHIEF EXECUTIVE SIGN OFF

#### Template– Departmental certification letter to an appropriation Minister(s) for a Vote

[Date]

Hon [XXX]  
Minister of/for [XXX]  
BEEHIVE

Dear Minister

#### 2013/14 Supplementary Estimates Documents for Vote: [Vote name]

#### Action Required

Attached, for your approval are:

- the documentation for the 2013/14 Supplementary Estimates and Supporting Information for [where there is more than one appropriation Minister, insert: “the appropriations that you are responsible for in”] [Vote name], and
- a draft letter to the Minister of Finance.

#### Background

The Budget 2014 process requires that:

- the Estimates documentation for [vote] is completed by [date], and

*Either - when only one appropriation Minister is responsible for all of the appropriations in the vote, the following bullet should then be included:*

- “as the appropriation Minister for all of the appropriations in the Vote, you confirm to the Minister of Finance that this material is correct and in a form suitable for publication.”

*Or – when there is more than one appropriation Minister responsible for appropriations in the Vote, the following bullet should then be included:*

- “one of the appropriation Ministers responsible for appropriations in the Vote, on behalf of all appropriation Ministers with appropriations in the Vote, confirm to the Minister of Finance that this material is correct and in a form suitable for

*publication.”*

### **The Supplementary Estimates and Supporting Information Documents**

I confirm that the information provided for your approval:

- is consistent with the policies and performance expectations of the government, and has been prepared in accordance with the Public Finance Act 1989
- is consistent with the proposed appropriations to be set out in the Appropriation (2013/14 Supplementary Estimates) Bill, as entered by [department] into the Treasury’s CFISnet system
- is consistent with existing appropriations, financial authorities, and Cabinet decisions up to [date]
- has been prepared in the required format, and in accordance with the guidance that has been issued by the Treasury
- has been appropriately reviewed by [department’s] senior management team – with a particular focus on areas where new strategic information, such as statements about what an appropriation is intended to achieve, is now required, and
- has been through an appropriate quality assurance process and is free of material errors and omissions.

Either – *when only one appropriation Minister is responsible for all of the appropriations in the vote, the following bullet should then be included:*

*“The budget process requires that you review the Estimates documentation, and then confirm to the Minister of Finance that it is fit for publication.”*

Or – *when there is more than one appropriation Minister responsible for appropriations in the vote, the following bullet should then be included:*

*“As detailed below there are several appropriation Ministers associated with [vote]:*

- *Minister –list of appropriations*
- *Minister –list of appropriations*
- *Minister –list of appropriations*

*[...]*

*The budget process requires that all appropriation Ministers review the Estimates*

documentation. One appropriation Minister, on behalf of all appropriation Ministers associated with the vote, should then confirm to the Minister of Finance that the Estimates documentation for the vote is fit for publication.”

“I understand the Ministers responsible for appropriations in [Vote name] have agreed that the Minister of/for [portfolio] will sign the attached letter to the Minister of Finance, on behalf of all appropriation Ministers. Accordingly, I recommend that once appropriation Ministers are comfortable with the material for the appropriations that they are responsible for, the Minister of/for [portfolio] sign the attached letter to the Minister of Finance.”

### Recommendation

Either – when only one appropriation Minister is responsible for all of the appropriations in the vote, the following recommendation should then be included:

“I recommend that you **sign** the attached letter to the Minister of Finance”

Or – when there is more than one appropriation Minister responsible for appropriations in the vote, the following recommendation should instead be included:

“I recommend that you **agree** with the other appropriation Ministers associated with the vote which Minister will **sign** the attached letter to the Minister of Finance.”

Yours sincerely

[Chief Executive Signature]

[Chief Executive Title]

## ANNEX 5

### 2014/15 ESTIMATES MINISTERIAL SIGN OFF

#### Template - Ministerial certification to the Minister to the Minister of Finance for a vote

[DATE]

Hon Bill English  
Minister of Finance  
BEEHIVE 7.6

Dear Minister

#### 2014/15 Estimates: Ministerial Sign-off for Vote: [Vote]

I advise that the *Estimates of Appropriation 2014/15 and Supporting Information* documents for [Vote], for which [name of department] is the administering department, have been completed - and that it is accurate and suitable for publication. I confirm that the information provided:

- is consistent with the policies and performance expectations of the government, and has been prepared in accordance with the Public Finance Act 1989
- is consistent with the proposed appropriations to be set out in the Appropriation (2014/15 Estimates) Bill, existing appropriations and financial authorities, and with Cabinet decisions up to [date]
- is provided in the required format, and has been prepared in accordance with the guidance that has been issued by the Treasury, and
- has been through an appropriate quality assurance process and is free of material errors and omissions.

[Where more than one portfolio Minister is responsible for different appropriations in the Vote the following bullet should also be added: “*has, where it relates to an appropriation that is the responsibility of another Minister, been approved by the Minister responsible for that appropriation*”]

In signing this statement, I acknowledge that I [and the other Ministers responsible for appropriations in this Vote] [am/are] responsible for the information for Vote [name]

administered by [department's name] included in the *Estimates of Appropriations 2014/15 and Supporting Information*.

Yours sincerely

[Signature]

**Signature**

The signature should be either:

- (i) Where the signing Minister is solely responsible for all of the appropriations contained in the Vote

*“Hon [Name]  
Minister of/for [portfolio]”*

- (ii) Or, Where more than one portfolio Minister is responsible for different appropriations in the Vote

*“Hon [Name]  
Minister of/for [portfolio]  
On behalf of all Ministers responsible for appropriations in Vote: [Vote name]”*

## ANNEX 6

### 2013/14 SUPPLEMENTARY ESTIMATES MINISTERIAL SIGN OFF

#### Template - Ministerial certification to the Minister to the Minister of Finance for a vote

[DATE]

Hon Bill English  
Minister of Finance  
BEEHIVE 7.6

Dear Minister

#### **2013/14 Supplementary Estimates: Ministerial Sign-off for Vote: [Vote]**

I advise that the *Supplementary Estimates of Appropriation 2013/14 and Supporting Information* documents for [Vote], for which [name of department] is the administering department, have been completed - and that it is accurate and suitable for publication. I confirm that the information provided:

- is consistent with the policies and performance expectations of the government, and has been prepared in accordance with the Public Finance Act 1989
- is consistent with the proposed appropriations to be set out in the Appropriation (2013/14 Supplementary Estimates) Bill, existing appropriations and financial authorities, and with Cabinet decisions up to [date]
- is provided in the required format, and has been prepared in accordance with the guidance that has been issued by the Treasury, and
- has been through an appropriate quality assurance process and is free of material errors and omissions.

[Where more than one portfolio Minister is responsible for different appropriations in the Vote the following bullet should also be added: “*has, where it relates to an appropriation that is the responsibility of another Minister, been approved by the Minister responsible for that appropriation*”]

In signing this statement, I acknowledge that I [and the other Ministers responsible for appropriations in this Vote] [am/are] responsible for the information for Vote [name]



administered by [department's name] included in the *Supplementary Estimates of Appropriations 2013/14 and Supporting Information*.

Yours sincerely

[Signature]

**Signature**

The signature should be either:

- (iii) Where the signing Minister is solely responsible for all of the appropriations contained in the Vote

*“Hon [Name]  
Minister of/for [portfolio]”*

- (iv) Or, Where more than one portfolio Minister is responsible for different appropriations in the Vote

*“Hon [Name]  
Minister of/for [portfolio]  
On behalf of all Ministers responsible for appropriations in Vote: [Vote name]”*

**ANNEX 7**

**SECTION 21 – EXPENSES RESTRICTED BY REVENUE OUTPUT CLASSES IN  
APPROPRIATION BILL – SUBMISSION TEMPLATE**

Instructions:

(1) Fill this table out if your department has revenue-dependent output expense appropriations (s.21). Check pages 16-18 for further details.

(2) **Upload** to CFISnet by **1pm on 4 April**.

List all existing s21 appropriations ie, those appearing in 2013/14 Core Estimates	Has the Minister of Finance approved the use of s21?  Yes/No	Should it be included in the 2014/15 Core Estimates?  Yes/No	Note any Vote/Name changes, and any other relevant information
List any new s21 appropriations for the 2013/14 Supplementary Estimates			
List any new s21 appropriations to appear in the 2014/15 Core Estimates			

**ANNEX 8**

**NON-DEPARTMENTAL APPROPRIATIONS AND OUTPUT CLASSES REQUIRING SECTION 32A REPORTS – SUBMISSION TEMPLATE**

This section is only required for the 2013/14 Supplementary Estimates. Changes to the Public Finance Act mean that Section 32A is no longer applicable from the 2014/15 Estimates onwards. Please note, new or changes to existing appropriations that are identified as requiring a section 32A report will be included in the 2013/14 Supplementary Estimates Bill, after which there is no way not to complete the report. Please take care in assessing all appropriations against the Select Committee criteria which is available in this guidance document: Preparing Reports on Non-departmental Appropriations: Guidance and Requirements for Administering Departments, <http://www.treasury.govt.nz/publications/guidance/reporting/s32areports>

Instructions:

- (1) You must complete this table if your department administers any non-departmental output expense, other expense or capital expenditure appropriations or non-departmental output classes on which there is no other end-of-year performance reporting to Parliament for 2013/14. Upload the information to CFISnet by **1pm on 4 April**.

List any <b>new</b> s32A appropriations for the 2013/14 Supplementary Estimates (i.e. those created since the 2013/14 Estimates were published.)	Is a s.32A report required under the criteria?  Yes/No
List <b>all non-departmental appropriations</b> that did not require a s32A report in the 2013/14 Estimates (these need to be reviewed to ensure they still meet the criteria for not reporting under s.32A)	Is a s.32A report required under the criteria?  Yes/No

## ANNEX 9: MEDIA STATEMENTS TEMPLATE

### VOTE [X]

#### Headline Numbers:

##### **New Funding:**

- (A) **Gross New funding (note this does not include new contingencies):** \$[x]m operating over the next four years, plus \$[x]m in 2013/14

AND/OR

\$[x]m in new capital funding from the Future Investment Fund [where applicable]

- (B) **New Contingencies Established:** \$[x]m operating over the next four years, plus \$[x]m in 2013/14

AND/OR

\$[x]m in new capital funding from the Future Investment Fund [where applicable]

##### **Savings/Reprioritisation:**

- (C) **Amount funded from existing contingencies:** \$[x]m operating over the next four years, plus \$[x]m in 2013/14

AND/OR

\$[x]m capital expenditure [where applicable]

- (D) **Other savings/reprioritisation:** \$[x]m operating over the next four years, plus \$[x]m in 2013/14

AND/OR

\$[x]m capital expenditure [where applicable]

#### Guidance notes:

- Gross new funding is the up-front Budget spending excluding any contingencies established (and may be funded from new money and/or savings/reprioritisation).
- Please provide amounts for both operating and capital separately, do not sum them.

### **New Initiatives:**

[Initiative Title]

[Initiative Description]

#### **New Funding:**

**Gross New funding:** \$[x]m operating over the next four years, plus \$[x]m in 2013/14

AND/OR

\$[x]m in new capital funding from the Future Investment Fund [where applicable]

**New Contingency funding:** \$[x]m operating over the next four years, plus \$[x]m in 2013/14

AND/OR

\$[x]m in new capital funding from the Future Investment Fund [where applicable]

#### **Savings/reprioritisation:**

**Amount funded from existing contingencies:** \$[x]m operating over the next four years, plus \$[x]m in 2013/14

AND/OR

\$[x]m capital expenditure [where applicable]

**Other savings/reprioritisation:** \$[x]m operating over the next four years, plus \$[x]m in 2013/14

AND/OR

\$[x]m capital expenditure [where applicable]

#### **Additional Comments:**

- [any additional points that the Press Secretaries should be aware of]

Guidance notes:

- The above line items for the new initiatives should sum to the aggregate totals above
- If an initiative is time-limited, specify the period that the funding is for, eg. 3 years.
- For initiatives with capital, specify both the capital amount (as a total over 10 years) and give the operating amount as a 4 year total.
- Please make any reprioritisation clear in the individual initiative information.
- The initiative description should be a brief 1-2 line description of the initiative.

BM-2-2-2014

18 December 2014

Treasury Circular 2014/15

Restricted Distribution

Chief Executives  
Directors of Finance/Chief Financial Officers

**Contact for Enquiries:**

Budget process queries: Your Treasury Vote Analyst

Forecasting queries: Kamlesh Patel s9(2)(k)  
[kamlesh.patel@treasury.govt.nz](mailto:kamlesh.patel@treasury.govt.nz)

CFISnet entry queries: CFISnet Helpdesk (04) 917 6198  
[CFISnet@treasury.govt.nz](mailto:CFISnet@treasury.govt.nz)

**BUDGET 2015: TIMETABLE AND TECHNICAL REQUIREMENTS FOR DEPARTMENTS**

**Introduction**

1. This circular outlines the indicative timetable for the production of Budget 2015, and includes reminders about key items in the production process.
2. The “Budget 2015 Process and Technical Guide for Departments” outlining technical requirements for Budget 2015, is now available on CFISnet. The template annexes in this Guide are also available in Word format on CFISnet as a related file to this Circular.
3. The Treasury will be issuing a circular early in the New Year covering the five-year fiscal forecasts. This circular will confirm the timetable and reporting requirements for the five-year forecasts through Budget 2015.
4. Please note that Budget Day for 2015 has not yet been finalised or publically communicated. As such, the production timetable should be considered indicative and sensitive. There is a risk that timeframes may need to be brought forward. The Treasury will release a final timetable for Budget 2015 in February once deadlines have been finalised.

### **Social Sector and Capital Panels**

5. The Treasury will be drawing on the expertise of two advisory panels, one in relation to social sector initiatives and the other in relation to capital initiatives. These panels will be informed by the initiative templates submitted on 12 December and which can be refined over early January with your Vote Analyst.

### **Budget Moratorium**

6. There will be a moratorium on Cabinet, Cabinet Committees and joint Ministers approving any financial recommendations after Cabinet agrees the Budget package (expected to be **Monday 20 April**) until Budget Day. Departments must not submit any papers to Cabinet with financial implications during this period. The moratorium exists so that the Budget documents and legislation accurately reflect the fiscal implications of all Government decisions.

Simon McLoughlin  
for the Secretary to the Treasury

**IN-CONFIDENCE**

**Production Timetable for Budget 2015**

Unless advised otherwise all requirements are due by 1pm.

Requirement	Deadline				More detail
	Budget 2015 Decisions	Budget Economic and Fiscal Update 2015	Budget 2015 Document Production	March Baseline Update	
Social Sector Cross Agency Panel sits to consider RFI and social sector initiatives	Weeks of 19 and 26 January				-
Final Budget Initiatives due from Departments	Thursday 5 Feb				-
Last date for coredata changes to be submitted to CFISnet for the March Baseline Update (MBU)	-	-	-	Friday 13 February	Treasury Circular
Capital Panel sits to consider capital initiatives	Week of 16 February				-
Final date for all departments to update and lock CFISnet for MBU changes	-	-	-	Monday 23 February	Treasury Circular
Preliminary five-year fiscal forecasts due from all departments (including forecasting departments <sup>1</sup> ) to be submitted with the MBU exercise	-	Monday 23 February	-	-	TBC (circular will be released in the new year)
Two copies of Minister's MBU submissions for each Vote delivered to the Minister of Finance	-	-	-	Tuesday 24 February	Treasury Circular
Final date for Treasury Vote teams to advise departments of status of MBU updates.	-	-	-	Friday 27 February	Treasury Circular
Departments update CFISnet to reflect any required changes from MBU	-	-	-	Friday 27 February	Treasury Circular
Social Sector Cross Agency Panel sits	Week of 2 March				-
Updated five-year fiscal forecasts due from forecasting departments <sup>1</sup> (updated for economic forecasts)	-	Friday 6 March	-	-	TBC (circular will be released in the new year)

<sup>1</sup> Forecasting departments are IRD Crown, Customs tax, MSD, Transport, Treasury and NZDF.



**IN-CONFIDENCE**

Requirement	Deadline				More detail
	Budget 2015 Decisions	Budget Economic and Fiscal Update 2015	Budget 2015 Document Production	March Baseline Update	
Departments advise Treasury Vote Teams of any changes to the Fiscal Risks published in HYEPU 2014 and any new matters that may have a material effect on the economic and fiscal outlook	-	Friday 13 March	-	-	Technical Guide
Minister of Finance notifies Ministers of the outcome of the MBU	-	-	-	Monday 23 March	Treasury Circular
Last date to enter "Technical" initiatives into CFISnet for Budget 2015	Friday 20 March	-	-	-	Technical Guide
Departments provide relevant Ministers' Offices with near-final Estimates documents (which are also reviewed by Treasury)	-	-	Thursday 26 March	-	Technical Guide
"Significant" initiatives financial recommendations for Votes with no outstanding decisions due	Thursday 2 April	-	-	-	Technical Guide
All "Technical" initiatives financial recommendations due	Thursday 2 April	-	-	-	Technical Guide
Final date for all departments (including forecasting departments) to complete five-year fiscal forecasts in CFISnet and lock the BEFU	-	Thursday 2 April	-	-	TBC (circular will be released in the new year)
<b>Tranche 1</b> (Votes with no Budget initiatives) Estimates documents to be submitted to Appropriations Minister	-	-	Wednesday 8 April	-	Technical Guide
<b>Tranche 1</b> (Votes with no Budget initiatives) Estimates documents to be submitted to the Minister of Finance	-	-	Thursday 9 April	-	Technical Guide
"Significant" initiatives financial recommendations for all Votes with outstanding decisions at 2 April due	Thursday 9 April	-	-	-	Technical Guide
Departments with output expenses affected by section 21 submit templates to Treasury for all appropriations affected	-	-	Friday 10 April	-	Technical Guide

**IN-CONFIDENCE**

Requirement	Deadline				More detail
	Budget 2015 Decisions	Budget Economic and Fiscal Update 2015	Budget 2015 Document Production	March Baseline Update	
Cabinet considers “technical” initiatives Budget package	Monday 13 April	-	-	-	Technical Guide
<b>Tranche 2</b> (Votes with Budget initiatives) Estimates documents to be submitted to Appropriations Minister	-	-	Tuesday 14 April	-	Technical Guide
<b>Tranche 2</b> (Votes with Budget initiatives) Estimates documents to be submitted to the Minister of Finance	-	-	Wednesday 15 April	-	Technical Guide
Cabinet considers “significant” initiatives Budget package	Monday 20 April	-	-	-	Technical Guide
Budget Moratorium begins	Monday 20 April	-	-	-	Technical Guide
Forecasting departments to update their final five-year fiscal forecasts in CFISnet	-	Wednesday 22 April	-	-	TBC (circular will be released in the new year)
Last date for departments to provide Treasury with the Statement of Responsibility.	-	Wednesday 22 April	-	-	TBC (circular will be released in the new year)
<b>Tranche 3</b> (Forecasting departments or Votes requiring changes following Cabinet’s consideration of the Budget package) Estimates documents to be submitted to Appropriations Minister	-	-	Friday 24 April	-	Technical Guide
<b>Tranche 3</b> (Forecasting departments or Votes requiring changes following Cabinet’s consideration of the Budget package) Estimates documents to be submitted to the Minister of Finance	-	-	Tuesday 28 April	-	Technical Guide
Last date for any proposed ‘in-principle’ expense and capital transfers, and retention of underspends, that were not included in the March Baseline Update to be forwarded to the Minister of Finance.	-	-	-	Tuesday 9 June	-

## Budget 2015

# Process and Technical Guide for Departments

December 2014



**THE TREASURY**  
Kaitohutohu Kaupapa Rawa

New Zealand Government

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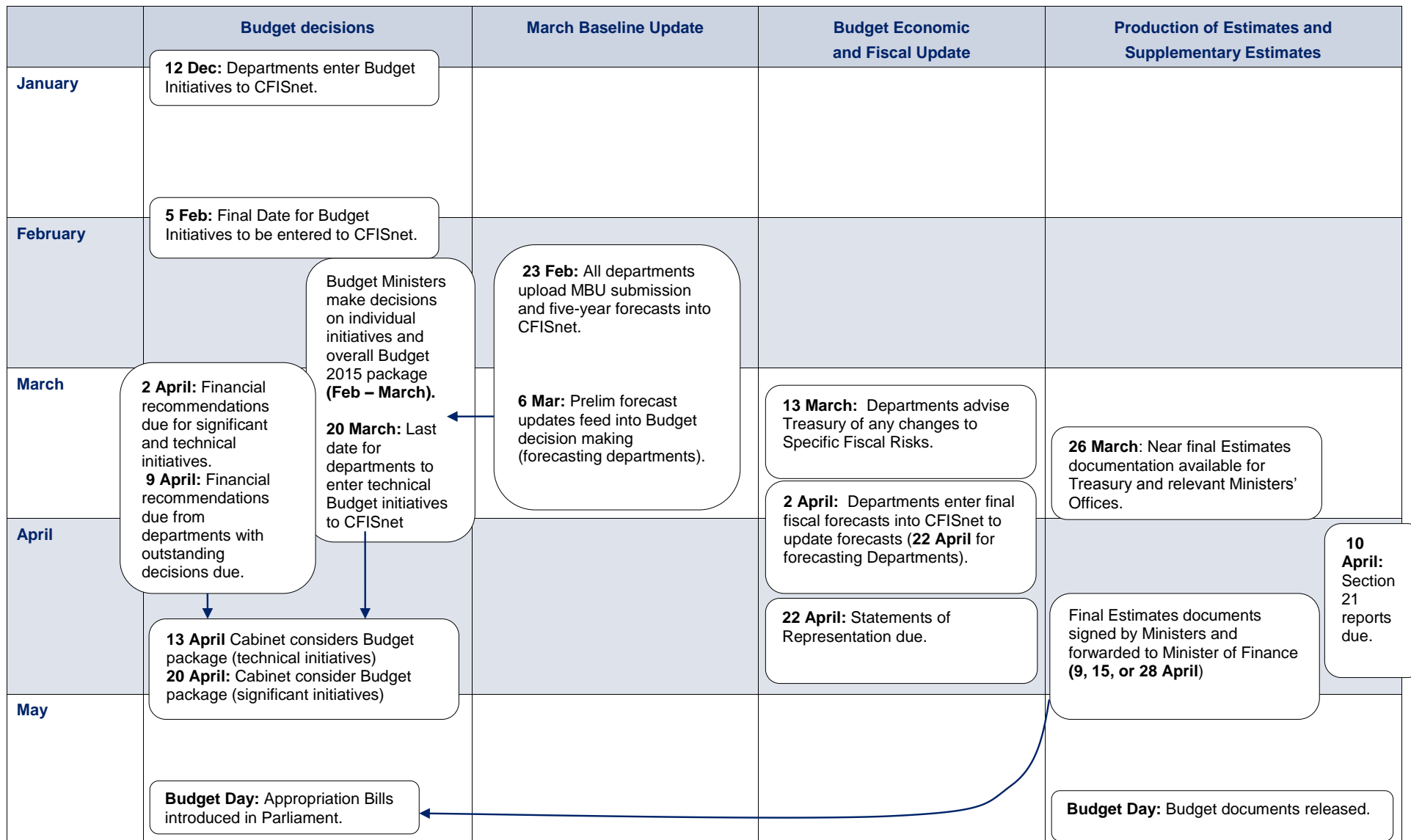
**BUDGET-SENSITIVE**

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BUDGET-SENSITIVE

# The Budget Process



## BUDGET-SENSITIVE

### About this Guidance

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1. With draft Four-year Plans and Budget initiatives now submitted, this guidance document focuses on the technical and process steps required for the decisions and production phase of Budget 2015.
2. You should use this document as your first port of call for guidance on the process for Budget 2015. General enquiries about the information contained in this guidance can be directed to your Treasury Vote team.
3. Please note that the deadlines in this guide are indicative and sensitive, as Budget Day for 2015 has not yet been finalised or publically communicated. There is a risk that timeframes may need to be brought forward. The Treasury will release a final timetable for Budget 2015 in February once deadlines have been finalised.
4. The Annex templates attached to this document can be downloaded from the Circulars section of CFISnet.
5. Any comments on how we could improve this guidance can be directed to [performanceinfo@treasury.govt.nz](mailto:performanceinfo@treasury.govt.nz).

### Budget 2015

6. While the economy continues to grow solidly in real terms, growth in nominal GDP is expected to be more muted and lower than previously forecast. This is due to a weaker outlook for export prices and lower-than-expected inflation. As a result, the *Half Year Economic and Fiscal Update* forecasts a small operating deficit of \$572 million (0.2 per cent of GDP) in 2014/15.
7. A modest surplus of \$565 million is forecast in 2015/16, with surpluses growing significantly thereafter and debt beginning to fall. The latest forecasts show net debt falling to 20 per cent of GDP by 2020, in line with the Government's long-term fiscal objective. This means that departments must continue with the financial discipline that has been demonstrated over the last few years.
8. To this end, the Budget Policy Statement 2015<sup>1</sup> confirms the allowance for new operating funding for Budget 2015 at \$1.0 billion per annum. This means continued financial discipline remains critical for achieving the Government's policy and fiscal objectives.
9. There is very little headroom to fund additional spending pressures signalled through Four-year Plans. Much of the allowance is already indicatively allocated to existing commitments and spending priorities. Cabinet has agreed the focus of Budget 2015 will be helping vulnerable children in material hardship and continuation of improving public sector performance and results.

---

<sup>1</sup> The Budget Policy Statement 2015 can be found at <http://www.treasury.govt.nz/budget/2015>

10. In order to provide an independent view to Treasury on its advice about social sector Budget initiatives, including those that come out of the Request for Information process Treasury is convening a cross agency Social Sector Panel. It will be comprised of up to six senior officials drawn from the wider state sector to provide recommendations on those social sector initiatives focussed on at risk children.
11. On capital, the Budget Policy Statement confirms the allowance for new capital funding from the Future Investment Fund for Budget 2014 at \$835 million in total. As \$137 million has already been allocated, \$698 million remains for other new capital investment priorities in Budget 2015. To inform Budget 2015 decisions, the Treasury will reconvene the Capital Investment Panel in the third week of February. It will be comprised of up to eight senior officials drawn from the wider state sector, to analyse, advise and provide recommendations on investment proposals from a “whole of Government” perspective.
12. The draft Four-Year Plans provided in November are the backbone of the Budget process, providing information on the pressures being faced, choices and trade-offs, and whether Ministers can have investor confidence in an agency. These draft plans are to be updated and finalised post-budget decisions, with final plans provided by Budget day or as soon as possible thereafter.

## Roles and Responsibilities

### Underlying Principles for Relationships between Key Players

13. A successful Budget is characterised by effective relationships and communications between the key players. Below are some important elements to achieve this:
  - working through different perspectives
  - a ‘no surprises’ approach to the provision of advice, and
  - the provision of ‘free and frank’ advice to Ministers by officials.

### Minister of Finance

14. The Minister of Finance’s role is to:
  - develop and reach agreement on the Government’s fiscal targets and the resulting Budget Strategy
  - manage competing priorities to ensure that the Budget package meets the Government’s fiscal and wider policy goals agreed by Cabinet, and
  - help ensure the value for money of government expenditure.

### Ministers

15. Ministers play a key role in the Budget process. On an individual level, with assistance from their Chief Executives, they identify priorities for their departments to deliver on. From a collective perspective (ie, through Cabinet),



they agree on the Budget Strategy, the priorities the Government seeks to achieve and the final Budget package.

## Departments

16. Departments provide advice to Ministers on:
- the key outcomes that the Minister might want the department to pursue over the medium-term and their relative priority (consistent with the Budget Policy Statement)
  - whether the existing outputs and other expenses will be the most efficient and effective ones to achieve those outcomes and what alternatives could be considered
  - whether the entities in the Vote have the right capability to deliver the outputs, and
  - the main risks and how to manage these.

## Treasury

17. Treasury plays a number of different roles through the Budget process.

### *Vote teams*

18. Vote teams play two main roles:
- an “assist” role, where they work alongside departments in the strategic phase of the Budget, and in updating baseline information. Vote teams provide the link between departments, other Treasury teams and the Minister of Finance. Vote teams are a department’s first point of contact at any stage in the process, and
  - an “assess” role, where they provide advice to the Minister of Finance on a range of topics, such as the department’s objectives and priorities in the Budget process, and advice to Budget Ministers on draft Four-year Plans and individual Budget initiatives, among others.

### *Rest of Treasury*

19. Treasury also plays a number of other roles, including co-ordinating the budget process, providing fiscal forecasts, publishing the Crown accounts, and producing the various Budget documents.

## Budget Process

20. Once Budget initiatives have been submitted, the following steps remain in the Budget 2015 process:
- Budget Decisions on individual initiatives, informed by draft Four-year Plans.
  - The March Baseline Update.

- The Budget Economic and Fiscal Update.
- Production of the Budget documents (Estimates and Supplementary Estimates, and their Supporting Information).
- Preparation and introduction of the Appropriation Bills.
- Preparation of media statements for Ministers.
- Proactive Release

21. These steps are presented graphically on page 4.

## Budget Decisions Phase

22. A group of Budget Ministers, made up of the Prime Minister, Minister of Finance and the Associate Ministers of Finance, will meet over February and March to:
- Take decisions on individual Budget initiative proposals; informed by the draft Four-year Plans which have been submitted.
  - Agree to a final consolidated Budget package, based on draft Four-year Plans and Cabinet decisions on major policy issues. This package is likely to be taken to Cabinet on **20 April** for consideration.
23. Changes that fall within the criteria set out in Cabinet Office Circular (11) 6 should be progressed through the March Baseline Update and not through the initiatives module. Treasury will remove any initiative from the module that should be progressed through the March Baseline Update.

## Budget Initiatives

24. As with Budget 2014, we will continue to run two processes for Budget initiatives – a process for “significant” initiatives and a process for “technical” initiatives.

### *Uploading initiatives for Budget 2015*

25. Initiatives are entered into CFISnet via the Baselines / Budget Initiatives / Initiatives Entry module.
- Initiatives need to be efficiently assessed by Vote Analysts and then by Budget Ministers.
  - The impact; from a strategic, organisation and financial perspective; for individual initiatives should have been signalled in the draft Four-year Plan. More substantive and supporting information should be provided to Vote Analysts as part of the initiatives assessment and should be uploaded into CFISnet through the relevant initiative.
  - Departments should enter numbers into the initiatives module based on the Operating Balance and/or Debt Impact of the initiative for each year, which could be different to the changes to appropriations.

- Where appropriate, Votes that seek to reprioritise funding across appropriations and years (and are fiscally-neutral) should be aggregated into a single “reprioritisation” initiative.
- Ensure that any offsetting savings for each initiative is entered into the “savings/revenue” line in the initiatives module. Fiscally-neutral items (eg, reprioritisation) should have numbers entered into both the “gross” and “savings/revenue” line (which should net out to zero over the forecast period).
- Votes that are seeking new funding should enter the initiative – even if it is being sponsored by another Minister.
- If the initiative is across Votes, all relevant Votes should enter an initiative for the funding required for their Vote (cross-Vote initiatives should have the same title).
- More information on the initiatives module and definitions of the choices available under “Initiative Type” is available in CFISnet Help.

#### *Significant or Technical Budget Initiatives*

26. Budget initiatives should have been uploaded into CFISnet on **12 December**.
27. When entering Budget initiatives into CFISnet, significant Budget initiatives should be selected as “significant” in the Priority Area dropdown depending on whether net new funding is being requested, and its policy implications. By default, all initiatives are classified as “significant”.
28. Technical initiatives are those initiatives that do not seek new funding from the centre over the five year forecast period, and do not carry significant policy implications (for example, reprioritisation). These initiatives should be entered into CFISnet as soon as possible, but no later than **20 March** (following outcomes of the March Baseline Update). The technical initiative package is likely to be taken to Cabinet on **13 April** for consideration.

#### **Financial Recommendations**

29. Departments should have already entered all Budget Initiative proposals to CFISnet, on **12 December**. Initiatives will be considered by Budget Ministers during February and March.
30. Financial recommendations sign off sheets for Chief Financial Officers can be found in Annexes 1 and 2.

#### *Significant Budget Initiatives*

31. The final Budget package Cabinet paper is prepared by Treasury, and includes a large number of financial recommendations for every agreed significant Budget Initiative proposal. These recommendations are completed by departments in CFISnet. Financial recommendations are due for most Votes at **1pm on 2 April**. For Votes with decisions outstanding at 2 April, final financial recommendations

are due at **1pm on 9 April**. CFISnet will advise when the Recommendations module is ready for departments to complete their financial recommendations.

32. If Budget Ministers agree to a department's Budget Initiative proposal in full, Treasury will accept the financial recommendations in CFISnet and they will be added to the Cabinet paper. In some circumstances, Budget Ministers may decide to scale or alter a specific proposal, in which case Treasury and/or the department will be required to amend the relevant financial recommendation. In other cases, Budget Ministers may choose not to accept a proposal (eg, because there is not room within the Budget 2015 operating allowance). These proposals will not form part of the final Budget package.

#### *Technical Budget Initiatives*

33. The technical Budget initiative proposal Cabinet paper is prepared by Treasury, and includes a large number of financial recommendations for every agreed technical Budget Initiative proposal. These recommendations are completed by departments in CFISnet. Financial recommendations are due for all Votes at **1pm on 2 April**. As above, CFISnet will advise when the Recommendations module is ready for departments to complete their financial recommendations.
34. The financial recommendations in the final Budget Cabinet paper are generated automatically from the recommendations that departments complete in CFISnet. Therefore, financial recommendations must be correctly drafted. Because of the limited time available in the production schedule, Treasury will **not** be proofing the financial recommendations prior to Cabinet. Departments will need to QA their own recommendations to ensure they are of Cabinet minute quality.
35. Any specific questions about technical issues or the wording of financial recommendations should be directed to your Vote analyst. Further guidance on how to enter financial recommendations into CFISnet is available on the CFISnet Help page under 'Baselines' > 'Recommendations'.

#### **Budget Moratorium**

36. There will be a moratorium on Cabinet, Cabinet Committees and joint Ministers approving any financial recommendations after Cabinet agrees the final Budget package (expected to be **Monday 20 April**) until Budget Day. Departments must not submit any papers to Cabinet or Joint Ministers with financial implications during this period. The moratorium exists so that the Budget documents and legislation accurately reflect the fiscal implications of all Government decisions.

#### **March Baseline Update (MBU)**

37. The March Baseline Update (MBU) is a technical update, and allows departments to update baselines to reflect Cabinet and joint Ministerial decisions that have taken place since the last baseline update in October. The MBU must not include proposals seeking new funding, or carrying significant policy implications. Any such proposals are to be considered in the Budget Decisions process described above. Treasury has released guidance on MBU 2015 alongside this guidance. Please refer to Treasury Circular 2014/14 for further details.

## Budget Economic and Fiscal Update (BEFU)

38. The Minister of Finance is required by law to table an Economic and Fiscal Update on Budget Day. The BEFU includes Treasury's overall economic forecasts and the forecast financial statements of the Government. These forecasts are important for helping Parliament and the public understand the state of the Government's finances and their likely future performance, as well as informing how much the government needs to borrow.
39. It is imperative, therefore, that the forecast financial statements that agencies provide to Treasury represent their best estimates. Appropriation amounts are not a suitable proxy for spending forecasts because appropriations represent upper spending limits, not best estimates of actual spending.
40. An indicative timetable for this Update is included in the Budget 2015 Timetable and Technical Requirements for Departments Treasury Circular. Further guidance and instructions on completing the fiscal forecasts will be provided by Treasury early in 2015.

### Specific Fiscal Risks

41. Under the Public Finance Act 1989 (PFA), the BEFU must also incorporate to the fullest extent possible, all Government decisions and other circumstances that may have a material effect on the fiscal and economic outlook. These are known as fiscal risks – ie, items that could positively or negatively affect the economy or Government balance sheet, if they occur.
42. Treasury compiles the list of fiscal risks, based on information that departments provide at each Economic and Fiscal Update (EFU). The most recent EFU was the Half Year Economic and Fiscal Update (HYEFU), published in December 2014.

#### *What are the deadlines for Specific Fiscal Risks?*

43. Departments must advise their Treasury Vote Team by **13 March** of all changes to the status of the fiscal risks for their department published in the 2014 HYEFU and any new matters of which they are aware that may have a material effect on the economic and fiscal outlook.
44. Departments must also certify in their Statement of Responsibility that they have disclosed to the Treasury all matters in the Votes for which they are responsible that may have a material effect on the fiscal and economic outlook. The Statement of Representation is due with the Treasury on **22 April**.

#### *What do you need to provide?*

45. Items should be disclosed to Treasury where:
  - the matter will have an impact of more than \$10 million in any one year, and

- it is **realistically possible** that the matter will be approved or occurs. 'Realistically possible' is to be taken to mean that in the judgement of the department, the event has more than a 20% chance of being approved or occurring during the forecast period.
46. The fiscal impacts of decisions that have already been taken should be included in departments' forecast financial schedules. Only matters for which a decision has not yet been taken, or for which a decision is not required are to be disclosed through the Fiscal Risks reporting process.
47. If departments are in doubt as to whether or not to disclose a matter to the Treasury, they should disclose it. Matters to be disclosed include (amongst others):
- Matters relating to Crown entities for which the department has monitoring responsibilities.
  - Matters funded by 3rd party revenue for which the Crown may have a liability should the revenue collected be insufficient to maintain services.
  - Matters that were previously not disclosed as they failed to meet the "under active consideration" criteria.
  - Matters that were previously disclosed as Time Limited Funding.
48. The following information should be provided to Treasury Vote Teams by departments for each new matter identified (not more than one page for each matter):
- A title that is concise but sufficiently informative to both uniquely identify the matter and provide an indication of its substance. The title should be of a standard that could be published in an Economic and Fiscal Update (EFU).
  - A description that provides a similar degree of information previously provided for Specific Fiscal Risks (SFRs). The description should concisely (in 5-10 lines) describe the nature of the matter, what actions the Government is taking or planning to address the matter, and the impact the matter would have on the operating balance and/or debt. The description is to be of a standard that could be published in an EFU. For unchanged risks that have previously been published, the description should match what has been published in previous EFUs.
  - Likely operating and capital costs across the forecast period (and beyond if appropriate) and where possible the specific years the costs would be assigned to.
  - For matters requiring decision:
    - How far advanced the policy work is.
    - How aligned the matter is to Government priorities.

- What indications of support for the matter the Government has made (including public announcements).
  - Any lack of discretion around the matter.
  - For matters not requiring decision:
    - Any signals from the Government that the matter will occur (including public announcements).
    - The department's past experience and precedents in this area or with similar matters.
    - Any lack of discretion around the matter (eg, legislated entitlements).
  - Whether the matter should be considered for exclusion from the EFU on the basis of the grounds set out in section 26V of the PFA as disclosure is likely to:
    - Prejudice the substantial economic interests of New Zealand; or
    - Prejudice the security or defence of New Zealand or the international relations of the government; or
    - Compromise the Crown in a material way in negotiation, litigation, or commercial activity; or
    - Result in material loss of value to the Crown.
    - Whether or not the Minister of Finance (or his office) has been advised of the matter, and if he has, how this was done (Cabinet paper, discussion document, aide memoire, e-mail etc).
49. Once this information has been collected from departments, an internal Treasury Risks Committee assesses and recommends to the Secretary of the Treasury which matters should be disclosed in the BEFU. The following types of matters are generally not disclosed:
- Matters that fail to meet the materiality threshold (ie, are less than \$100 million over five years).
  - Matters that are unlikely to be approved or occur over the next five years.
  - Matters whose disclosure could:
    - Prejudice the substantial economic interests of New Zealand
    - Prejudice the security or defence of New Zealand or the international relations of the Government
    - Compromise the Crown in a material way in negotiation, litigation or commercial activity, or
    - Result in a material loss of value to the Crown.

## Production of 2015/16 Estimates, 2014/15 Supplementary Estimates, and their Supporting Information

50. The *Estimates* and supporting information provide information to Parliament on the appropriations the Government is seeking for 2015/16 through the Budget and what those appropriations will be used for. The *Supplementary Estimates* and supporting information reflect changes to 2014/15 appropriations since the 2014/15 Estimates were tabled in Parliament.
51. Departments should read and be familiar with the detailed information and instructions on the format and content changes to both the *Estimates* and *Supplementary Estimates* which are available in the following documents:

Document	Content	Link
Estimates, Supplementary Estimates and their Supporting Information: Technical Guide for Departments	Sets out the purpose and content requirements for the Estimates, Supplementary Estimates and their Supporting Information for Budget 2015.	<a href="http://www.treasury.govt.nz/publications/guidance/planning/estimates/tech-est">http://www.treasury.govt.nz/publications/guidance/planning/estimates/tech-est</a>
Annotated mock-up of the 2015/16 Estimates template	Shows how information should be presented in the 2015/16 Estimates	<a href="http://www.treasury.govt.nz/publications/guidance/planning/estimates/">http://www.treasury.govt.nz/publications/guidance/planning/estimates/</a>
Annotated mock-up of the 2014/15 Supplementary Estimates template	Shows how information should be presented in the 2014/15 Supplementary Estimates	<a href="http://www.treasury.govt.nz/publications/guidance/planning/estimates/">http://www.treasury.govt.nz/publications/guidance/planning/estimates/</a>
Style Guide for Estimates and Supplementary Estimates of Appropriations and Supporting Information	Guidance on how to prepare accurate and consistent Estimates documents.	<a href="http://www.treasury.govt.nz/publications/guidance/planning/estimates/style">http://www.treasury.govt.nz/publications/guidance/planning/estimates/style</a>

52. Departments are expected to be engaging with their Vote analysts and their Ministers' Office throughout the process to ensure all feedback is taken on board and issues resolved promptly.
53. Treasury will do an initial view of the Estimates and Supplementary Estimates documents based on what is in CFISnet as at **26 March**. These documents should be as 'near final' as possible, as this review provides opportunity for departments to receive early feedback for improvement (or omissions) before their Minister formally signs-off the documents. The focus of this initial feedback is primarily on the statements, explanations and structure of these drafts and



common problems; at this stage it is not a comprehensive proof-read or review of the numbers.

54. Departmental Chief Executives are responsible to the Minister(s) for the quality and accuracy of the Budget documents prepared by their departments (ie, Estimates and Supplementary Estimates). This includes factual accuracy (eg, output classes are correctly specified) and technical accuracy (eg, the numbers include all the decisions made to date, and they reconcile).

#### *Sign-off of Estimates Documents by Ministers*

55. Ministers responsible for appropriations in a Vote must provide a sign off to the Minister of Finance that the *Estimates* and *Supplementary Estimates* documents are accurate and ready for publishing. Treasury can then compile them directly from CFISnet for printing, after Cabinet has taken decisions on the Budget. The relevant sign-off sheets are attached as **Annexes 3 – 6**.
56. Each Estimates and Supplementary Estimates sign-off sheet should be for one Vote. Where a Vote has more than one portfolio Minister responsible for different appropriations, the sign-off should be from one of those appropriation Ministers on behalf of all the Ministers responsible for these appropriations.
57. Departments should ensure that their Minister, or another Minister with authority to approve the documents, is available to sign off all of the *Estimates* and *Supplementary Estimates* documents on or before the relevant deadlines. Please confirm to your Treasury Vote team when the Vote Minister has signed-off on the documents.
58. Please note that the version number of the *Estimates* and *Supplementary Estimates* that your Vote Minister signs off must be the same as the final version number of the *Estimates* and *Supplementary Estimates* submitted through CFISnet.
59. Ministers should also be seeking assurance from Chief Executives that the material being submitted is accurate and ready for forwarding to the Minister of Finance. Similarly, Chief Executives will be seeking similar assurances from the person within their department responsible for preparing the department's Estimates documents.

#### *Deadlines for submission to Ministers of Estimates Documents*

60. Departments should submit all Estimates documents as soon as they are finalised to enable prompt processing. The production process will be split into three streams depending on whether the relevant Vote has Budget initiatives or is a forecasting department. These deadlines should be read as the final dates for submission – if your Estimates documentation is finalised earlier you should look to submit it earlier.

	<b>Deadline for submission to Appropriation Minister</b>	<b>Deadline for submission to the Minister of Finance</b>
<b>Tranche 1</b> – <i>Vote which have no initiatives in Budget 2015</i>	Wednesday 8 April	Thursday 9 April
<b>Tranche 2</b> – <i>Vote which have Budget initiatives</i>	Tuesday 14 April	Wednesday 15 April
<b>Tranche 3</b> – <i>Forecasting departments or Votes requiring change following Cabinet's consideration of the Budget package</i>	Thursday 24 April	Tuesday 28 April

## Appropriation Bills (2015/16 Estimates and 2014/15 Supplementary Estimates)

61. All changes to appropriations agreed by Cabinet through the Budget must, by law, be agreed by Parliament in an Appropriation Act.
62. Treasury, in conjunction with the Parliamentary Counsel Office, will compile the Appropriation (2015/16 Estimates) Bill and the Appropriation (2014/15 Supplementary Estimates) Bill after Cabinet has agreed to a final Budget package and after all departments have loaded their Estimates documents into CFISnet.
63. It is very important that all Estimates numbers loaded into CFISnet are correct as these are the numbers that will be used in compiling the legislation that will be introduced into Parliament. Once the legislation is finalised and introduced, changes are virtually impossible. It is important that the numbers receive adequate QA from departments, including checking actual outturns for the current financial year with the numbers for the current financial year in the Supplementary Estimates.
64. Departments should also submit information for appropriations affected by Section 21 of the PFA.

### Revenue Dependent Appropriations (Section 21 of the PFA)

65. A Revenue Dependent Appropriation (RDA) is an output expense appropriation that allows a department to incur expenses up to the amount of revenue earned by the department from the supply of a specified class of outputs (as opposed to being funded by the Crown). Like all other appropriations, changes to RDAs – including the creation of new RDAs – must be reported to Parliament, so that they can be approved through the Appropriation Acts.
66. Departments with revenue-dependent appropriations approved by the Minister of Finance should complete the template (available on CFISnet, under the 'Treasury Circulars' menu and as **Annex 7**) and upload to CFISnet so they can be listed in

a schedule to the relevant Appropriation Bill. These completed templates must be uploaded by **10 April**.

67. When submitting the template, please include the document reference (eg, Cabinet Minute or letter) where the Minister of Finance approved the use of an RDA for each specified output class. Please email your Vote team once you have uploaded the template.
68. The completed templates can be uploaded through the Info > Document Sharing > Upload or Download a Document > “IFRS Info (FSG3, Elims, Stmt Reps, Contingent)” tabs. Please include ‘section 21’ in the comment field to allow Treasury to identify the relevant documents. No response is considered a nil return. Vote teams will discuss the content of the submission with you in advance of the submission date.
69. The requirements and process for obtaining the Minister of Finance’s approval for an RDA are set out in Treasury Circular 2007/05, available on CFISnet.

### Ministers reporting against appropriations

70. Previous Budgets included processes for identifying which non-departmental appropriations will have year-end performance reported by Ministers (known as section 32A reports) and capturing this detail in appropriation legislation. These processes are no longer needed following the 2013 amendments to the PFA.
71. Section 15C of the PFA now requires performance reporting for all departmental and non-departmental appropriations (excluding those for borrowing expenses and security and intelligence agencies) at year-end unless specifically exempted by the Minister of Finance. The Estimates documents identify who reports against each appropriation and in which document. For further information, refer the March Baseline Update circular for requesting exemptions from performance reporting and Treasury guidance for determining [Who Reports Performance Against Appropriations](#).

### Media Statements

72. The Minister of Finance’s Office issues detailed guidance to Ministerial press secretaries on preparing media releases. This guidance is issued in April, soon after Cabinet signs off on the final Budget Package.
73. The main guidelines for presenting numbers in media releases are:
  - **Show four-year totals:** For initiatives with ongoing costs, present the numbers as a four-year total (ie, showing the impact over 2015/16 to 2018/19). If there is a cost or saving in the current financial year (2014/15), then this should not be added to the four-year total, but referred to separately, for example:  
  
\$6.4 million over the next four years  
Or  
\$210,000 of funding in the 2014/15 financial year and \$6.4 million over the next four years.

- **The only exception is if spending is time-limited:** For initiatives with funding that has a specific start and end date, present the numbers as a total for that specific period, for example:  
\$4.8 million over 2016/17 to 2018/19.
  - **For an initiative that has both ongoing operating and time-limited capital funding,** present the two separately, for example:  
\$6.4 million of operating funding over the next four years and \$3.9 million of capital funding in the next two years.
  - **Round to one decimal place:** Millions of dollars should be rounded to one decimal place:  
\$3.8 million, not \$3.760 million. The exception is when referring to amounts of less than \$1 million, where the figure should be presented in thousands, eg \$765,000.
74. The Budget Package Cabinet Papers and Minutes include an annex with the operating balance and/or debt impacts of all agreed initiatives. This document, and a template that will be completed by your Vote Analyst, should be used when drafting media releases to ensure consistency of numbers. A copy of the draft template can be found in **Annex 8**.
75. Contact your Treasury Vote team for further information about Budget information for the media, MPs and the public.

## Proactive Release

76. The Treasury proactively releases Budget-related documents every year about five weeks after Budget day. The purpose of the release is to cut down on the number of Official Information Act requests related to the Budget received by the Minister of Finance, appropriation Ministers, the Treasury and departments. The release is also desirable for government transparency and public accountability.
77. The release includes all key documents that have been used in Budget decision-making, including:
- Budget reports
  - Budget Cabinet papers
  - Relevant Treasury Reports and Aide Memoires
  - Cabinet Minutes, including the main Budget paper and financial recommendations package
  - Letters from the Minister of Finance communicating Budget Ministers' decisions
78. It is expected that final Four-year Plans will be requested by Parliament select committees from departments shortly after Budget Day as part of their Estimates consideration. Departments are responsible for liaising with their Minister in

responding to this request and public release of their plans (with information withheld where applicable in accordance with the Official Information Act 1982).

79. Treasury will provide further information on the process for the Budget 2015 proactive release in 2015.

## Guide to the Annexes

Annex No.	What	Due date	Who needs to use it
1	Budget 2015 Significant Financial Recommendations Chief Financial Officer Sign Off	<b>2 or 9 April</b>	Departments with significant initiatives seeking Cabinet agreement to changes to appropriations in Budget 2015
2	Budget 2015 Technical Financial Recommendations Chief Financial Officer Sign Off	<b>2 April</b>	Departments with technical initiatives seeking Cabinet agreement to changes to appropriations in Budget 2015
3	2015/16 Estimates Chief Executive Sign Off	With Estimates documents	All departments
4	2014/15 Supplementary Estimates Chief Executive Sign Off	With Estimates documents	All departments
5	2015/16 Estimates Ministerial Sign Off	With Estimates documents	All departments
6	2014/15 Supplementary Estimates Ministerial Sign Off	With Estimates documents	All departments
7	Template for Section 21 Appropriations	<b>10 April</b>	Departments with output expense appropriations restricted by revenue (section 21)
8	Media Statements template	-	Departments whose Ministers wish to prepare media statements on Budget initiatives.

**ANNEX 1**

**BUDGET 2015 SIGNIFICANT INITIATIVES FINANCIAL RECOMMENDATIONS  
CHIEF FINANCIAL OFFICER SIGN OFF**

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**Vote**

The Significant Financial Recommendations for the above Vote contain all decisions for Cabinet consideration as part of the 2015 Budget Package.

These have been completed in accordance with Financial Recommendations requirements as set out in Treasury Circulars and guides.

<b>Aspect</b>	<b>Check ( ✓ / ✗ )</b>
All applicable recommendations have been included and reflect decisions taken by Budget Ministers.	
For Votes that are receiving new funding, the initiative name and description clearly specifies what the money is allowed to be spent on.	
The new initiative is spelt correctly and has the appropriate capitals (use capitals for all words except for words such as of, it, to etc). <b>Note</b> that departments are able to change titles without changing the original budget initiative.	
The scope statement for any <b>new</b> appropriation/category begins with "This appropriation/category is limited to ....", and provides a clear legal boundary for the appropriation/category.	
Funding is going into the correct appropriations.	
Any implications for baselines outside the forecast period (ie, in outyears) are clearly documented in the recommendations.	
Where initiatives relate to more than one Vote, departments have coordinated their recommendations so that no information is missing or duplicated.	
Additional "non-standard" tables required by departments have been inserted.	

Revenue type is correct ('Revenue Other' for third parties; 'Revenue Department' where another department purchases the good/service; or 'Revenue Crown', and the <b>GST</b> implications are correct (ie, all financial recommendations should be GST exclusive).	
The impact statement is correct ("with a corresponding / no impact on the operating balance / debt").	

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Name

Chief Financial Officer

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Signature

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Date

Please forward this document to your Vote team no later than **1pm on 2 April**. If decisions are still outstanding on 2 April, please forward to your Vote team no later than **1pm on 9 April**. Your Vote team will advise you which deadline is relevant.



**ANNEX 2**

**BUDGET 2015 TECHNICAL INITIATIVES FINANCIAL RECOMMENDATIONS  
CHIEF FINANCIAL OFFICER SIGN OFF**

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**Vote**

The Technical Financial Recommendations for the above Vote contain all decisions for Cabinet consideration as part of the 2015 Budget Package.

These have been completed in accordance with Financial Recommendations requirements as set out in Treasury Circulars and guides.

<b>Aspect</b>	<b>Check ( ✓ / ✗ )</b>
All applicable recommendations have been included and reflect decisions taken by Budget Ministers.	
For Votes that are receiving new funding, the initiative name and description clearly specifies what the money is allowed to be spent on.	
The new initiative is spelt correctly and has the appropriate capitals (use capitals for all words except for words such as of, it, to etc). <b>Note</b> that departments are able to change titles without changing the original budget initiative.	
The scope statement for any <b>new</b> appropriation/category begins with “This appropriation/category is limited to ....”, and provides a clear legal boundary for the appropriation/category.	
Funding is going into the correct appropriations.	
Any implications for baselines outside the forecast period (ie, in outyears) are clearly documented in the recommendations.	
Where initiatives relate to more than one Vote, departments have coordinated their recommendations so that no information is missing or duplicated.	
Additional “non-standard” tables required by departments have been inserted.	

Revenue type is correct ('Revenue Other' for third parties; 'Revenue Department' where another department purchases the good/service; or 'Revenue Crown', and the <b>GST</b> implications are correct (ie, all financial recommendations should be GST exclusive).	
The impact statement is correct ("with a corresponding / no impact on the operating balance / debt").	

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Name

Chief Financial Officer

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Signature

-----

Date

Please forward this document to your Vote team no later than **1pm on 2 April**.

## ANNEX 3

### 2015/16 ESTIMATES CHIEF EXECUTIVE SIGN OFF

#### Template– Departmental certification letter to an appropriation Minister(s) for a Vote

[Date]

Hon [XXX]  
Minister of/for [XXX]  
BEEHIVE

Dear Minister

#### 2015/16 Estimates Documents for Vote: [Vote name]

#### Action Required

Attached, for your approval are:

- the documentation for the 2015/16 Estimates and Supporting Information for [where there is more than one appropriation Minister, insert: “*the appropriations that you are responsible for in*”] [Vote name], and
- a draft letter to the Minister of Finance.

#### Background

The Budget 2015 process requires that:

- the Estimates documentation for [vote] is completed by [date], and

*Either - when only one appropriation Minister is responsible for all of the appropriations in the vote, the following bullet should then be included:*

- “*as the appropriation Minister for all of the appropriations in the Vote, you confirm to the Minister of Finance that this material is correct and in a form suitable for publication.*”

*Or – when there is more than one appropriation Minister responsible for appropriations in the Vote, the following bullet should then be included:*

- “*one of the appropriation Ministers responsible for appropriations in the Vote, on behalf of all appropriation Ministers with appropriations in the Vote, confirm to the Minister of Finance that this material is correct and in a form suitable for*

*publication.”*

### **The Estimates and Supporting Information Documents**

I confirm that the information provided for your approval:

- is consistent with the policies and performance expectations of the government, and has been prepared in accordance with the Public Finance Act 1989
- is consistent with the proposed appropriations to be set out in the Appropriation (2015/16 Estimates) Bill, as entered by [department] into the Treasury’s CFISnet system
- is consistent with existing appropriations, financial authorities, and Cabinet decisions up to [date]
- has been prepared in the required format, and in accordance with the guidance that has been issued by the Treasury
- has been appropriately reviewed by [department’s] senior management team – with a particular focus on areas where new strategic information, such as statements about what an appropriation is intended to achieve, is now required, and
- has been through an appropriate quality assurance process and is free of material errors and omissions.

Either – *when only one appropriation Minister is responsible for all of the appropriations in the vote, the following bullet should then be included:*

*“The budget process requires that you review the Estimates documentation, and then confirm to the Minister of Finance that it is fit for publication.”*

Or – *when there is more than one appropriation Minister responsible for appropriations in the vote, the following bullet should then be included:*

*“As detailed below there are several appropriation Ministers associated with [vote]:*

- *Minister –list of appropriations*
- *Minister –list of appropriations*
- *Minister –list of appropriations*

*[...]*

*The budget process requires that all appropriation Ministers review the Estimates*

documentation. One appropriation Minister, on behalf of all appropriation Ministers associated with the vote, should then confirm to the Minister of Finance that the Estimates documentation for the vote is fit for publication.”

“I understand the Ministers responsible for appropriations in [Vote name] have agreed that the Minister of/for [portfolio] will sign the attached letter to the Minister of Finance, on behalf of all appropriation Ministers. Accordingly, I recommend that once appropriation Ministers are comfortable with the material for the appropriations that they are responsible for, the Minister of/for [portfolio] sign the attached letter to the Minister of Finance.”

### Recommendation

Either – when only one appropriation Minister is responsible for all of the appropriations in the vote, the following recommendation should then be included:

“I recommend that you **sign** the attached letter to the Minister of Finance”

Or – when there is more than one appropriation Minister responsible for appropriations in the vote, the following recommendation should instead be included:

“I recommend that you **agree** with the other appropriation Ministers associated with the vote which Minister will **sign** the attached letter to the Minister of Finance.”

Yours sincerely

[Chief Executive Signature]

[Chief Executive Title]

## ANNEX 4

### 2014/15 SUPPLEMENTARY ESTIMATES CHIEF EXECUTIVE SIGN OFF

#### Template– Departmental certification letter to an appropriation Minister(s) for a Vote

[Date]

Hon [XXX]  
Minister of/for [XXX]  
BEEHIVE

Dear Minister

#### 2014/15 Supplementary Estimates Documents for Vote: [Vote name]

#### Action Required

Attached, for your approval are:

- the documentation for the 2013/14 Supplementary Estimates and Supporting Information for [where there is more than one appropriation Minister, insert: “the appropriations that you are responsible for in”] [Vote name], and
- a draft letter to the Minister of Finance.

#### Background

The Budget 2015 process requires that:

- the Estimates documentation for [vote] is completed by [date], and

Either - when only one appropriation Minister is responsible for all of the appropriations in the vote, the following bullet should then be included:

- “as the appropriation Minister for all of the appropriations in the Vote, you confirm to the Minister of Finance that this material is correct and in a form suitable for publication.”

Or – when there is more than one appropriation Minister responsible for appropriations in the Vote, the following bullet should then be included:

- “one of the appropriation Ministers responsible for appropriations in the Vote, on behalf of all appropriation Ministers with appropriations in the Vote, confirm to the Minister of Finance that this material is correct and in a form suitable for

*publication.”*

### **The Supplementary Estimates and Supporting Information Documents**

I confirm that the information provided for your approval:

- is consistent with the policies and performance expectations of the government, and has been prepared in accordance with the Public Finance Act 1989
- is consistent with the proposed appropriations to be set out in the Appropriation (2014/15 Supplementary Estimates) Bill, as entered by [department] into the Treasury’s CFISnet system
- is consistent with existing appropriations, financial authorities, and Cabinet decisions up to [date]
- has been prepared in the required format, and in accordance with the guidance that has been issued by the Treasury
- has been appropriately reviewed by [department’s] senior management team – with a particular focus on areas where new strategic information, such as statements about what an appropriation is intended to achieve, is now required, and
- has been through an appropriate quality assurance process and is free of material errors and omissions.

Either – *when only one appropriation Minister is responsible for all of the appropriations in the vote, the following bullet should then be included:*

*“The budget process requires that you review the Estimates documentation, and then confirm to the Minister of Finance that it is fit for publication.”*

Or – *when there is more than one appropriation Minister responsible for appropriations in the vote, the following bullet should then be included:*

*“As detailed below there are several appropriation Ministers associated with [vote]:*

- *Minister –list of appropriations*
- *Minister –list of appropriations*
- *Minister –list of appropriations*

*[...]*

*The budget process requires that all appropriation Ministers review the Estimates*

*documentation. One appropriation Minister, on behalf of all appropriation Ministers associated with the vote, should then confirm to the Minister of Finance that the Estimates documentation for the vote is fit for publication.”*

*“I understand the Ministers responsible for appropriations in [Vote name] have agreed that the Minister of/for [portfolio] will sign the attached letter to the Minister of Finance, on behalf of all appropriation Ministers. Accordingly, I recommend that once appropriation Ministers are comfortable with the material for the appropriations that they are responsible for, the Minister of/for [portfolio] sign the attached letter to the Minister of Finance.”*

### **Recommendation**

*Either – when only one appropriation Minister is responsible for all of the appropriations in the vote, the following recommendation should then be included:*

*“I recommend that you **sign** the attached letter to the Minister of Finance”*

*Or – when there is more than one appropriation Minister responsible for appropriations in the vote, the following recommendation should instead be included:*

*“I recommend that you **agree** with the other appropriation Ministers associated with the vote which Minister will **sign** the attached letter to the Minister of Finance.”*

Yours sincerely

[Chief Executive Signature]

[Chief Executive Title]



## ANNEX 5

### 2015/16 ESTIMATES MINISTERIAL SIGN OFF

#### Template - Ministerial certification to the Minister to the Minister of Finance for a vote

[DATE]

Hon Bill English  
Minister of Finance  
BEEHIVE 7.6

Dear Minister

#### 2015/16 Estimates: Ministerial Sign-off for Vote: [Vote]

I advise that the *Estimates of Appropriation 2015/16 and Supporting Information* documents for [Vote], for which [name of department] is the administering department, have been completed - and that it is accurate and suitable for publication. I confirm that the information provided:

- is consistent with the policies and performance expectations of the government, and has been prepared in accordance with the Public Finance Act 1989
- is consistent with the proposed appropriations to be set out in the Appropriation (2015/16 Estimates) Bill, existing appropriations and financial authorities, and with Cabinet decisions up to [date]
- is provided in the required format, and has been prepared in accordance with the guidance that has been issued by the Treasury, and
- has been through an appropriate quality assurance process and is free of material errors and omissions.

[Where more than one portfolio Minister is responsible for different appropriations in the Vote the following bullet should also be added: “*has, where it relates to an appropriation that is the responsibility of another Minister, been approved by the Minister responsible for that appropriation*”]

In signing this statement, I acknowledge that I [and the other Ministers responsible for appropriations in this Vote] [am/are] responsible for the information for Vote [name]

administered by [department's name] included in the *Estimates of Appropriations 2015/16 and Supporting Information*.

Yours sincerely

[Signature]

### Signature

The signature should be either:

- (i) Where the signing Minister is solely responsible for all of the appropriations contained in the Vote

*“Hon [Name]  
Minister of/for [portfolio]”*

- (ii) Or, Where more than one portfolio Minister is responsible for different appropriations in the Vote

*“Hon [Name]  
Minister of/for [portfolio]  
On behalf of all Ministers responsible for appropriations in Vote: [Vote name]”*

## ANNEX 6

### 2014/15 SUPPLEMENTARY ESTIMATES MINISTERIAL SIGN OFF

#### Template - Ministerial certification to the Minister to the Minister of Finance for a vote

[DATE]

Hon Bill English  
Minister of Finance  
BEEHIVE 7.6

Dear Minister

#### 2013/14 Supplementary Estimates: Ministerial Sign-off for Vote: [Vote]

I advise that the *Supplementary Estimates of Appropriation 2014/15 and Supporting Information* documents for [Vote], for which [name of department] is the administering department, have been completed - and that it is accurate and suitable for publication. I confirm that the information provided:

- is consistent with the policies and performance expectations of the government, and has been prepared in accordance with the Public Finance Act 1989
- is consistent with the proposed appropriations to be set out in the Appropriation (2014/15 Supplementary Estimates) Bill, existing appropriations and financial authorities, and with Cabinet decisions up to [date]
- is provided in the required format, and has been prepared in accordance with the guidance that has been issued by the Treasury, and
- has been through an appropriate quality assurance process and is free of material errors and omissions.

[Where more than one portfolio Minister is responsible for different appropriations in the Vote the following bullet should also be added: “*has, where it relates to an appropriation that is the responsibility of another Minister, been approved by the Minister responsible for that appropriation*”]

In signing this statement, I acknowledge that I [and the other Ministers responsible for appropriations in this Vote] [am/are] responsible for the information for Vote [name]

administered by [department's name] included in the *Supplementary Estimates of Appropriations 2014/15 and Supporting Information*.

Yours sincerely

[Signature]

**Signature**

The signature should be either:

- (iii) Where the signing Minister is solely responsible for all of the appropriations contained in the Vote

*“Hon [Name]  
Minister of/for [portfolio]”*

- (iv) Or, Where more than one portfolio Minister is responsible for different appropriations in the Vote

*“Hon [Name]  
Minister of/for [portfolio]  
On behalf of all Ministers responsible for appropriations in Vote: [Vote name]”*

**ANNEX 7**

**SECTION 21 – EXPENSES RESTRICTED BY REVENUE OUTPUT CLASSES IN  
APPROPRIATION BILL – SUBMISSION TEMPLATE**

Instructions:

(1) Fill this table out if your department has revenue-dependent output expense appropriations (s.21). Check pages 16-17 for further details.

(2) **Upload** to CFISnet by **1pm on 4 April**.

List all existing s21 appropriations ie, those appearing in 2014/15 Core Estimates	Has the Minister of Finance approved the use of s21?  Yes/No	Should it be included in the 2015/16 Core Estimates?  Yes/No	Note any Vote/Name changes, and any other relevant information
List any new s21 appropriations for the 2014/15 Supplementary Estimates			
List any new s21 appropriations to appear in the 2015/16 Core Estimates			

## ANNEX 8: MEDIA STATEMENTS TEMPLATE

### VOTE [X]

#### Headline Numbers:

##### **New Funding:**

- (A) **Gross New funding (note this does not include new contingencies):** \$[x]m operating over the next four years, plus \$[x]m in 2014/15

AND/OR

\$[x]m in new capital funding from the Future Investment Fund [where applicable]

- (B) **New Contingencies Established:** \$[x]m operating over the next four years, plus \$[x]m in 2014/15

AND/OR

\$[x]m in new capital funding from the Future Investment Fund [where applicable]

##### **Savings/Reprioritisation:**

- (C) **Amount funded from existing contingencies:** \$[x]m operating over the next four years, plus \$[x]m in 2014/15

AND/OR

\$[x]m capital expenditure [where applicable]

- (D) **Other savings/reprioritisation:** \$[x]m operating over the next four years, plus \$[x]m in 2014/15

AND/OR

\$[x]m capital expenditure [where applicable]

#### Guidance notes:

- Gross new funding is the up-front Budget spending excluding any contingencies established (and may be funded from new money and/or savings/reprioritisation).
- Please provide amounts for both operating and capital separately, do not sum them.

### **New Initiatives:**

[Initiative Title]

[Initiative Description]

#### **New Funding:**

**Gross New funding:** \$[x]m operating over the next four years, plus \$[x]m in 2014/15

AND/OR

\$[x]m in new capital funding from the Future Investment Fund [where applicable]

**New Contingency funding:** \$[x]m operating over the next four years, plus \$[x]m in 2014/15

AND/OR

\$[x]m in new capital funding from the Future Investment Fund [where applicable]

#### **Savings/reprioritisation:**

**Amount funded from existing contingencies:** \$[x]m operating over the next four years, plus \$[x]m in 2014/15

AND/OR

\$[x]m capital expenditure [where applicable]

**Other savings/reprioritisation:** \$[x]m operating over the next four years, plus \$[x]m in 2014/15

AND/OR

\$[x]m capital expenditure [where applicable]

#### **Additional Comments:**

- [any additional points that the Press Secretaries should be aware of]

Guidance notes:

- The above line items for the new initiatives should sum to the aggregate totals above
- If an initiative is time-limited, specify the period that the funding is for, eg. 3 years.
- For initiatives with capital, specify both the capital amount (as a total over 10 years) and give the operating amount as a 4 year total.
- Please make any reprioritisation clear in the individual initiative information.
- The initiative description should be a brief 1-2 line description of the initiative.

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BM-2-3-2014

20 October 2014

Treasury Circular 2014/13

Restricted Distribution

Chief Executives  
Directors of Finance/Chief Accountants

Initiative Enquiries:           Vote Analysts and Managers

CFISnet:                        CFISnet Helpdesk (04) 917 6198  
[CFISnet@treasury.govt.nz](mailto:CFISnet@treasury.govt.nz)

**BUDGET 2015: BUDGET INITIATIVE PROCESS AND TIMETABLE**

1. This circular covers the timetable and process for Budget initiatives through to January.
2. The Treasury will issue a circular before Christmas covering the indicative timetable for the remainder of the production of Budget 2015. The “Budget 2015 Process and Technical Guide for Departments” will be released alongside the December circular.

**Timetable**

3. Below are the key dates for Departments through to the end of January.

Requirement	Deadline
Submission of Draft Four-year Plan	20 November
First Capital Investment Panel	24 – 28 November
Agencies upload both significant and technical initiatives to CFISnet (including Annex A for significant initiatives)	12 December
Feedback from sector teams on Draft Four-year Plan to agencies	By 15 December
Agencies confirm initiatives with Vote Analyst	By 30 January

4. Similar to Budget 2014, all initiatives will be uploaded into CFISnet and classified as significant or technical.



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### Significant Initiatives

5. Significant initiatives include any initiative that seeks new funding or constitutes a significant policy decision. Significant initiatives must be weighed against the Government's priorities and demonstrate that other funding avenues have been exhausted.
6. In order for any significant initiative to be considered, agencies must populate the template at Annex A. For the avoidance of doubt, this includes those initiatives that may be considered as part of the population approach.
7. Where an initiative involves or affects several agencies, one combined initiative template should be submitted by a lead-agency covering all impacts across agencies, including transition costs for participating agencies. Please discuss with your Vote Analyst the most appropriate way to reflect cross-agency initiatives in CFISnet.
8. Where an initiative requires new funding for a largely technical matter (e.g. a debt write off) the template should be completed where applicable. Your Vote Analyst will be able to advise.
9. The template should provide a summary of the analysis that the agency has undertaken with respect to this initiative. This analysis could be in the form of, but is not limited to, a business case, investment case or Capital Asset Management Plan. This supporting analysis should be provided to your Vote Analyst to enable Treasury to undertake an assessment of all significant initiatives.
10. Once the template has been completed, the summary details are entered into the CFISnet Budget Initiatives module (Baselines/Budget Initiatives/Initiatives Entry) and the completed template uploaded and saved into the initiative. Please ensure that title and description of the initiative entered into CFISnet are well written full sentences with all abbreviations expanded. The title and description automatically populate the Budget Cabinet paper.
11. Treasury is aware that in some cases, agencies will be continuing to work on the supporting analysis for initiatives throughout January. It is expected that in these circumstances, the significant initiative templates will be refined in consultation with the agency's Vote Analyst over the course of January. The initiative submitted in December should contain the best information available at that point in time.

### Significant Capital Initiatives

12. Treasury will again be running a Capital Investment Panel to assess and advise on significant capital initiatives from a government portfolio perspective. Agencies with significant capital initiatives will be asked to present their initiatives to the panel. The panel will be meeting twice before Budget 2015.
13. The panel, at this stage, is aiming to meet in the week 24 to 28 November looking at large baseline funded initiatives, and again in February 2015 for initiatives seeking new funding, once the initiative templates have been refined.
14. Note that significant capital investments should all be reported in the government project portfolio returns due 3 November.

### Technical Initiatives

15. For the avoidance of doubt, technical changes do not include initiatives that seek new funding or constitute a significant policy decision. These initiatives include technical changes

## IN-CONFIDENCE

that are outside of the scope of CO(11)6. However, they can include those changes under CO(11)6 which miss the March Baseline Update.

16. Details should be entered into CFISnet for technical initiatives as above. Titles and descriptions should be well written full sentences with all abbreviations expanded. The titles and descriptions automatically populate the Budget Cabinet paper. Agencies are not required to complete a template for technical initiatives.

### All Initiatives

17. The decision-making process that follows the submission of the initiative templates will examine each initiative in more detail. The details of these processes are still being finalised with relevant Ministers. Treasury will provide details to Departments once they are confirmed with Ministers.

18. For help on the entry fields to be completed on the CFISnet Initiatives Entry screen, please refer to CFISnet Help/ Baselines/ Budget Initiatives/ Initiatives Entry.

### Assessment of Initiatives

19. The Treasury will assess all significant initiatives over the course of January; this will be informed by the information provided in Annex A, the supporting material provided to the Vote Analyst and any relevant discussions between the agency and Vote Analyst. Treasury will be recommending whether the initiative is supported, not supported, deferred or partially funded.

20. We appreciate that it has been a busy few months and we would like to take this opportunity to thank you again for your assistance. If you have any queries, please contact your Vote Analyst.

Simon McLoughlin  
Team Leader, Fiscal and State Sector Management  
For Secretary to the Treasury

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**BUDGET 2015 INITIATIVE– DEPARTMENT TEMPLATE**

**ANNEX A**

*This template seeks a high-level summary of the Budget 2015 significant initiatives. It is expected that initiatives will be supported by more in-depth information in the form of a business case, Capital Asset Management Plan or similar. This supporting information should be provided to the Vote Analyst at the same time as this initiative template is submitted.*

Vote	<i>[Should match CFISnet entry]</i>
Initiative title	<i>[Should match CFISnet entry]</i>
Initiative description	<i>[Should match CFISnet entry]</i>
Does this initiative have a supporting business case, or Capital Asset Management plan or similar?	Yes / No <i>[Please provide further detail if applicable]</i>

Funding Sought at Budget 15	2015/16	2016/17	2017/18	2018/19
Operating				
Capital				

Description of Initiative <i>(Description of what the funding request is for).</i>	
<i>[Detailed, concise explanation building on what is described in CFISnet]</i>	
Will this initiative have cross-agency involvement? Please explain and include implications for all agencies.	
How will this initiative be delivered and managed?	
How will the performance of this initiative be assessed? (Please include who will assess the performance and when performance will be assessed.)	

Links with Four Year Plan	
How does this initiative fit with your agency’s strategic direction?	
Is this initiative a new activity, expanding a current activity or replacing an existing activity, either in your agency or more broadly across that State Sector?	
What strategic trade-offs would be required to fund this initiative from baselines?	

Initiative Impact	
What is this initiative intended to achieve?	<i>[When completing this section consider who the customer is and who is involved in terms of delivery]</i>
What options for phasing/scaling/deferring have you considered?	
What evidence/information have you considered in proposing this initiative?	
Describe the implications if this funding is not approved.	
Describe the implications if this funding is deferred.	

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BM-2-3-2014

20 October 2014

Treasury Circular 2014/13

Restricted Distribution

Chief Executives  
Directors of Finance/Chief Accountants

Initiative Enquiries:           Vote Analysts and Managers

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**BUDGET 2015: BUDGET INITIATIVE PROCESS AND TIMETABLE**

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Feedback from sector teams on Draft Four-year Plan to agencies	By 15 December
Agencies confirm initiatives with Vote Analyst	By 30 January

4. Similar to Budget 2014, all initiatives will be uploaded into CFISnet and classified as significant or technical.

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### Significant Initiatives

5. Significant initiatives include any initiative that seeks new funding or constitutes a significant policy decision. Significant initiatives must be weighed against the Government's priorities and demonstrate that other funding avenues have been exhausted.
6. In order for any significant initiative to be considered, agencies must populate the template at Annex A. For the avoidance of doubt, this includes those initiatives that may be considered as part of the population approach.
7. Where an initiative involves or affects several agencies, one combined initiative template should be submitted by a lead-agency covering all impacts across agencies, including transition costs for participating agencies. Please discuss with your Vote Analyst the most appropriate way to reflect cross-agency initiatives in CFISnet.
8. Where an initiative requires new funding for a largely technical matter (e.g. a debt write off) the template should be completed where applicable. Your Vote Analyst will be able to advise.
9. The template should provide a summary of the analysis that the agency has undertaken with respect to this initiative. This analysis could be in the form of, but is not limited to, a business case, investment case or Capital Asset Management Plan. This supporting analysis should be provided to your Vote Analyst to enable Treasury to undertake an assessment of all significant initiatives.
10. Once the template has been completed, the summary details are entered into the CFISnet Budget Initiatives module (Baselines/Budget Initiatives/Initiatives Entry) and the completed template uploaded and saved into the initiative. Please ensure that title and description of the initiative entered into CFISnet are well written full sentences with all abbreviations expanded. The title and description automatically populate the Budget Cabinet paper.
11. Treasury is aware that in some cases, agencies will be continuing to work on the supporting analysis for initiatives throughout January. It is expected that in these circumstances, the significant initiative templates will be refined in consultation with the agency's Vote Analyst over the course of January. The initiative submitted in December should contain the best information available at that point in time.

### Significant Capital Initiatives

12. Treasury will again be running a Capital Investment Panel to assess and advise on significant capital initiatives from a government portfolio perspective. Agencies with significant capital initiatives will be asked to present their initiatives to the panel. The panel will be meeting twice before Budget 2015.
13. The panel, at this stage, is aiming to meet in the week 24 to 28 November looking at large baseline funded initiatives, and again in February 2015 for initiatives seeking new funding, once the initiative templates have been refined.
14. Note that significant capital investments should all be reported in the government project portfolio returns due 3 November.

### Technical Initiatives

15. For the avoidance of doubt, technical changes do not include initiatives that seek new funding or constitute a significant policy decision. These initiatives include technical changes

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that are outside of the scope of CO(11)6. However, they can include those changes under CO(11)6 which miss the March Baseline Update.

16. Details should be entered into CFISnet for technical initiatives as above. Titles and descriptions should be well written full sentences with all abbreviations expanded. The titles and descriptions automatically populate the Budget Cabinet paper. Agencies are not required to complete a template for technical initiatives.

### All Initiatives

17. The decision-making process that follows the submission of the initiative templates will examine each initiative in more detail. The details of these processes are still being finalised with relevant Ministers. Treasury will provide details to Departments once they are confirmed with Ministers.

18. For help on the entry fields to be completed on the CFISnet Initiatives Entry screen, please refer to CFISnet Help/ Baselines/ Budget Initiatives/ Initiatives Entry.

### Assessment of Initiatives

19. The Treasury will assess all significant initiatives over the course of January; this will be informed by the information provided in Annex A, the supporting material provided to the Vote Analyst and any relevant discussions between the agency and Vote Analyst. Treasury will be recommending whether the initiative is supported, not supported, deferred or partially funded.

20. We appreciate that it has been a busy few months and we would like to take this opportunity to thank you again for your assistance. If you have any queries, please contact your Vote Analyst.

Simon McLoughlin  
Team Leader, Fiscal and State Sector Management  
For Secretary to the Treasury

**IN-CONFIDENCE**

**BUDGET 2015 INITIATIVE– DEPARTMENT TEMPLATE**

**ANNEX A**

*This template seeks a high-level summary of the Budget 2015 significant initiatives. It is expected that initiatives will be supported by more in-depth information in the form of a business case, Capital Asset Management Plan or similar. This supporting information should be provided to the Vote Analyst at the same time as this initiative template is submitted.*

Vote	<i>[Should match CFISnet entry]</i>
Initiative title	<i>[Should match CFISnet entry]</i>
Initiative description	<i>[Should match CFISnet entry]</i>
Does this initiative have a supporting business case, or Capital Asset Management plan or similar?	Yes / No <i>[Please provide further detail if applicable]</i>

Funding Sought at Budget 15	2015/16	2016/17	2017/18	2018/19
Operating				
Capital				

<b>Description of Initiative</b> <i>(Description of what the funding request is for).</i>	
<i>[Detailed, concise explanation building on what is described in CFISnet]</i>	
Will this initiative have cross-agency involvement? Please explain and include implications for all agencies.	
How will this initiative be delivered and managed?	
How will the performance of this initiative be assessed? (Please include who will assess the performance and when performance will be assessed.)	

<b>Links with Four Year Plan</b>	
How does this initiative fit with your agency’s strategic direction?	
Is this initiative a new activity, expanding a current activity or replacing an existing activity, either in your agency or more broadly across that State Sector?	
What strategic trade-offs would be required to fund this initiative from baselines?	

<b>Initiative Impact</b>	
What is this initiative intended to achieve?	<i>[When completing this section consider who the customer is and who is involved in terms of delivery]</i>
What options for phasing/scaling/deferring have you considered?	
What evidence/information have you considered in proposing this initiative?	
Describe the implications if this funding is not approved.	
Describe the implications if this funding is deferred.	

BM-2-2-2016

17 December 2015

Treasury Circular 2015/18

Restricted Distribution

Chief Executives  
Directors of Finance/Chief Financial Officers

**Contact for Enquiries:**

Budget process queries: Your Treasury Vote Analyst

Forecasting queries: Jayne Winfield  
[jayne.winfield@treasury.govt.nz](mailto:jayne.winfield@treasury.govt.nz)

CFISnet entry queries: CFISnet Helpdesk (04) 917 6198  
[CFISnet@treasury.govt.nz](mailto:CFISnet@treasury.govt.nz)

**BUDGET 2016: TIMETABLE AND TECHNICAL REQUIREMENTS FOR DEPARTMENTS**

**Introduction**

1. This circular outlines the indicative timetable for the production of Budget 2016, and includes reminders about key items in the production process.
2. The “Budget 2016 Process and Technical Guide for Departments” outlining technical requirements for Budget 2016, is now available on CFISnet. The template annexes in this Guide are also available in Word format on CFISnet as a related file to this Circular.
3. The Treasury will be issuing a circular early in the new year covering the five-year fiscal forecasts. This circular will confirm the timetable and reporting requirements for the five-year forecasts through Budget 2016.
4. Please note that Budget Day for 2016 has not yet been finalised or publically communicated. As such, the production timetable should be considered indicative and sensitive. There is a risk that timeframes may need to be brought forward. The Treasury will release a final timetable for Budget 2016 in February once deadlines have been finalised.



### **Investment Panels**

5. The Treasury will be drawing on the expertise of two advisory panels, one in relation to social sector initiatives and the other in relation to capital initiatives. These panels will be informed by the initiative templates, CBA templates and CBAX assessments submitted on 4 December and which can be refined over early January with your Vote Analyst.

### **Budget Moratorium**

6. There will be a moratorium on Cabinet, Cabinet Committees and joint Ministers approving any financial recommendations after Cabinet agrees the Budget package (expected to be **Monday 18 April**) until Budget Day. Departments must not submit any papers to Cabinet with financial implications during this period. The moratorium exists so that the Budget documents and legislation accurately reflect the fiscal implications of all Government decisions.

Simon McLoughlin  
Fiscal and State Sector Management  
for the Secretary to the Treasury

**BUDGET-SENSITIVE**

**Production Timetable for Budget 2016**

Unless advised otherwise all requirements are due by 1pm.

Requirement	Deadline				More detail
	Budget 2016 Decisions	Budget Economic and Fiscal Update 2016	Budget 2016 Document Production	March Baseline Update	
Social Investment Panel sits	Week of 9 February				-
Last date for coredata changes to be submitted to CFISnet for the March Baseline Update (MBU)	-	-	-	Friday 12 February	Treasury Circular
Investment Panel sits to consider capital initiatives	Week of 15 February				-
Final date for all departments to update and lock CFISnet for MBU changes	-	-	-	Monday 22 February	Treasury Circular
Preliminary five-year fiscal forecasts due from all departments (including forecasting departments <sup>1</sup> ) to be submitted with the MBU exercise	-	Monday 22 February	-	-	TBC (circular will be released in the new year)
<b>Two copies</b> of Minister's MBU submissions for each Vote delivered to the Minister of Finance	-	-	-	Tuesday 23 February	Treasury Circular
Final date for Treasury Vote teams to advise departments of status of MBU updates.	-	-	-	Friday 26 February	Treasury Circular
Departments update CFISnet to reflect any required changes from MBU	-	-	-	Friday 26 February	Treasury Circular
Updated five-year fiscal forecasts due from forecasting departments <sup>1</sup> (updated for economic forecasts)	-	Friday 4 March	-	-	TBC (circular will be released in the new year)
Last date for core data changes	-	-	-	Thursday 10 March	-

<sup>1</sup> Forecasting departments are IRD Crown, Customs tax, MSD, Transport, Treasury and NZDF.

**BUDGET-SENSITIVE**

Requirement	Deadline				More detail
	Budget 2016 Decisions	Budget Economic and Fiscal Update 2016	Budget 2016 Document Production	March Baseline Update	
Departments advise Treasury Vote Teams of any changes to the Fiscal Risks published in HYEPU 2015 and any new matters that may have a material effect on the economic and fiscal outlook	-	Friday 11 March	-	-	Technical Guide
Minister of Finance notifies Ministers of the outcome of the MBU	-	-	-	Week of 14 March	Treasury Circular
Last date to enter "Technical" initiatives into CFISnet for Budget 2016	Friday 18 March	-	-	-	Technical Guide
All "Technical" initiatives financial recommendations due	Wednesday 23 March	-	-	-	Technical Guide
Departments provide relevant Ministers' Offices with near-final Estimates documents (which are also reviewed by Treasury)	-	-	Thursday 24 March	-	Technical Guide
"Significant" initiatives financial recommendations for Votes with no outstanding decisions due	Thursday 31 March	-	-	-	Technical Guide
Final date for all departments (including forecasting departments) to complete five-year fiscal forecasts in CFISnet and lock the BEFU	-	Friday 1 April	-	-	TBC (circular will be released in the new year)
<b>Tranche 1</b> (Votes with no Budget initiatives) Estimates documents to be submitted to Appropriations Minister	-	-	Wednesday 6 April	-	Technical Guide
<b>Tranche 1</b> (Votes with no Budget initiatives) Estimates documents to be submitted to the Minister of Finance	-	-	Thursday 7 April	-	Technical Guide
"Significant" initiatives financial recommendations for all Votes with outstanding decisions at 31 March due	Thursday 7 April	-	-	-	Technical Guide
Departments with output expenses affected by section 21 submit templates to Treasury for all appropriations affected	-	-	Friday 8 April	-	Technical Guide
Cabinet considers "technical" initiatives Budget package	Monday 11 April	-	-	-	Technical Guide

**BUDGET-SENSITIVE**

Requirement	Deadline				More detail
	Budget 2016 Decisions	Budget Economic and Fiscal Update 2016	Budget 2016 Document Production	March Baseline Update	
<b>Tranche 2</b> (Votes with Budget initiatives) Estimates documents to be submitted to Appropriations Minister	-	-	Tuesday 12 April	-	Technical Guide
<b>Tranche 2</b> (Votes with Budget initiatives) Estimates documents to be submitted to the Minister of Finance	-	-	Wednesday 13 April	-	Technical Guide
Cabinet considers "significant" initiatives Budget package	Monday 18 April	-	-	-	Technical Guide
Budget Moratorium begins	Monday 18 April	-	-	-	Technical Guide
Forecasting departments to update their final five-year fiscal forecasts in CFISnet	-	Wednesday 20 April	-	-	TBC (circular will be released in the new year)
Last date for departments to provide Treasury with the Statement of Responsibility.	-	Wednesday 20 April	-	-	TBC (circular will be released in the new year)
<b>Tranche 3</b> (Forecasting departments or Votes requiring changes following Cabinet's consideration of the Budget package) Estimates documents to be submitted to Appropriations Minister	-	-	Friday 22 April	-	Technical Guide
<b>Tranche 3</b> (Forecasting departments or Votes requiring changes following Cabinet's consideration of the Budget package) Estimates documents to be submitted to the Minister of Finance	-	-	Tuesday 26 April	-	Technical Guide

# Budget 2016 Initiatives Process

Guidance for agencies preparing Budget initiatives

September 2015

New Zealand Government

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## About This Guidance

This guidance document sets out expectations for agencies preparing significant initiatives for consideration as part of Budget 2016. It provides a high level timetable as well as detail on what needs to be submitted, and guidance on how to complete the provided Budget Initiative Summary Template and Ministerial letter.

You can find word versions of both the Budget initiative template and the Ministerial letter template on CFISnet > Circulars > Download Circulars.

This document has been written by the Fiscal and State Sector Management team at the Treasury.

### Questions and Feedback

You should use this document as your first point of call for guidance on preparing initiatives for Budget 2016. We welcome feedback on this guidance. Please contact your Vote Analyst in the first instance with any feedback or questions.

## Overview

For Budget 2016 Ministers have expressed increased expectations for the quality of information supporting proposals for new expenditure. New funding is available, however agencies will need to provide better assessment of the impact they are aiming to achieve through new funding, either by addressing existing problems, or by taking advantage of investment opportunities. Cabinet have agreed that all initiatives will require an accompanying assessment of costs and benefits, except for cost pressure initiatives (CAB-15-MIN-0078 refers).

It is also expected that through the Budget process agencies will actively identify the lowest value items of expenditure that can be freed up in order to reprioritise towards expenditure that achieves results for New Zealanders.

Budget 2016 will also see the continued use of existing Ministerial groups focused on the social sector, Business Growth Agenda, and investment management to support Budget Ministers in making final Budget decisions. The aim is to build on the sector approach developed in Budget 2015, providing Ministers groups with greater oversight of each others' initiatives and baselines to encourage better prioritisation across portfolios. Each sector will be supported by different officials' processes. The aim of this guidance document is to make sure expectations for each of these processes are clear.

### Timeline

30 October	Cost pressure information due ( <a href="#">see 2016 Four-year Plan guidance</a> ).
4 December	Budget initiative template and supporting information due - documents uploaded via CFISnet. Letter to Minister of Finance sent - copy provided to Vote Analyst.
9 December	Final Four-year Plans due ( <a href="#">see 2016 Four-year Plan guidance</a> ).
Mid-December	Budget technical guidance released including Estimates Style Guide and an interim Budget 2016 timetable. This timetable will include due dates for the March Baseline Update, financial recommendations, Estimates etc but cannot be finalised until Budget day is confirmed.
Late January	Vote Analysts provide their final assessment on Budget initiatives.
February	Budget day confirmed and final Budget 2016 timetable released.
February-March	Ministerial groups meet and discuss packages of initiatives to present to Budget Ministers (Prime Minister and Finance Ministers).
Late March	Budget Ministers agree final Budget package.
April	Cabinet confirm final Budget package.
May	Option to update 2016 Four-year Plan if department wishes to reflect any significant Government decisions made during the Budget process.

The purpose of seeking initiative information before Christmas is to provide Ministers with high level analysis of the pressures against the allowance and an assessment of the quality of information at this point. Vote Analysts will work with agencies through January to refine the information and test the assumptions underpinning the cost benefit analyses.

## Budget 2016 Decision Process

	Social Sector	Business Growth Agenda	Capital	Other	Cost Pressures
Ministerial Groups	Social Sector Priority Ministers (SSPM)	BGA Ministers Groups	Investment Ministers	Finance Ministers	Relevant Ministers Group (SSPM/BGA etc)
Support for Ministerial Groups	Social Sector Board Social Investment Panel	BGA Leadership Group BGA Workstream Chief Executive Groups	Investment Panel	Treasury  Investment Panel (for operating associated with capital initiatives, or 'as a service' initiatives)	Relevant group depending on work stream (Social Sector/BGA etc)
Template & Ministerial Letter requirements	Submit Budget Initiative Summary Template via CFISnet and have Minister sign letter by <b>4 December</b>	Submit Budget Initiative Summary Template via CFISnet and have Minister sign letter by <b>4 December</b>	Submit Budget Initiative Summary Template via CFISnet and have Minister sign letter by <b>4 December</b>	Submit Budget Initiative Summary Template via CFISnet and have Minister sign letter by <b>4 December</b>	Submit Budget Initiative Summary Template via CFISnet and have Minister sign letter by <b>4 December</b>
Supporting Information Requirements	Assessment of costs and benefits  CBAX mandated  Information on evidence for impact, relevant baseline activity and evaluation plan	Assessment of costs and benefits  (Could use CBAX)	Better Business Case	Assessment of costs and benefits  (Could use CBAX)	Four-year Plan cost pressure analysis (Templates 2A and 2B).

Please note: Budget initiatives are not exempt from other requirements mandated by Cabinet. Specifically, significant capital proposals must be developed in accordance with published Treasury business case guidance and proposals with regulatory implications must be supported by a Regulatory Impact Statement.

## Ministers Groups

Budget Ministers	Rt. Hon John Key, Hon Bill English, Hon Steven Joyce, Hon Paula Bennett
Finance Ministers	Hon Bill English, Hon Steven Joyce, Hon Paula Bennett
Social Sector Priority Ministers	Hon Bill English, Hon Paula Bennett, Hon Dr Jonathan Coleman, Hon Amy Adams, Hon Hekia Parata, Hon Anne Tolley, Hon Nikki Kaye, Hon Michael Woodhouse, Hon Peseta Sam Lotu-liga, Hon Craig Foss, Hon Jo Goodhew, Hon Te Ururoa Flavell
Business Growth Agenda Ministers	<p><b>Building Export Markets:</b> Rt. Hon John Key, Hon Bill English, Hon Steven Joyce, Hon Paula Bennett, Hon Murray McCully, Hon Nathan Guy, Hon Tim Groser, Hon Todd McClay, Hon Craig Foss, Hon Jo Goodhew, Hon Nicky Wagner, Hon Paul Goldsmith, Hon Te Ururoa Flavell</p> <p><b>Building Innovation:</b> Hon Steven Joyce, Hon Amy Adams, Hon Nathan Guy, Hon Craig Foss, Hon Paul Goldsmith</p> <p><b>Building Investment:</b> Hon Bill English, Hon Steven Joyce, Hon Todd McClay, Hon Paul Goldsmith</p> <p><b>Building Infrastructure:</b> Hon Bill English, Hon Gerry Brownlee, Hon Steven Joyce, Hon Paula Bennett, Hon Amy Adams, Hon Simon Bridges, Hon Dr Nick Smith, Hon Nathan Guy</p> <p><b>Building Skilled and Safe Workplaces:</b> Hon Steven Joyce, Hon Hekia Parata, Hon Anne Tolley, Hon Nikki Kaye, Hon Michael Woodhouse, Hon Peseta Sam Lotu-liga, Hon Craig Foss, Hon Louise Upston, Hon Te Ururoa Flavell</p> <p><b>Building Natural Resources:</b> Hon Steven Joyce, Hon Paula Bennett, Hon Simon Bridges, Hon Dr Nick Smith, Hon Nathan Guy, Hon Tim Groser, Hon Maggie Barry, Hon Louise Upston, Hon Te Ururoa Flavell</p>
Investment Ministers	Hon Bill English, Hon Steven Joyce, Hon Paula Bennett, Hon Todd McClay, Hon Peter Dunne

## Support for Ministers Groups

Social Sector Board	Chief Executives from the Ministry of Health, Ministry of Social Development, Ministry of Education, Ministry of Justice, Department of Corrections, New Zealand Police, Te Puni Kōkiri, and the Ministry of Pacific Island Affairs.
Social Investment Panel	The Panel consists of 6-8 experts, including Chief Science Advisor, Sir Peter Gluckman and a Treasury Deputy Secretary, who will provide additional advice on social sector initiatives in Budget 2016. The Panel will consider all new spending proposals, and significant reprioritisation proposals excluding cost pressures in the social sector. There will be two sittings. One in November 2015, as part of a triage process for Budget 2016, and one in February 2016 to assess final initiatives and provide Budget advice to Ministers.
BGA Leadership Group	Chief Executives from Treasury, Ministry of Foreign Affairs and Trade, Ministry of Business, Innovation and Employment, New Zealand Trade and Enterprise, Ministry for Primary Industries, Ministry for the Environment.
Investment Panel	The Panel is an advisory group to Treasury and the Corporate Centre providing advice on investment and asset performance from a “whole of Government” perspective. It comprises of up to eight members selected from across the State Sector on the basis of relevant knowledge and skills. The Panel includes at least one senior Treasury official, representation from GCIO, a Chief Executive or Chief Financial Officer from a department, and a member with commercial acumen. There will be two sittings. One in November 2015 for Budget 2016 initiatives that are ready for discussion, and one in February 2016 for any remaining Budget 2016 initiatives. After both sittings, the Panel will provide advice to Investment Ministers.

# 1 Process for Assessing Initiatives

Initiatives will be assessed through one of the following workstreams: social sector, Business Growth Agenda, capital, or other. These workstreams will provide advice to Budget Ministers who will confirm the final Budget 2016 package. In most instances it should be obvious which stream applies to your initiative, however if this is not clear please talk to your Vote Analyst as early in the process as possible.

This guidance also outlines the information that is expected to be included in an initiative template and supporting documentation. The fundamental requirements for a well supported proposal remain the same as previous years, but Ministers are expecting a higher standard of rigour applied to the case for good return on investment. For Budget 2016 departments should be able to provide robust costings, quantified benefits, a solid understanding of the effectiveness of relevant policies, services or programmes across all applicable agencies, and a plan to evaluate the impact the proposal is having on outcomes.

## 1.1 Four-year Plans and Budget Initiatives

Four-year Plans are the key medium-term planning document for departments and the responsibility of the agency's Chief Executive. The Plan should outline how the department intends to create increasing value for its customers and New Zealanders within the funding and balance sheet it has available. As key stakeholders, Ministers should be involved in the strategic planning process and are required to endorse the final plan.

Ministers will submit Budget initiatives to the Minister of Finance in early December. It is expected that initiatives will be informed by planning discussions with departments and that initiatives will be consistent with the department's Four-year Plan. Departments have an opportunity to update their 2016 Four-year Plan in May to reflect any significant Government decisions made during the Budget process.

Ministers want increased visibility over how departments are planning to use their existing funding to deliver value and how they are managing their cost pressures. The Treasury will be providing Ministers groups and Budget Ministers with information from the Four-year Plans, assessments of the quality of the information and overviews of how the proposed initiatives fit in relation to other activity outlined in the Four-year Plan. This will provide insight in to the relative value of any proposed new initiatives and how well placed departments are to deliver these.

## 1.2 Significant versus Technical Initiatives

Firstly, it is important to clarify that this guidance relates to the submission of significant initiatives. That is, initiatives seeking new funding or that constitute a significant policy decision. Significant initiatives must be weighed against the Government's priorities and demonstrate that other funding avenues have been exhausted.

Technical initiatives are those which do not require new funding and do not constitute a significant policy decision. This includes technical changes to appropriations outside the scope of [Cabinet Office Circular \(15\) 04](#), as well as those that are within the scope of Cabinet Office Circular (15) 04 that miss the March Baseline Update. These changes should in nearly all instances be fiscally neutral. If you require further clarity on the distinction between technical and significant initiatives talk to your Vote Analyst.



Technical initiatives will not be due until after the March Baseline Update. Specific dates for this process will be provided in the technical guidance released in December and confirmed in February. No Budget initiative template or cost benefit analysis is required for technical initiatives, and these initiatives do not need to be included in the Ministerial letter. Please contact your Vote Analyst if you have any questions about technical initiatives.

### 1.3 Social Sector Initiatives

Similar to Budget 2015, the Social Sector package will be considered by Social Sector Priority Ministers (SSPM). There are two tracks within the social sector workstream: a social sector cost pressure track, and a social investment track focusing on the priority population focus groups. For further detail on this process and information specific to the social sector refer to *Social Sector Budget 2016 Process: Additional Information for Agencies*. This document is available on CFISnet. If you do not have access to CFISnet, contact your Vote Analyst. In summary:

- Ministers have agreed priority population focus groups of youth 15-24 and at risk children and their families<sup>1</sup>. Proposals targeting these groups should be identified and considered through the agreed review processes for these groups.
- Any social sector initiatives (except cost pressures) should include a completed CBAX assessment. Note that the *near final* CBAX tool and covering circular is available to agencies via CFISnet or via email on request (see section 4.2).
- SSPM will consider a high-level overview of likely investment options in November to provide signals about which to develop further for formal submission and assessment. Agencies should be prepared to discuss likely proposals with Vote Analysts and provide information on at least the title, a brief description of the approach and expected impact, and an indicative cost range by 30 October.
- A Social Investment Panel is being formed to assist the Treasury in providing advice on proposals and packages. Agencies may be asked to discuss proposals with the Panel in the week of 8 February 2016.

### 1.4 Business Growth Agenda Initiatives

The Business Growth Agenda (BGA) aims to create an economy that grows our productivity and our incomes, and deliver real and ongoing improvements in the quality of life for all New Zealanders. To be successful, this requires action across six workstreams which will be used as an organising framework for Budget 2016: Building Export Markets, Building Innovation, Building Investment, Building Infrastructure, Building Safe and Skilled Workplaces, and Building Natural Resources.

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<sup>1</sup> Defined as a focus on families with children aged 0-5 for whom at least two of the following risk factors apply (1) Child Youth and Family finding of abuse or neglect, (2) caregiver with a Corrections history, (3) long-term benefit receipt, (4) mother has no formal qualifications.

Initiatives that relate to achieving these goals will be considered as part of the BGA process. The key elements of the BGA process are:

- Budget initiatives submitted and allocated to one of these workstreams. In most cases this will be obvious from the initiative, but if not then the Vote Analyst will make a call in discussion with the proposing agency.
- Any non-cost pressure (current policy settings) initiatives must include a completed CBA assessment (at a minimum the first three steps outlined on page 18).
- The Treasury will assess the initiatives and work together with the Chief Executive groups to provide advice on priorities for each of the workstreams.
- The corresponding BGA Ministerial group will discuss and confirm priorities for their workstream. This process will be supported by the CE groups that exist for each group and the Treasury.
- Ministers Joyce and English will consider the relative trade-offs across the Business Growth Agenda and submit a package for consideration by Budget Ministers.

As the advice on the priorities and the package for BGA develops the BGA Leadership Group and appropriate BGA Ministers will be consulted as necessary.

## 1.5 Capital Initiatives

Capital initiatives to be funded in Budget 2016 will be considered by Investment Ministers. The Investment Panel will be used to provide independent advice to Investment Ministers including a recommendation on funding, commentary on the relative value of the initiative and commentary on the initiative's alignment to government, sector or agency strategies.

All initiatives in Budget 2016 which have a capital component will need to be brought forward for discussion with the Investment Panel either in the November 2015 (if the proposal is advanced enough at that point) or February 2016 panel sittings by the agency sponsoring the initiative. This includes initiatives that will have operating components that will be considered under other Budget 2016 workstreams.

Where capital initiatives seek associated operating funding, The Treasury will identify where operating components need to be considered in operating packages and ensure consistent recommendations.

## 1.6 Other Initiatives

Where operating initiatives do not fit into the Social Sector, BGA or Capital workstreams, these initiatives will be considered 'Other' initiatives and considered by Finance Ministers.

The 'Other' package of initiatives often includes the operating associated with agreed capital initiatives. The Investment Panel and Investment Ministers consider the whole of life cost of an initiative, so in these instances 'Other' initiatives will be assessed through the Capital process.

## 1.7 Cost Pressure Initiatives

From this year, departments are asked to describe all of their significant departmental and non-departmental cost pressures as part of the [2016 Four-year Plan guidance](#). As part of their analysis, departments should signal what actions they are planning to undertake to deliver better value to their customers while managing costs. As CAB-15-MIN-0078 notes, it is expected that cost pressures will be funded from baselines. Where this is not possible, Ministers may decide to submit a Budget initiative. The information provided with the Four-year Plan *does not* constitute a Budget initiative in itself, but will be used to provide Ministers with context for any cost pressure initiative that arises. Cost pressures that cannot be managed within baselines need to be submitted as an initiative in CFISnet by 4 December along with a completed Budget Initiative Summary Template.

Cost pressure initiatives will be considered through the appropriate workstream, i.e. social sector, BGA, other etc. There is no separate workstream for cost pressures, only separate supporting information requirements.

Cost pressure initiatives should be submitted using the same breakdown as submitted in the template 2A as part of the Four-year Plan process, so that we can understand how the initiatives relate to their cost pressures. This means that separate initiatives should be entered into CFISnet for each component – e.g. one initiative for the volume component and another for the wages component. Note for these purposes ‘wages’ should include an aggregate of bargaining/remuneration and progression.

## 1.8 Savings Initiatives

If agencies are submitting savings initiatives, meaning those which involve returning of funding to the centre, they should complete any relevant fields in the Budget Initiative Summary Template. No specific supporting information is required for savings initiatives, however it is expected that agencies provide their Vote Analyst with any relevant material to support the assessment of the initiative.

Agencies can expect that as the decision phase of Budget progresses, Ministers will ask agencies to provide options for savings or reprioritisation to fund initiatives either within their Vote, or more broadly across a sector. Agencies should be prepared for these requests.

## 1.9 Cross Agency and System Initiatives

Where an initiative has funding implications for more than one agency only one template and cost benefit analysis is required. If the initiative is jointly owned by a number of Ministers it is entirely appropriate for the initiative to be included in each Ministers’ letter. For information about how to enter a cross agency initiative in CFISnet see page 23. Cross agency initiatives will be assessed via the most appropriate workstream.

In Budget 2015 system initiatives, those identified as having broad benefits across the system, were funded through mandatory baseline contributions. For Budget 2016, functional leads have been asked to provide an early indication of any potential system Budget initiatives. Ministers will need to consider what funding mechanism is appropriate once they have assessed the quality of the initiatives and the impacts they will have.

## 2 Completing the Budget Initiative Summary Template

The Budget Initiative Summary Template is provided in Annex 1. A Microsoft Word version is available on CFISnet. This section provides guidance on how to approach answering the questions in the template.

For Budget 2016 the initiative template for agencies has been merged with the Vote Analyst assessment template. Agencies must complete the blue fields and Vote Analysts will complete the grey fields. The completed template will be made available to sector and Budget Ministers. Vote Analysts will share the completed template with agencies before it is provided to Ministers.

### 2.1 Descriptive Information

<b>Vote</b>	[Must match CFISnet entry]
<b>Responsible Minister</b>	[Must match CFISnet entry]
<b>Initiative title</b>	[Must match CFISnet entry]
<b>Initiative description</b>	[Must match CFISnet entry]
<b>Ranking</b>	[Must match CFISnet entry]

Funding Sought (\$m)	2015/16	2016/17	2017/18	2018/19	2019/20 & outyears	TOTAL
<b>Operating</b>	-	-	-	-	-	-
<b>Capital</b>	-	-	-	-	-	-

#### Titles and descriptions

When completing this section of the template it is important that you match the information provided with the information input into CFISnet. These fields have a character limit of 100 characters for the title and 300 characters for the description. This information is used to automatically generate the financial recommendations used to produce the Budget Cabinet papers.

In addition, for Budget 2016 the Treasury will be publishing a document on Budget day that provides the title and description of every approved initiative (with the exception of those provided for in contingency). It will reduce a significant amount of rework for the Treasury and agencies if titles and descriptions for initiatives can be agreed as early in the process as possible. **We recommend agencies work with their communications teams to ensure the descriptions are written in plain English, without the use of public sector-specific jargon or acronyms, and can be understood by a member of the general public.**

#### Ranking

Rankings should reflect the relative Ministerial priority of this initiative against all the other initiatives being submitted for this Vote. You cannot rank initiatives equally – each initiative must have a different number. The process of ranking initiatives will assist your agency and your Vote Analyst in determining where the most effort needs to be placed.

## Funding table

You should note that the 'Funding Sought' table goes out to '2019/20 & outyears' which indicates that the final year of funding requested is required in perpetuity. If this is not the case and your proposal requires time limited funding until the year 2019/20 please delete the '& outyears' from the table. If your proposal requires time limited funding beyond 2019/20, please add new columns to the table to reflect the profile of funding sought.

Note that CFISnet only allows you to enter the first four years of funding, and when you come to complete your financial recommendations the appropriation tables will need to be manually changed to reflect the requested profile.

## 2.2 Supporting Information Requirements

The initiative template is intended as a summary only and it is expected that supporting information will be provided for all initiatives to support your answers. The standard requirement is that all initiatives should be supported by a cost benefit analysis (CBA). The only exception to this is cost pressure initiatives which should link back to the information departments provided as part of their Four-year Plans.

The requirement to provide a CBA is not different from previous years, however more emphasis is being placed on it for Budget 2016. The Cost Benefit Analysis Template in Annex 2 has been designed to assist in this process (see section 3). Section 3 also provides a useful explanation of what we mean by 'cost benefit analysis', and how much detail is expected. Section 4 of this document discusses the tools and guidance available to assist agencies with completing a CBA.

Please provide your Vote Analyst with any other useful documents that will help them with their assessment – this should include a detailed cost break down of your initiative, and could include where relevant business case, capital asset management plan, implementation/ evaluation plan etc. This information should support the answers provided in the template.

Capital proposals must be supported by a [Better Business Case](#) developed in accordance with Treasury guidance. Proposals with regulatory implications must be supported by a [Regulatory Impact Statement](#) (RIS). If the RIS is not complete by the 4 December deadline, please ensure it is completed as soon as possible in negotiation with your Vote Analyst.

Capital proposals that are supported by a Better Business Case do not need to also complete a CBA template (Annex 2). The CBA should be incorporated as part of the Better Business Case. It would be useful to clearly signpost this information for your Vote Analyst.

### **Has Cabinet previously considered this initiative? Please provide a Cabinet reference and any supporting material.**

Please note if Cabinet has previously considered the policy initiative and what the decision was. For example, an in-principle policy agreement was made or it was considered at a previous Budget. If any supporting material was provided this should be noted, for example a Regulatory Impact Statement or Business Case. The relevant Cabinet Minute should also be provided.

## 2.3 Strategic Alignment

### **How does this initiative fit with your agency's strategic intentions and align with the Government's priorities?**

It is expected that in answering this section you will reference your strategic intentions as set out in your 2016 Four-year Plan. You should discuss how this initiative aligns with any stated priorities or strategies specific to your portfolio, how it will form part of your long term investment plan, or support an all of government strategy (e.g. Better Public Services result areas, Business Growth Agenda, Government ICT Strategy etc). Reference should also be made to the Government's four priorities:

- Responsibly managing the Government's finances
- Building a more productive and competitive economy
- Delivering better public services within tight fiscal constraints, and
- Rebuilding Christchurch, our second-biggest city.

### **What is intended to be achieved, for whom?**

Ministers are increasingly interested in understanding the individuals or groups of individuals that will benefit from a policy intervention. Agencies should set out what this initiative is intended to achieve for which target group of the population. Where initiatives contribute to improving outcomes for the priority groups identified by Ministers this should be explicitly stated – e.g. Social Sector initiatives where relevant should make specific reference to 15-24 youth and at risk children and their families. Answers should consider both short-term outcomes and longer-term economic and social impacts.

It is also useful to remember that the Public Finance Act 1989 requires agencies to provide a concise explanation of 'what is intended to be achieved' and 'how performance will be assessed' for each appropriation, category of a multi-category appropriation and reportable outputs. Guidance on how to go about doing this is available [on Treasury's website](#).

### **How does this initiative relate to current activity(s) undertaken by your agency and/or by others across the State Sector?**

Answers should provide a brief discussion of the size, scope and effectiveness of existing activity and how the initiative will either replace or be integrated with this activity. What existing activities would this initiative complement/replace/support? Are these activities undertaken by your agency or other agencies in your sector?

### **Please list the agencies or non-government organisations that you have consulted in the process of developing this initiative.**

It would be useful for social sector agencies in particular to consider SOCMin(15)13/6 which directed officials to ensure that any future social sector policy proposals or progress reports to SOC reference the government's wider social sector initiatives and investment approach.

## 2.4 Impact Analysis

### **Detail the costs and benefits of this proposal.**

It is a requirement that each Budget 2016 initiative be supported by a cost benefit analysis (with the exception of cost pressure initiatives). Agencies should complete the Cost Benefit Analysis Template provided in Annex 2 and then provide a short summary of the expected costs and benefits in this section of the Budget Initiative Summary Template. This summary will be used to provide high level information to Ministerial groups and Budget Ministers.

### **What alternative options did you consider? Why did you choose your preferred option?**

This question is asking about alternative options for the policy intervention, method of delivery etc, rather than alternative options for funding. Please note any alternative options you considered to reach the same or similar objectives and provide reasons why the alternatives were not pursued. Supporting information should outline evidence for the intended impact of your preferred option as against alternate options. How will the preferred intervention produce desired outcomes?

## 2.5 Legislative and Regulatory Implications

This section of the template asks you to detail, as you would in a Cabinet paper, the legislative implications of your initiative and whether the Regulatory Impact Analysis (RIA) requirements apply. If the RIA requirements apply to your initiative, a Regulatory Impact Statement (RIS) and a quality assurance (QA) statement on the RIS must be provided to your Vote Analyst. If this is not completed by 4 December, please ensure you are able to provide a completed RIS to your Vote Analyst as soon as possible in negotiation with your Vote Analyst. If the RIS is not quality assured by your agency QA panel, the Treasury will perform the QA (see page 22 for further explanation of the QA process).

## 2.6 Affordability

### **What strategic trade-offs would be required to fund this initiative from baselines?**

This question asks you to detail what activity would have to stop or be scaled down in order to fund the proposed initiative from baselines. It would be useful to also indicate the likelihood of this initiative being progressed in absence of new funding.

### **Provide an option for scaling, phasing and/or deferring this initiative.**

Present an option for a scaled back version of the initiative and outline the risks associated with that option. Does deferring this initiative present a service delivery risk? Is it practical to fund only the first year of this initiative as a pilot with subsequent years funding dependent on evaluation?

### **Describe the implications on service delivery if this funding is not approved or deferred.**

Please outline the implications of the status quo in terms of opportunities missed or additional risks of service failure.

## 2.7 Delivery and Risk Management

### What are the risks to delivering this initiative? How will these risks be mitigated?

The table below provides an overview of the sorts of risks agencies should consider when answering this question.

Categories of Risk	Possible Sources of Risk	Notes
External and environmental risks	Political Economic Social/demographic Technological changes Legislative Environmental Commercial	These are external to the organisation and can be more difficult to mitigate or manage.
Business risks	Cross agency initiatives Governance and stakeholders inter-dependencies (to/from other programmes and projects) resources and funding	Where these are within the control of the organisation they can be mitigated.
Service risks	Specification Time-scale Change management Project management Costs and benefits Training and users Suppliers, availability Performance and Volumes	These risks are associated with the design, build, funding, and operational phases of a new service.

### What capability is required to deliver this initiative? Does this capability exist or will it need to be built?

Agencies should reference the workforce section in their Four-year Plan. How well placed is your agency to deliver your current strategic objectives, and how would this new initiative impact this? Does your agency have in house capability to deliver this initiative, or will your agency be procuring the capability or contracting it out?

## 2.8 Implementation and Evaluation

### How will this initiative be managed and implemented?

In many cases achieving intended outcomes is highly dependent on implementation factors such as capability and leadership, funding sustainability, existing baseline activity, local factors etc. Please provide your Vote Analyst with an implementation plan or information describing your agency's approach to developing a plan.



### **When will this initiative be evaluated and how will performance be assessed?**

Proposals should be accompanied by supporting information on the plan to test the impact that the programme, service, policy or regulation is having on the target group. This should track outcomes or results or outputs, wherever appropriate. How would you know if this initiative has had, or has not had, the intended impact? How will you track the performance of this initiative over time against a scenario where the initiative is not implemented? What are the critical points in the implementation of this initiative where performance will be assessed, and what are the options for scaling it up or down? Answers provided in the template should provide a high level summary of this evaluation plan.

The Social Policy Evaluation and Research Unit (SuPERU) have developed a set of [New Zealand specific evaluation standards](#) that set out the expectations of the evaluation process, practices and products. While this guidance is written for social sector agencies, the principles in particular are relevant across government. We recommend that agencies use this guidance when preparing their evaluation plans.

As noted above, the Public Finance Act 1989 requires agencies to provide a concise explanation of 'how performance will be assessed' for each appropriation, category of a multi-category appropriation and reportable outputs. Guidance on how to go about doing this is available [on Treasury's website](#).

## 3 Completing the Cost Benefit Analysis Template

The Cost Benefit Analysis Template is attached in Annex 2. A Microsoft Word version is available on CFISnet.

All Budget 2016 initiatives need to be supported by a CBA, except for cost pressure initiatives. To meet this requirement, agencies should complete the CBA template provided in Annex 2. This template has been designed to assist agencies through the key steps for completing a CBA. It can be completed using outputs from CBAX, however CBAX is only a requirement for social sector initiatives.

### *What do we mean by cost benefit analysis?*

Cost benefit analysis (CBA) is a tool for evaluating policy. CBA is first and foremost an organising principle. It is about organising in a logical and methodical way whatever information is available and enabling comparison across different options. Treasury's [Cost Benefit Analysis Guidance](#) outlines the seven main steps of a CBA.

Step 1: Define policy alternatives and counterfactual

Step 2: Identify the people who gain and those who lose

Step 3: Identify the benefits and costs; allocate to time periods

Step 4: Quantify the benefits and costs within ranges

Step 5: Discount to a common period, compare benefits with costs

Step 6: Is the result clear enough? If not, consider whether it is worth investing in more research, and repeat above steps

Step 7: Write report

At a minimum, it is expected that agencies will complete at least the first three steps for all non-cost pressure Budget 2016 initiatives. The first three steps require only thinking and familiarisation with the issue. Valuation of costs and benefits is usually more difficult, but this is not a reason not to make an attempt. The CBAX tool is designed to assist agencies with this step (see section 4.2).

Effort should be proportionate to the scale of the proposal. Therefore, initiatives with significant impacts and/or cost should be supported by a detailed CBA that quantifies all costs and benefits. You should work together with your Vote Analyst to determine how much detail is required.

The analysis presented in the Cost Benefit Analysis Template should be summarised in the Budget Initiative Summary Template. The more detailed analysis will be used by Vote Analysts to help form their assessments, but may be made available to Ministers on request.

Please contact your Vote Analyst in the first instance if you have any questions.

### Calculating present value

The direct fiscal cost of the initiative needs to be discounted, to give a lower weight to costs that occur further into the future. This discounted value is known as the present value, and allows us to compare initiatives that have different cost profiles over time. Treasury's [CBA guidance](#) explains present values, and how to calculate them, in more detail.

The CBAX spreadsheet tool has a simple calculator that you can use to convert your initiative cost into a present value, or you can do it yourself.

### Simple example of discounting

Year	0	1	2	3	4	5	Total
Benefits	0.00	40.00	40.00	40.00	40.00	40.00	200.00
Costs	100.00	50.00	0.00	0.00	0.00	0.00	150.00
Discount factor	1.00	0.93	0.86	0.79	0.74	0.68	-
Discounted benefits	0.00	37.04	34.29	31.75	29.40	27.22	159.71
Discounted costs	100.00	46.30	0.00	0.00	0.00	0.00	146.30

Discount factor =  $1/(1.08^N)$ , where N = the year (i.e. 0, 1, 2, 3, 4, or 5), and 1.08 is the discount rate of 8%.

Discounted costs and benefits for any year = the cost or benefit in that year multiplied by the discount factor in that year, as shown above.

Present value of benefits = the sum of all discounted benefits = 159.71

Present value of costs = the sum of all discounted costs = 146.30

## 4 Tools and further guidance

The initiative template is intended to be a summary only as it is unlikely that the case for any significant initiative can be made without providing further information on rationale, costs, benefits, options, implementation or evaluation. Agencies should upload supporting information to CFISnet or provide them to their Vote Analyst.

Agencies should consider the information and analysis that would be expected for a report to Ministers, a Cabinet paper, business case or regulatory impact statement if the proposal was being made outside the Budget process. As this information is standard for any policy or service proposal, it is not an additional compliance cost for Budget. Comments on the quality of summary and supporting information will be provided to sector and Budget Ministers.

This section briefly discusses additional tools and guidance available to you in preparing the information to support your Budget 2016 initiative.

### 4.1 Cost Benefit Analysis Guidance

The Treasury has recently released an updated [CBA Guidance](#) which replaces the previous CBA Primer. This is a useful place to start.

The approach this guidance document takes is that firstly, all significant decisions should be supported by a CBA. A rough CBA is better than no CBA, but it encourages undertaking a comprehensive CBA where the importance of the decision warrants it. It outlines the main steps and organising principles that agencies should adopt, and provides some short-cuts, or standard values that will generally be acceptable for inclusion in analysis.

### 4.2 CBAX

To assist agencies with their cost benefit analysis (CBA) assessments, and to enable a more robust comparison across different initiatives, the Treasury has recently developed a CBA tool known as CBAX. CBAX is a spreadsheet tool that helps agencies monetise impacts and undertake return on investment analysis. The CBAX tool has a database of standard values that supports agencies in valuing impacts and enables consistency of information and assumptions.

As agreed in CAB-15-MIN-0078 CBAX is a requirement for non-cost pressure social sector initiatives in Budget 2016. The tool can also be applied to initiatives in other workstreams.

The near final CBAX tool and covering circular is now available via CFISnet and via email on request. Over the next month work will continue to improve the tool – specifically, expansion of the database and independent quality assurance of the model. The final Budget 2016 version of the CBAX tool will be publicly released on the [Treasury website](#) in October. Agencies should use this final version for their assessments due in December. The earlier version is being made available to ensure agencies can become familiar with the tool as soon as possible and begin work on developing inputs.

The Treasury, with social sector agencies, has set up a CBAX Community of Practice. All agencies are welcome to participate and can be added to the CBAX mailing list. For support using CBAX please contact your Vote Analyst or the Treasury CBAX team at [CBAX@treasury.govt.nz](mailto:CBAX@treasury.govt.nz).

## 4.3 Better Business Case

Better Business Cases (BBC) is a systematic way to prepare business cases for programmes or projects that will provide information required for decision makers to invest with confidence. BBC uses the “five-case” model to answer five key questions:

- The Strategic Case. Is there a compelling case for change that justifies the proposed initiative?
- The Economic Case. Does the preferred investment option optimise value for money?
- The Commercial Case. Is the proposed initiative commercially viable?
- The Financial Case. Is the proposed initiative affordable?
- The Management Case. How can the proposed initiative be delivered successfully?

As stated in Cabinet Office Circular (15) 05, BBC is required for any investment seeking new Crown capital funding. Therefore for all proposed initiatives with a capital dimension seeking funding in Budget 2016, a Better Business Case will be expected as supplementary information supporting that proposal.

The Treasury advocates the BBC framework be used for all types of business cases, regardless of which party has the decision rights.

For more information see the [Treasury website](#) or email [betterbusinesscases@treasury.govt.nz](mailto:betterbusinesscases@treasury.govt.nz).

## 4.4 Regulatory Impact Analysis

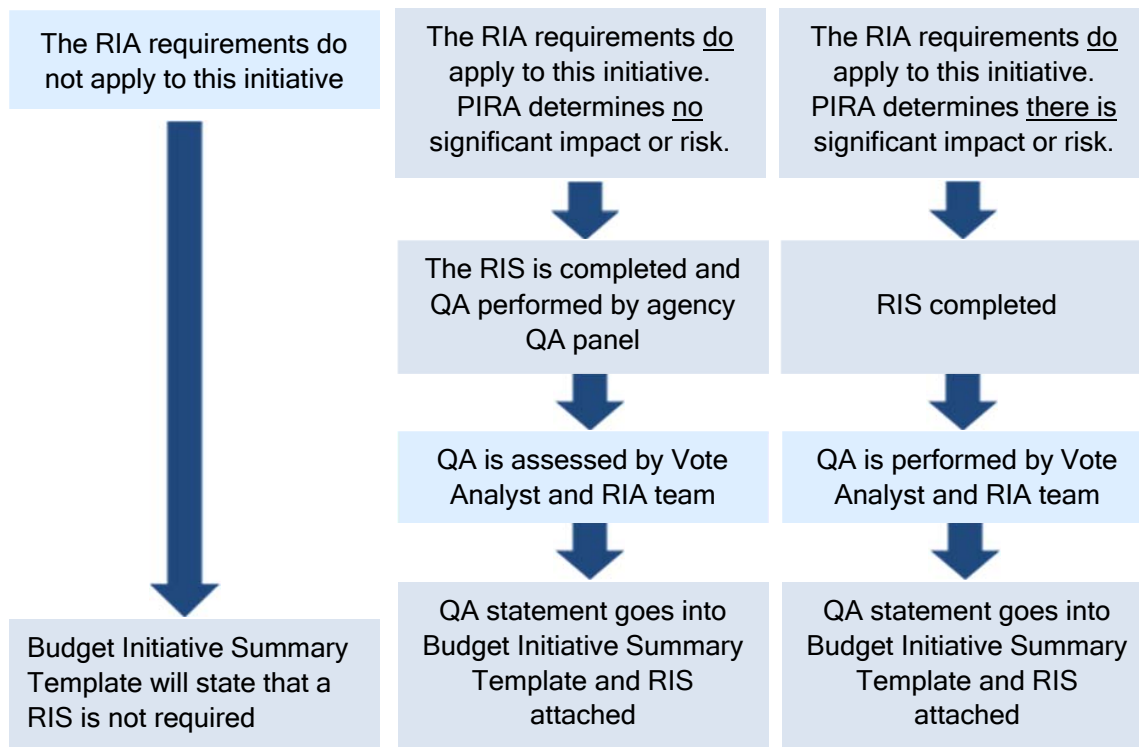
Regulatory Impact Analysis (RIA) is a systematic approach to policy analysis that includes regulatory options. The RIA framework provides both a structure and process intended to assist policy advisors in undertaking that analysis. RIA has been a formal Cabinet requirement since 1998. The RIA requirements apply to any proposal that:

- considers options that involve creating, amending or repealing legislation (either primary legislation or disallowable instruments for the purposes of the Legislation Act 2012); and
- is expected to result in a Cabinet paper (this includes Budget Cabinet papers).

If the RIA requirements apply to your agency Budget initiative then a Regulatory Impact Statement (RIS), which summarises the RIA work undertaken by policy advisors, will need to be completed and quality assured. The process for quality assurance depends on if the regulatory proposal is considered likely to have significant impact or risk. To determine if the initiative is likely to have significant impact or risk, you will need to prepare a Preliminary Impact and Risk Assessment (PIRA).

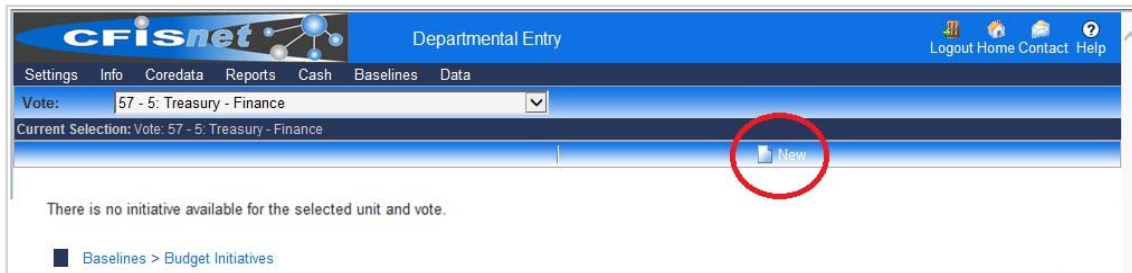
For more information see the [RIA handbook](#) or email [RIA@treasury.govt.nz](mailto:RIA@treasury.govt.nz).

### QA process for proposals with regulatory implications in Budget 2016

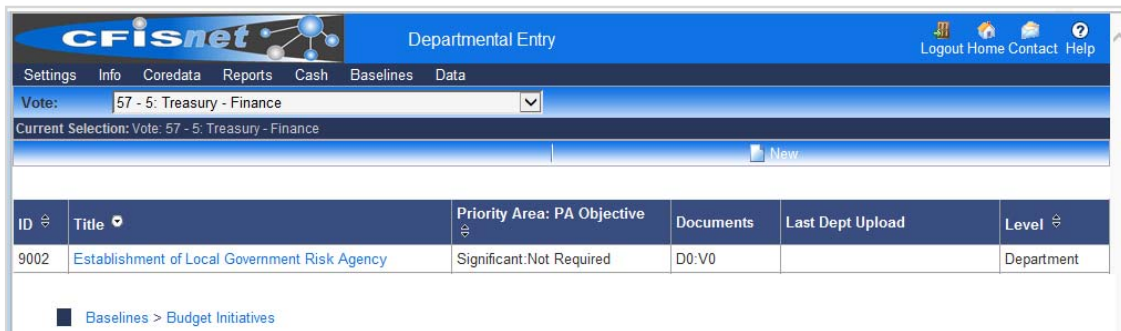


## 5 CFISnet Requirements

This section provides a brief overview of how to upload an initiative to CFISnet. Further guidance is available on the relevant [CFISnet help page](#). Initiatives can be uploaded via CFISNet > Baselines > Budget Initiatives > Initiatives Entry.



The above page will be blank until at least one initiative has been saved



Once saved, the initiative can be further edited by clicking on the title of the initiative. Editing is removed when the Level is changed to "Bilateral". Bilateral decisions are entered once Budget Ministers have agreed the Budget package. (The term 'Bilateral' refers to the days when Budget decisions were made on a bilateral basis.)

### Cross agency initiatives

Where an initiative will be delivered by more than one agency and appropriation changes will be required in more than one Vote, a separate initiative will need to be entered under each affected Vote. This is because CFISnet generates financial recommendations by Vote based on the information provided in the Budget initiative module.

If you are unclear on how the funding will be split across agencies at the point at which you submit this information in December, the best approach is to have one agency submit the full cost and another submit a place holder bid with zeros. Please ensure the titles and descriptions match.

## Cost Pressure Initiatives

Cost pressure initiatives should be submitted using the same breakdown as used in the Four-year Plan templates. A separate initiative should be entered into CFISnet for each component. Please ensure the titles and descriptions match.

## Budget initiative input page

The screenshot shows the CFISnet Departmental Entry form. The form includes the following fields and sections:

- Vote:** 57 - 5: Treasury - Finance
- Title:** [Text input field]
- Description:** [Text input field]
- Initiative Type:** [Dropdown menu: Reprioritisation Within Vote]
- Priority Area:** [Dropdown menu: Significant]
- PA Objective:** [Dropdown menu: Not Required]
- Minister:** [Dropdown menu: Hon Peter Dunne]
- Ranking:** [Text input field: 100]
- Commercial In Confidence:**
- Upload Document:** [Text input field] [Browse...]
- Funding Sought:**

	2015/16	2016/17	2017/18	2018/19	2019/20
	\$000	\$000	\$000	\$000	\$000
<b>Operating:</b>					
Gross:	[0]	[0]	[0]	[0]	[0]
Savings/Revenue:	[0]	[0]	[0]	[0]	[0]
Net:					
<b>Capital :</b>					
Gross:	[0]	[0]	[0]	[0]	[0]
Savings/Revenue:	[0]	[0]	[0]	[0]	[0]
Net:					
- Calculate:** [Button]

**Titles and descriptions** must match those provided in your Budget initiative template and Ministerial letter. The title field has a 150 character limit and the description field has a 400 character limit. This information flows through to the financial recommendations module and will appear in the Cabinet paper.

The **Initiative Type** drop down selection asks you select from one of the following categories: Cost Pressure - Volume, Cost Pressure - Wages, Cost Pressure - Prices, Cost Pressure - Policy, New Policy (Operating), New Policy (Capital), Savings (Return to the Centre), Transfer Between Votes, Reprioritisation Within Vote. Please select the option most appropriate for the initiative.

**Priority Area** allows you to specify if an initiative is 'Significant' or 'Technical'. Please refer to section 1.1 for an explanation of the difference between significant and technical initiatives. It is important to make the correct selection as this flows through to the financial recommendations module and determines which Cabinet paper this initiative will appear in (the technical package is agreed a week before the significant).

**PA Objective** is no longer required.



Selection of **Minister** should be straightforward in most instances. If you are entering a cross-agency initiative being submitted by more than one Minister, the Minister entered here should be the Minister responsible for your Vote. In order to complete the financial recommendations, a separate initiative will need to be entered for each affected Vote. If the split across Votes remains unclear at the time of submitting initiatives in December, enter one initiative reflecting the total cost. New initiatives can be entered later in the process.


Provide a **Ranking** for each initiative (1 being the highest priority) representing the relative priority of this initiative against other initiatives in the Vote. Cross-agency initiatives should be ranked by the lead agency. No two initiatives within a Vote should be given the same ranking. For further advice on ranking, please contact your Vote Analyst.

**Commercial-in-confidence** should be selected if your initiative is commercially sensitive. This will mean that only Vote Analysts with direct access to the Vote will be able to see the detail.

The **Upload Document** function should be used to upload the completed Budget initiative template (Annex 1) and all supporting documentation. Maximum file size is 4Mb.

For the **Funding Sought** input if the initiative involves a mix of spending/savings/revenue the 'Calculate' button in the bottom left will calculate net amounts.

Funding Sought:		2015/16	2016/17	2017/18	2018/19	2019/20
		\$000	\$000	\$000	\$000	\$000
Operating:	Gross:	<input type="text" value="10"/>	<input type="text" value="20"/>	<input type="text" value="30"/>	<input type="text" value="40"/>	<input type="text" value="50"/>
	Savings/Revenue:	<input type="text" value="1"/>	<input type="text" value="2"/>	<input type="text" value="3"/>	<input type="text" value="4"/>	<input type="text" value="5"/>
	Net:	9	18	27	36	45
Capital :	Gross:	<input type="text" value="110"/>	<input type="text" value="120"/>	<input type="text" value="130"/>	<input type="text" value="140"/>	<input type="text" value="150"/>
	Savings/Revenue:	<input type="text" value="6"/>	<input type="text" value="7"/>	<input type="text" value="8"/>	<input type="text" value="9"/>	<input type="text" value="10"/>
	Net:	104	113	122	131	140

 Calculate

If the initiative involves transfers between agencies, one agency will need to enter a positive initiative, and the other will need to enter a separate initiative with the offsetting savings. Ensure titles and descriptions are aligned.

If the initiative is seeking funding for a multi-year appropriation agencies should enter the indicative spending profile. The financial recommendations will be adjusted manually to reflect the authority for the multi-year appropriation.

If the initiative requires funding beyond out year 4, this should be reflected in the Budget initiative template and the financial recommendations will be adjusted manually to reflect the authority for the out year funding.

If your initiative is partially funded by revenue other (i.e. levies, charges, third party funding), the net amount sought should only be for the Crown revenue. The financial recommendations module allows you to seek authority for appropriation for the gross amount.

### Input fields not required for 2016

This is the area immediately below the 'Calculate' button. Performance information was last sought via CFISnet for Budget 2011. You do not need to complete these fields in CFISnet as all relevant performance information should be provided in supporting documentation.

**Performance Information:**

Option1 - where performance/outputs can be expressed in a table

Type	Title	Unit	2015/16	2016/17	2017/18	2018/19	2019/20	
Quar	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	Delete
Quar	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	Delete
Quar	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	Delete

Add

And/Or Option2 - where performance/outputs are best expressed as text

Not Required

Recommended Decision in Budget 2011

Not Required

Risk if B2011 decision not made

Not Required

Gateway Review Number

Not Required

Whole of Life Cost

Not Required

[Baselines > Budget Initiatives](#)

Not required

## 6 Ministerial Letter

For Budget 2016 your Minister is required to write a letter to the Minister of Finance listing the initiatives they wish to be considered through the Budget process. The purpose of this letter is to establish clear Ministerial ownership of the initiatives early in the process.

It is also the intention that these letters will be shared with other Ministers as part of early prioritisation discussions. The approach of collegial scrutiny was adopted in Budget 2015 for the social sector process. The visibility this provided was very useful to the process.

You may alter the template to suit your agencies needs. Please ensure the titles and descriptions provided in the letter align with those entered into CFISnet, and provided in the Budget initiative template. As stated elsewhere, the titles and descriptions of approved initiatives will be made available to the public on Budget day (usually they are published as part of the proactive release). It is important that Ministers have early oversight and are happy with these details in order to avoid rework later in the process.

When completing the fiscal implications table, please refer to the guidance under section 2.1 to ensure it is presented consistently with the Budget initiative template.

Please complete this template and ensure it has been **signed by your Minister before 4 December**. Budget initiative templates and cost benefit analyses are due on 4 December.

# Annex 1: Budget Initiative Summary Template

Please note that a Microsoft Word version of this template is available on CFISnet.

This template seeks a high-level summary of the Budget 2016 significant initiatives. Agencies are required to complete the blue fields – your Vote Analyst will complete their assessment in the grey fields. Please also refer to the Guidance document available on CFISnet, which provides detail on supporting information requirements for your initiatives. This supporting information must be provided to your Vote Analyst.

Work stream
[Social Sector/ BGA/Capital /Other]

<b>Vote</b>	[Must match CFISnet entry]
<b>Responsible Minister</b>	[Must match CFISnet entry]
<b>Initiative title</b>	[Must match CFISnet entry, see page 12 of the Guidance]
<b>Initiative description</b>	[Must match CFISnet entry, see page 12 of the Guidance]
<b>Ranking</b>	[Must match CFISnet entry, see page 12 of the Guidance]
<b>Responsible Vote Analyst</b>	[Please provide your name and extension number]

Funding Sought (\$m)	2015/16	2016/17	2017/18	2018/19	2019/20 & outyears	TOTAL
<b>Operating</b>	-	-	-	-	-	-
<b>Capital</b>	-	-	-	-	-	-

VA Recommendation	2015/16	2016/17	2017/18	2018/19	2019/20 & outyears	TOTAL
<b>Operating</b>	-	-	-	-	-	-
<b>Capital</b>	-	-	-	-	-	-

<b>Vote Analyst Recommendation</b>	[Support/Do not support/Partial support/Defer]
<b>Degree of government commitment</b>	[Please provide a short explanation of your recommended funding option]
	[Pre commitment/manifesto commitment/discretionary]

Supporting Information	
<b>Please list the supporting documents provided to your Vote Analyst.</b>	[All initiatives must have a <b>completed Cost Benefit Analysis Template</b> , except for cost pressure initiatives. Significant capital investment proposals are required to be supported by a Better Business Case, as outlined in CO(15)05. If the Regulatory Impact Analysis requirements apply to your initiative please attach a Regulatory Impact Statement. See page 13 of the Guidance for further information about specific requirements. Contact your Vote Analyst in the first instance with any queries.]
<b>Has Cabinet previously considered this initiative? Please provide a Cabinet reference and any supporting material.</b>	[See page 13 of the Guidance]

**Vote Analyst Comment**

[Please provide a comment on the quality of the supporting information provided. Have the costs and benefits of this proposal been adequately assessed? Has your agency met the Better Business Case or Regulatory Impact Analysis requirements where relevant? Do you have enough information to provide your assessment? If not, where possible, provide the agency's reason for not providing this information.]

**Strategic Alignment**

<b>How does this initiative fit with your agency's strategic intentions and align with the Government's priorities?</b>	[See page 14 of the Guidance]
<b>What is intended to be achieved, for whom?</b>	[See page 14 of the Guidance]
<b>How does this initiative relate to current activity(s) undertaken by your agency and/or by others across the State Sector</b>	[See page 14 of the Guidance]
<b>Please list the agencies or non-government organisations that you have consulted in the process of developing this initiative.</b>	[See page 14 of the Guidance]

**Vote Analyst Comment**

[Please rate this initiative's alignment with Government priorities on a scale from **0-5**. Please also provide a short comment on the answers provided by your agency – does this initiative align with the strategic intentions of the agency as outlined in their Four-year Plan? Is the strategic intent of this initiative clear? Has the agency clearly outlined who this initiative will target and what it is intended to achieve? Has your agency worked with other agencies where relevant in developing this initiative? Do they have a clear understanding of how this initiative will fit in with existing activity across the State Sector?]

**Impact Analysis**

<b>Provide a summary of the costs and benefits of this proposal.</b>	[Please summarise the impact analysis section of your Cost Benefit Analysis Template. See page 15 of the Guidance.]
<b>What alternative options did you consider? Why did you choose your preferred option?</b>	[See page 15 of the Guidance]

**Vote Analyst Comment**

[Please rate this initiative on a scale from **0-5** reflecting the benefits relative to the costs. Please explain your rating and provide a short comment on the quality of the cost-benefit analysis and the reliability of the inputs.]

**Legislative and Regulatory Implications**

<b>Please detail any legislative implications and whether the RIA requirements apply.</b>	[If the RIA requirements apply please attach the RIS. See page 15 of the guidance for specific information about the requirements.]
---	---

**Vote Analyst Comment**

[Please use this space to insert the QA statement if applicable. See page 21 of the guidance for information on QA - contact the RIA team if you have any questions.]

Affordability	
What strategic trade-offs would be required to fund this initiative from baselines?	[See page 15 of the Guidance]
Provide an option for scaling, phasing and/or deferring this initiative.	[See page 15 of the Guidance]
Describe the implications on service delivery if this funding is not approved or deferred.	[See page 15 of the Guidance]

**Vote Analyst Comment**

[Please provide a brief comment on the quality of the agency's Four-year Plan and discussion of strategic trade-offs. Do you agree with the agency's assessment of the impact of not approving this initiative?]

Delivery and Risk Management	
What are the risks to delivering this initiative? How will these risks be mitigated?	[See page 16 of the Guidance]
What capability is required to deliver this initiative? Does this capability exist or will it need to be built?	[See page 16 of the Guidance]

**Vote Analyst Comment**

[Please rate this initiative **red, amber or green** according to your assessment of risks associated with the delivery of this initiative. Consider the size of the proposal relative to the agency's activity, any cross agency impacts, and impacts to front-line service delivery.]

Implementation and Evaluation	
How will this initiative be managed and implemented?	[See page 16 of the Guidance]
When will this initiative be evaluated and how will performance be assessed?	[See page 17 of the Guidance]

**Vote Analyst Comment**

## Annex 2: Cost Benefit Analysis Template

Please note that a Microsoft Word version of this template is available on CFISnet.

This template is a way of organising whatever information you have in a consistent and systematic way. It should be relevant for all initiatives. The level of detail required depends on the size of the initiative and the information available. Impacts should be quantified where possible, but the template can also be used to analyse descriptive, unquantified impacts.

The CBAX tool and database can help you estimate a dollar value for quantified impacts. The CBAX tool and supporting information is available on <http://www.treasury.govt.nz/publications/guidance/planning/costbenefitanalysis/cbax>. Contact [CBAX@treasury.govt.nz](mailto:CBAX@treasury.govt.nz) for support.

The Treasury's [Cost Benefit Analysis Guidance](#) has more information on how to do cost benefit analysis (CBA).

Public sector agencies should use this CBA Template to meet the CBA requirements as set out in the Budget guidance. Please refer to the Budget guidance and contact your Treasury Vote Analyst if you have questions about the template or how much detail to include. This template has been updated to be consistent with the CBAX Tool User Guidance, especially the illustrative example. The information required is unchanged.

### Section A Descriptive Information

<b>Vote</b>	[Must match CFISnet entry, if a Budget initiative]
<b>Responsible Minister</b>	[Must match CFISnet entry, if a Budget initiative]
<b>Initiative title</b>	[Must match CFISnet entry, if a Budget initiative]

Funding Sought (\$m)	2015/16	2016/17	2017/18	2018/19	2019/20 & outyears	TOTAL
<b>Operating</b>	-	-	-	-	-	-
<b>Capital</b>	-	-	-	-	-	-

#### Problem Definition

Please describe the problem or opportunity that this proposal seeks to address and the counterfactual (what would happen if the proposal doesn't go ahead). Be specific about who the problem affects and how it affects them.

#### Initiative Description

Please describe what the initiative will provide or produce, and how this will address the problem or opportunity identified. This description can be more detailed than the description provided in Budget documentation.

#### Alternative Options Considered

What alternative options did you consider and why did you choose your preferred option?

## Section B Impact Analysis

### Impact Analysis

Discuss all of the impacts (costs and benefits) that the proposal will have on New Zealanders and the government.

- Describe the impacts (including **financial, social** and **environmental** impacts) that you can identify, whether or not they can be quantified. Be specific about which individuals or groups will be affected, how and when.
- Include primary and flow-on (secondary) impacts. For instance, a proposal to train individuals to get employment may increase their income, and also have a secondary impact on their use of health services.
- **Quantify** these impacts if possible. For instance, 'number of emergency visits avoided', or 'client waiting times reduced by x hours'. If you can, also **monetise** the impacts by converting them into a dollar value, e.g. 'money saved from reduced emergency visits'. Ranges may also be used, with wider ranges indicating more uncertainty.
- The **CBAx** spreadsheet tool can help you estimate the dollar value impacts of policy changes, drawing from a common database of impact values.
- The impacts presented should be the additional positive and negative impact of the proposal, compared to what would happen if the proposal doesn't go ahead (the **counterfactual**).
- Discuss the assumptions and evidence informing your analysis of these impacts. Assess how strong the evidence is, and how well the results can be applied to this proposal. Be specific about how effective the policy is assumed to be across different groups (e.g. is there a positive impact for all students on a training programme, or only the ones who complete the course?). Discuss which assumptions have the greatest impact on the results of your analysis.
- Discount Rates. For comparative purposes, all initiatives should use the 8% real discount rate as a default, and do a sensitivity analysis with a 4% real discount rate (the rounded risk free rate). A project-specific rate can also be added where this is warranted (talk to your Vote Analyst if you want to add another discount rate).<sup>2</sup>

### Impact Summary Table

Fill out the table below to summarise the costs and benefits of the proposal.

Start by including the estimated impact on **key outcomes**. This should be the biggest, most immediate impact. If this impact can be converted into monetary values, include these values in the next part of the table (government/wider society benefits and costs). Also include unquantified impacts on people or the government, and the fiscal cost of the initiative. In the example below, the key impact is on employment outcomes, which creates benefits for the government (reduced welfare spending) and individuals (higher income), as well as unquantified impacts on mental health and education.

Present any **monetary impacts** (including the fiscal cost) in present value (PV) terms using the discount rates above. This converts future cash flows into today's dollar terms and enables comparison between initiatives with different patterns of costs and benefits over time. Treasury's CBA guide explains PV and how to calculate it in more detail. The CBAx spreadsheet tool also has a simple calculator you can use to convert your initiative cost into a PV.

Summarise the **assumptions and evidence** that inform your assessment of each impact.

You can include an **additional option** or scenario to show how impacts change with different assumptions or policy settings.

Calculate the **net present value (NPV)** of your initiative using all the monetised benefits and costs set out in the Impact

<sup>2</sup> List of Treasury recommended discount rates:

<http://www.treasury.govt.nz/publications/guidance/planning/costbenefitanalysis/currentdiscountrates>



Summary Table below. This NPV calculation won't include unquantified benefits and costs, so the figure isn't the final word on whether a proposal should be funded. You can discuss how unquantified impacts affect your assessment in the conclusions section. Agencies should use a time period for their NPV calculation that corresponds with the time period over which the costs and benefits will be realised.

**Impact Summary Table (with illustrative fictional example using the CBAX tool and database for NPVs)**

<b>Impacts - Identify and list</b> \$m present value, for monetised impacts	<b>Option/scenario</b> 1	<b>2</b>	<b>Assumptions and evidence</b> (quantify if possible, and use ranges where appropriate)	<b>Certainty</b> <sup>3</sup>
<b>Estimated impact on key outcomes</b>				
Increased employment outcomes	72 percent points	-	Expect 36% of participants to get into work after one year and another 36% of participants to get into work after two years. This is relative to counterfactual of no employment for the individuals. The success rate is based on international experiences, with New Zealand context to be assessed. Assumes only 25% of income for displacement etc effects. <sup>4</sup> Assumes the employment is ongoing 50 years (length is over-optimistic and to be refined).	Medium
<b>Cost of the Initiative</b>				
Fiscal operating and capital costs of the initiative <sup>5</sup>	(10.8)	-	40 participants per year for 5 year pilot. Annual operating expenditure of \$1.2 million for 5 years, and \$6 million one-off.	High
<b>Government Benefits/(Costs)</b>				
Additional tax revenue (adjusted to 25%)	1.7	-	Assumes 36% of participants move from benefit to earning the minimum weekly wage and another 36% earn an average wage for someone with a level 4-6 trade, with 25% adjustment. Marginal tax impact relative to tax on the Jobseeker Support benefit.	Medium
Reduction in Jobseeker Support benefit	15.4	-	Assumes an on-going reduction in benefit payments for 72% of the participants.	Medium
Reduction in health and justice sector costs	1.1	-	Provides proxy for flow-on reduction in health and justice sector costs. Assumes for all participants: emergency department visits are reduced from 3 to 2 visits annually for 50 years, and police hours are reduced from 5 to 3 hours annually for 20 years.	Low
<b>Total Quantified Government Impact</b>	<b>18.2</b>	-	The main assumptions relate to employment outcomes, and the length of these.	Medium

<sup>3</sup> Rate your level of confidence in the assumptions and evidence as high (green) if based on significant research and evaluations that is applicable, medium (amber) if based on reasonable evidence and data, or low (red) if there is little relevant evidence. Colour the rating box for each impact.

<sup>4</sup> Only 25% of the income generated is counted to reflect displacement effects and opportunity costs from individuals going from unemployment to employment. See *Guide to Social Cost Benefit Analysis* and *CBAX Tool User Guidance* (page 15).

<sup>5</sup> This present value of the initiative costs, including both operating and where relevant capital spending, should be included for all initiatives. Other fiscal flow-on costs and benefits that are not included in the initiative costs are to be set out in a separate row.

Wider Societal Benefits/(Costs)				
Extra personal income generated (after tax, and adjusted to 25%)	8.5	-	Assumes 36% of participants move from benefit to earning the minimum weekly wage and another 36% earn an average wage for someone with a level 4-6 trade, with 25% adjustment.	Low
Costs of attending	(Small)	-	There are short term costs to individuals of attending.	Low
Mental health improvements	Large	-	International evidence finds that moving into work can improve mental health outcomes. Limited New Zealand evidence.	Low
Improved education outcomes for children	Modest	-	Having parents who are unemployed for more than 2 years makes children 30% less likely to pass NCEA 2. Intergenerational impacts.	Medium
<b>Total Quantified Wider Societal Impact</b>	<b>8.5</b>	-	Wider societal impacts arise mainly from employment assumptions: income/mental health and impacts for participants' children.	Low
<b>Net Present Value of Total Quantified Societal Impacts</b>	<b>15.9</b>	-		Medium

## Section C Conclusions

### Conclusions

Considering quantified and unquantified impacts, does the analysis suggest that the benefits of the proposal exceed the costs, and to what extent? What is your level of confidence about this result, and what are the key sensitivities and assumptions that could change your conclusion?

If the impacts are predominantly unquantified and unmonetised, or based on little evidence, another way to approach the impact conclusion and make an overall judgement is to base this judgement on the known fiscal initiative costs and assess how effective the policy would need to be for the benefits to exceed the initiative's costs, and to assess how likely that success rate is. In the illustrative example, this judgement could consider what proportion of participants would need to find employment and not receive benefit payments for the initiative's overall benefits to outweigh the \$10.8 million initiative costs.

### Summary of monetised results [only fill this out if you have monetised costs and benefits]

Fill this table out with the NPV, benefit cost ratio and return on investment for your initiative. These can all be calculated with the information you included in the summary table above, and is available in the CBAX Output Summary (NB totals can vary due to rounding). We ask you to present all these measures, because they each provide a different perspective on the costs and benefits of an initiative.

Use ranges for values where appropriate	Discount Rate	
	8% real (default)	4% real (sensitivity)
Net Present Value (NPV) <sup>6</sup>	\$15.9	-
Benefit Cost Ratio (BCR) <sup>7</sup>	2.56 (2.56 = \$27.7m / \$10.8m)	-
Return on Investment (ROI) – Societal Total <sup>8</sup>	2.56 (2.56 = \$27.7m / \$10.8m)	-
Return on Investment (ROI) – Government <sup>9</sup>	1.7 (1.8 = \$18.2m / \$10.8m)	-

### Supporting Evidence

To substantiate assumptions and certainty ratings, please include links to supporting analysis or evidence here. This should include references to the research, evaluation and data sources that informed your assumptions, for instance about the effectiveness rate of your initiative and the counterfactual.

This would set out the New Zealand and international evidence for the assumptions.

This could set out the evaluation options linked to the initiative assumptions, especially if the evidence is limited.

---

<sup>6</sup> **Net Present Value (NPV)** - The NPV is the sum of the discounted benefits, less the sum of the discounted costs (relative to the counterfactual). This gives a dollar value representing the marginal impact on the collective living standards of all New Zealanders of the initiative, in today's dollar terms.

<sup>7</sup> **Benefit Cost Ratio (BCR)** - The BCR is the ratio of total discounted benefits to the total discounted costs. A proposal with a BCR greater than 1.0 has a positive impact, because the benefits exceed the costs. The BCR is the same as the Return on Investment Societal Total, unless there are negative impacts in addition to the fiscal cost of the initiative. All negative impacts are included in the denominator for the BCR measure. For example, the BCR measure would reduce if the private cost to people of attending was monetised for the illustrative example and therefore included in the denominator for the BCR calculation.

<sup>8</sup> **Return on Investment (ROI) - Societal Total** - Calculate the ROI by dividing the discounted net change in wider societal impact, including benefits to government, by the discounted cost of the initiative. This can be interpreted as the impact on New Zealanders per dollar the government spends on the initiative, as an example for every \$1 the government spends on this programme, New Zealanders receive benefits of \$3.

<sup>9</sup> **Return on Investment (ROI) – Government** – Calculate the ROI by dividing the discounted net change in impact for the government by the discounted cost of the initiative. This measures the discounted net marginal (fiscal) benefits to the government.

## Annex 3: Ministerial Letter Template

*Please note that a Microsoft Word version of this template is available on CFISnet.*

Hon Bill English  
Parliament Buildings  
WELLINGTON

Dear Minister,

I am submitting the initiatives outlined in Annex 1 for Vote [Name] for consideration as part of the Budget 2016 process.

*[Please provide a brief summary of how you arrived at the set of initiatives you are putting forward. This should include why these cannot be funded from within existing baselines and how these represent the next highest value spend after the initiatives that will be funded within your Vote's existing funding levels. It should reference your department's Four-year Plan and what actions the department is taking to create increasing value for its customers and New Zealanders with its existing operating funding and balance sheet; for example what reprioritisation, efficiency savings and changes to delivery is your department proposing or undertaking. It should highlight any key choices that need to be made to live within baselines; for example changes to policy settings, expectations, or the quality/quantity of services provided.*

*This overview should also set out what would happen should these initiatives not be funded. This does not need to cover the consequences of not funding which are set out in the initiatives themselves. It should set out whether any of these initiatives would still be progressed if new funding is not provided and how. It will be assumed that no new initiative will be delivered should additional funding not be provided unless otherwise set out in this letter.]*

**Annex 1 – Budget 2016 Initiatives for Vote [Name]**

**Title of Initiative [Must match CFISnet]**

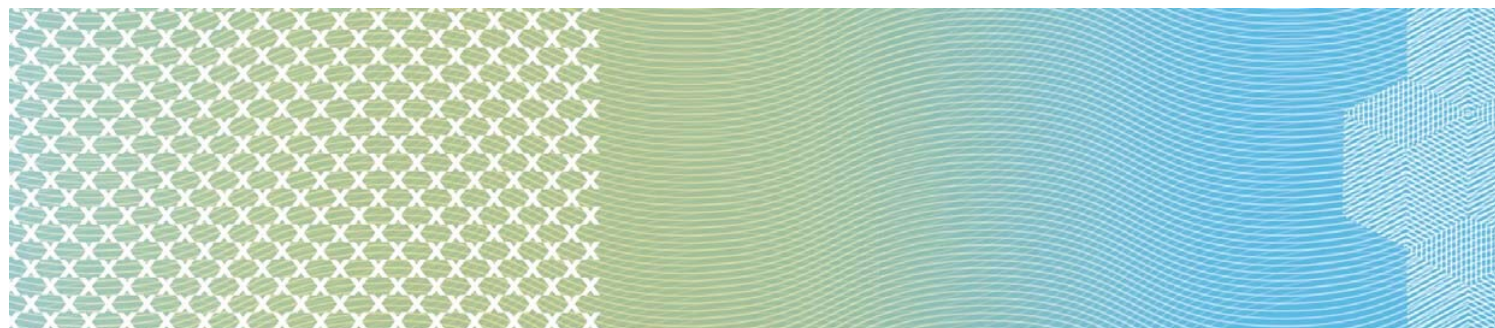
Description of initiative [Must match CFISnet]. This description should be concise and written without any sector specific jargon or acronyms. Please note that if the initiative is approved this description will be published on Budget day and should be written to be understood by a member of the general public. You may wish to consult your communications team when preparing this description. Initiatives should be listed in order of their priority ranking.

<b>Funding Sought (\$m)</b>	<b>2015/16</b>	<b>2016/17</b>	<b>2017/18</b>	<b>2018/19</b>	<b>2019/20 &amp; outyears</b>	<b>TOTAL</b>
<b>Operating</b>	-	-	-	-	-	-
<b>Capital</b>	-	-	-	-	-	-

**Title of Initiative [Must match CFISnet]**

Description of initiative [Must match CFISnet]. This description should be concise and written without any sector specific jargon or acronyms. Please note that if the initiative is approved this description will be published on Budget day and should be written to be understood by a member of the general public. You may wish to consult your communications team when preparing this description. Initiatives should be listed in order of their priority ranking.

<b>Funding Sought (\$m)</b>	<b>2015/16</b>	<b>2016/17</b>	<b>2017/18</b>	<b>2018/19</b>	<b>2019/20 &amp; outyears</b>	<b>TOTAL</b>
<b>Operating</b>	-	-	-	-	-	-
<b>Capital</b>	-	-	-	-	-	-



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Chief Financial Officers

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CFISnet: CFISnet Helpdesk (04) 917 6198  
[CFISnet@treasury.govt.nz](mailto:CFISnet@treasury.govt.nz)

## **BUDGET 2016: BUDGET INITIATIVE PROCESS AND TIMETABLE**

1. This circular covers the timetable and process for Budget initiatives through to January 2016.
2. The “Budget 2016 Initiative Process: Guidance for agencies submitting Budget initiatives” document is now available on CFISnet. The template annexes in this document are also available in Word format on CFISnet as a related file to this circular.
3. The Treasury will issue a circular before Christmas covering the indicative timetable for the remainder of the production of Budget 2016. The “Budget 2016 Process and Technical Guide for Departments” will be released alongside the December circular.

### **Timetable**

4. Below are the key dates for Departments through to the end of January. Most of this is consistent with previous years. The specific requirements around cost pressure information and a Ministerial letter are different to Budget 2015.

30 October	Cost pressure information due (see 2016 Four-year Plan guidance)
4 December	Budget initiative template and supporting information due – documents uploaded via CFISnet. Letter to Minister of Finance sent – copy provided to Vote Analyst.
9 December	Final Four-year Plans due (see 2016 Four-year Plan guidance)
Mid-December	Budget technical guidance released including Estimates Style Guide and an interim Budget 2016 timetable. This timetable will include due dates for the March Baseline Update, financial recommendations, Estimates etc but cannot be finalised until Budget day is confirmed.
Late January	Vote Analysts provide their final assessment on Budget initiatives

5. Beyond January, it is expected that the timeframes for Budget 2016 will be similar to previous years.

February	Budget day confirmed and final Budget 2016 timetable released
February-March	Ministerial groups meet and discuss packages of initiatives to present to Budget Ministers (Prime Minister and Finance Ministers)
Late March	Budget Ministers agree final Budget package
April	Cabinet confirm final Budget package
May	Option to update 2016 Four-year Plan if department wishes to reflect any significant Government decisions made during the Budget process

### Guidance document

6. The “Budget 2016 Initiative Process” guidance document sets out expectations for agencies submitting initiatives for consideration as part of Budget 2016. It provides a high level timetable as well as detail on what needs to be submitted, and guidance on how to complete the provided Budget Initiative Summary Template and Ministerial letter.

7. The guidance includes information on the processes for social sector, Business Growth Agenda, capital and other initiatives (Part 1), details the supporting information requirements (Part 2) and provides detailed CFISnet instructions (Part 5).

8. The guidance also includes a Budget Initiative Summary Template (Annex 1), a Cost Benefit Analysis Template (Annex 2), and a Ministerial Letter template (Annex 3). These templates are also available in Word format on CFISnet as related files to this circular.

9. Accompanying the main guidance the “Social Sector Budget 2016 Process: Additional Information for Agencies” document provides detail on the aspects of the Budget 2016 process that are specific to social sector agencies.

### Technical initiatives

10. Technical initiatives are those which do not require new funding and do not constitute a significant policy decision. This includes technical changes to appropriations outside the scope of Cabinet Office Circular (15) 04, as well as those that are within the scope of Cabinet Office Circular (15) 04 that miss the March Baseline Update. These changes should in nearly all instances be fiscally neutral.

11. Technical initiatives will not be due until after the March Baseline Update. Specific dates for this process will be provided in the technical guidance released in December and confirmed in February. No Budget initiative template or cost benefit analysis is required for technical initiatives, and these initiatives do not need to be included in the Ministerial letter. Please contact your Vote Analyst if you have any questions about technical initiatives

Simon McLoughlin  
Team Leader, Fiscal and State Sector Management  
For Secretary to the Treasury





# Social Sector Budget 2016 Process

Additional Information for Agencies

September 2015



**THE TREASURY**  
Kaitohutohu Kaupapa Rawa

New Zealand Government

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## About This Guidance

This document provides additional information for social sector agencies on the social sector Budget workstream as agreed by Social Sector Priority Ministers (SSPM) and Cabinet.

The document covers:

- Part 1: Overview - key features and dates
- Part 2: Social Sector Process - more information on the main stages in the process
- Part 3: Making the Case - additional guidance on information and evidence expectations for social sector initiatives

While this guidance is as complete as possible at the time of publication, some parts of this process will continue to evolve based on Ministers' discussions and decisions that are yet to happen (e.g. place based approaches). Updates will be provided as further information is available.

The Treasury is planning a workshop on the social sector Budget 2016 process and expectations, which is currently scheduled for Monday 28 September. Please contact your Treasury Vote Analyst if you wish to attend.

This document has been written by the Fiscal and State Sector Management Team at the Treasury.

### Related documents

The steps and expectations outlined in this guidance are in addition to the core Budget process and requirements. This guidance supplements the documents referred to in the table below, and agencies should familiarise themselves with these before reading this document.

Ref	Document name	Where the document can be found
1	Four-year Plan Guidance	<a href="http://www.ssc.govt.nz/four-year-plans">http://www.ssc.govt.nz/four-year-plans</a>
2	Budget 2016 Initiative Process Guidance	Available on CFISnet <sup>1</sup>
3	Budget Initiative Template	Annex 1 in the <i>Budget 2016 Initiative Process Guidance</i> document, and a Word version can be found on CFISnet
4	CBA Template	Annex 2 in the <i>Budget 2016 Initiative Process Guidance</i> document, and a Word version can be found on CFISnet
5	CBAx Guidance for Budget 2016 Circular	Available on CFISnet

### Questions and Feedback

We welcome feedback on this guidance. Please contact your Vote Analyst in the first instance with any feedback or questions.

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<sup>1</sup> If you do not have access to CFISnet, contact your Treasury Vote Analyst and they will email you the document.

# 1 Overview

Budget 2016 will set the foundations for social investment. Ministers have outlined their commitment to focusing on the effectiveness of base as well as new spending, which means moving resources to what works. There will be increased scrutiny on initiatives, with an expectation that all new proposals be supported by evidence-based Return on Investment (RoI) assessment. There will also be an increased focus on evaluation and feedback loops.

## 1.1 Key features and process at a glance

In addition to the standard Budget process, the following steps or expectations have been agreed by Social Sector Priority Ministers (SSPM) and Cabinet:

- **SSPM will lead the social sector process and develop a package** including social investment initiatives targeting population focus groups, other sector priorities, and unmanaged cost pressures to be considered by Budget Ministers. The Treasury will support SSPM with cross-sector prioritisation advice and proposal assessments.
- **All new initiatives (excluding cost pressures) will be considered together in the social investment track** along with review reprioritisation options. Priority is likely to be given to population focus group initiatives. Investment track initiatives will be combined with cost pressure initiatives to form an overall social sector package. No decisions have been taken on the amount of new funding for the package or for any component parts.
- SSPM agreed to **population focus groups** (at risk 0-5 year olds and their families, and 15-24 youth – see section 2.1 for fuller definitions) for reviewing the impact of current programmes and highlighting investment and divestment options. Minister Parata and the Ministry of Education are leading the youth work, and the Ministry of Health (as part of the Social Sector Investment Change Programme) are leading the 0-5 work.
- Budget 2016 will provide **greater transparency about how cost pressures and baselines are being managed** across state sector agencies. Cost pressure information is due to the Treasury on 30 October. This will inform an overview paper for SEC on all state sector cost pressures on 2 December and further discussions with SSPM.
- An initial **'triage' discussion(s) in November** on savings and investment proposals from the reviews and other Ministerial priorities to signal which to prioritise for further development. Agencies should be prepared to provide the title, brief description of the initiative, rationale and intended impact, and an estimate of costs by 30 October.
- The Treasury is convening a **Social Investment Panel** to meet in early February. The panel will support the Treasury to provide advice to SSPM about proposals and packages. The Departmental Science Advisors will support this panel on request. The role and membership of the Panel will be confirmed with SSPM.
- All initiatives (except cost pressures) must be submitted with a completed **CBAX assessment of return on investment, where appropriate** on 4 December.

- Budget 2016 will explore **place based approaches** to delivery of initiatives to improve results for the focus groups and other vulnerable New Zealanders. This work is being led by the Social Sector Board (SSB) under the Social Sector Investment Change programme. Discussions are ongoing with SSPM and any decisions will be integrated into the Budget process.

## 1.2 Social Sector Initiative ‘Check List’

When preparing an initiative for the social sector workstream:

- Discuss early with your Treasury Vote Analyst the initiative type (cost pressure or social investment track initiative) to agree the appropriate process and requirements like CBAX.
- Consider discussing the initiative early with a relevant Departmental Science Advisor who may be able to assist with advice on developing, testing or presenting the evidential case.
- If an initiative impacts on or is otherwise relevant to the focus population groups, make the initiative known to the review team:
- Ministry of Education for 15-24 year old youth: [ruth.shinoda@education.govt.nz](mailto:ruth.shinoda@education.govt.nz)
- Ministry of Health (as part of the Social Sector Investment Change Programme) for at risk 0-5 year olds and their families: [stephnie\\_roberts@MOH.govt.nz](mailto:stephnie_roberts@MOH.govt.nz)
- Signal the title, brief description of the initiative, rationale and intended impact, and an estimate of costs by 30 October.
- Have the Minister sign-off the initiative and include it in their letter to the Minister of Finance that is due by 4 December.
- By 4 December, upload the following to CFISnet:
- A Budget Initiative Template (see Annex 1 of the *Budget 2016 Initiative Process Guidance*. See *Related Documents* on page 2)
- A CBA Template (see Annex 2 of the *Budget 2016 Initiative Process Guidance*. See *Related Documents* on page 2) and completed CBAX spreadsheet<sup>2</sup> (not required for cost pressure initiatives).
- Other supporting information documents (all initiatives) including evaluation plans where appropriate.
- Be prepared to discuss the initiative with the Social Investment Panel in the week of 8 February 2016, and/or Social Sector Priority Ministers as requested.

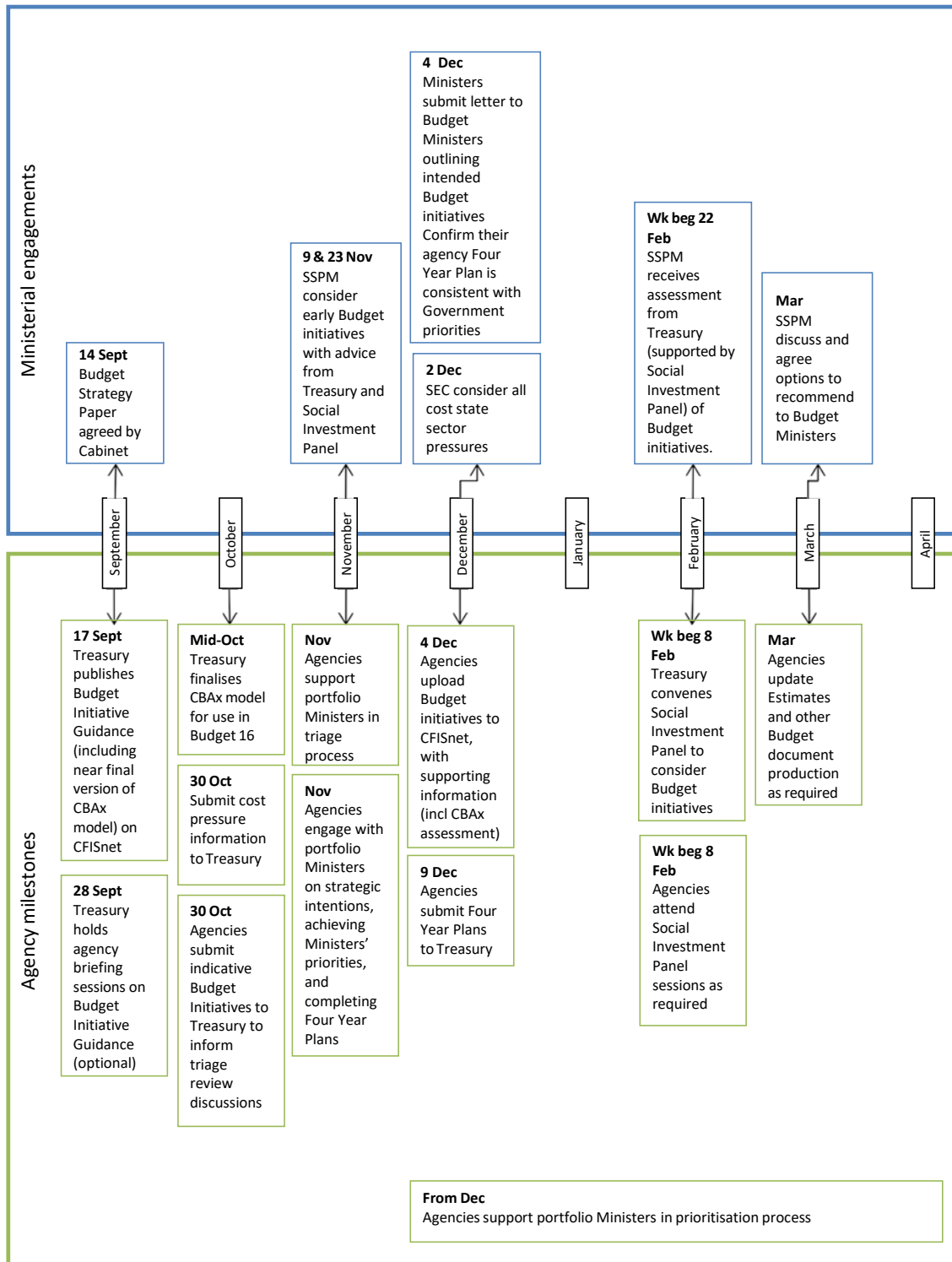
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<sup>2</sup> The near final CBAX spreadsheet is available on CFISnet now, or you can contact [cbax@treasury.govt.nz](mailto:cbax@treasury.govt.nz). The final Budget 2016 CBAX spreadsheet will be made publicly available in October at <http://www.treasury.govt.nz/publications/guidance/planning/costbenefitanalysis/cbax>.



### 1.3 Key dates

The figure below provides a summary of the key dates for social sector agencies. The top portion outlines the main Ministerial engagement points, and the bottom portion outlines the main agency milestone dates.



## 2 Social Sector Process

The social sector workstream follows the stages of the overall Budget process:

- **30 October:** Agencies submit cost pressure analysis
- **4 December:** Ministers submit initiatives
- **9 December:** Agencies submit Four-year Plans
- **December – April:** Treasury carries out assessment of initiatives working with Minister groups on advice to Budget Ministers for April Cabinet decisions.

This section explains the key features of the social sector workstream in addition to other Budget 2016 workstreams. Annex 1 provides a visual overview of the structure of the social sector workstream.

The social sector workstream consists of two tracks: social investment and cost pressures.

### 2.1 Social Investment Track

All new social sector initiatives (excluding current policy cost pressures) will be considered through the social investment track. This includes priority focus group proposals and other initiatives advancing Ministerial priorities. The track will be treated as a net package covering new funding and reinvestment of lower value spending.

#### Population focus and reviews

SSPM have agreed two priority focus groups to focus attention on in Budget 2016. Attention will be on both value from base spend and investment opportunities. The focus groups are:

1. **Vulnerable 0-5 year olds and their families** with two or more of four specific risk characteristics:
  - CYF finding of neglect or abuse
  - Caregiver with a corrections history
  - Long-term benefit receipt
  - Mother has no formal qualifications.
2. **15-24 youth review** which Ministers have agreed will inform Budget 2016 decisions.

SSB agencies are carrying out these reviews covering information on:

- Population characteristics, geographic concentration, key outcomes and risk factors, including refinement of who is the most vulnerable 15%
- Services currently being provided to these groups and what is known about effectiveness
- Identification of the lowest value 15% of current spend

The reviews are expected to identify good investment opportunities that may be advanced through either national or place based approaches.

All new proposals seeking improvements for the targeted groups, whether identified through the main review process or by individual agencies, should be tested through the overall focus group process before being submitted to the Treasury or SSPM. For example, any initiatives related to the Children's Action Plan should be identified to the 0-5 review team.

Both reviews should be providing current service assessment and initial investment options by 30 October to feed into the November triage discussions. Decisions on whether any proposals are then developed collectively as part of a youth or 0-5 package, or whether individual agencies pick up specific initiatives can be taken at this time.

All investment proposals arising from the reviews will be treated as Budget initiatives and should be entered into the main Budget assessment process by 4 December. CBAX assessment is required as for other initiatives. The Treasury is working with agencies to ensure similar information requests and assessment criteria are being used in the reviews and for the main Budget process.

### Other priority initiatives not targeting the focus groups

Any other initiatives not targeting the focus population groups will also be considered in the social investment track. Examples could include some manifesto proposals, expansions of existing services, or good quality initiatives not targeting priority groups.

Assessment of all initiatives will include weighting for alignment with the priority groups. Initiatives not supporting the population focus groups should expect additional scrutiny on why the initiative cannot be funded by reprioritising lower value spend. The *Budget Initiative Summary Template* (see *Related Documents* on page 2) asks agencies to identify the options to fund an initiative from baselines.

There will be full transparency to SSPM of all self-funded initiatives and redeployment of resources within votes. Any significant policy decisions need to be identified in the Budget process.

All likely initiatives should be signalled to the Treasury by 30 October (see section 2.3 *November Triage*).

### Is there a social sector allocation?

No formal funding signals have been given for a social sector allocation or any component parts. Signals may be considered in November, based on better pressure and priority information, to set prioritisation parameters. This could include a set amount for developing youth or 0-5 packages.

The social sector workstream is intended as a net package allowing redistribution of resources to the best impact spend. No decisions have been taken on specific savings treatment.

## 2.2 Cost Pressures Track

SSPM have requested the Budget 2016 process is transparent about how cost pressures and baselines are being managed and treated across agencies.

Cost pressure initiatives are those which seek funding to provide for an increase in the cost of existing activity. The [2016 Four-year Plan guidance](#) (published 30 June) sets out a universal approach to collecting cost pressure information from all public sector agencies.

Cost pressure initiatives must relate to existing policy settings. Decisions to increase availability of an existing service or increase a subsidy level (for example) will be treated as new initiatives through the social investment track.

The guidance asks agencies to provide a breakdown of their cost pressures by cost pressure type (volume, personnel, prices or policy) and a summary of their methodology. Agencies are expected to provide this information regardless of whether they are planning to submit a cost pressure Budget initiative. This information will be collected on 30 October.

The guidance also asks agencies to provide information on the strategic actions that they plan to undertake to deliver better outcomes from their services and/or manage their costs over time. This information will be collected with the final Four-year Plan on 9 December.

The Treasury will provide the State Sector Reform and Expenditure Control Committee (SEC) with an overview of total cost pressure on 2 December. This report will cover all state sector agencies (not just the social sector).

Agencies should submit any unmanaged cost pressures that require funding as Budget initiatives on 4 December and complete the *Budget Initiative Summary Template* (see *Related Documents* on page 2). A CBAX assessment is not required, but supporting information should still be provided on what is driving the increase, and options that have been considered to manage or not fund this pressure.

SSPM will be provided with advice on unmanaged cost pressure and social investment proposals in February to make decisions about what packages to propose to Budget Ministers.

## 2.3 November 'Triage'

The 'triage' discussions will provide an initial overview of savings and investment options for SSPM to signal which initiatives they are interested in seeing further developed and assessed. It will also provide an opportunity for Ministers to signal particular angles to investigate further.

The intention is to have SSPM triage discussions on 9 and 23 November.

### What information is required from agencies for the triage?

A signal from Ministers and agencies of the initiatives and savings options they are expecting to submit into the Budget process should be provided to your Treasury Vote Analyst by 30 October.

Initial information and early outlines of savings and investment options from the Youth Review and 0-5 work will be taken from the October reports. Other potential initiatives related to these groups should be identified at this time.

The signal should include any business pressures or policy/service extensions that do not meet the definition of current policy cost pressures. A signal of unmanaged cost pressures is not required, but can be usefully signalled.

Information provided by agencies on initiatives should consist of:

- initiative title;
- brief description of the initiative and its expected impact; and
- an estimate of costs.

Further supporting information on the evidence or intervention logic is encouraged where it is available. A template asking for a brief description or few bullets on the above elements will be provided in October to help consistency of information for SSPM. Note that, by this stage agencies should ideally have completed, as much as possible, steps 1-3 of the *CBA Template* (see *Related Documents* on page 2).m

### Product for Ministers

Treasury will collate an overview of the main proposals, information gaps, and links between initiatives to prompt a discussion with Ministers.

The discussion will also be used to test SSPM preferences for ongoing Budget 2016 processes. For example, the discussion may seek a decision on the continuation of cross-agency working groups on the priority focus groups, and the role for SSB in providing prioritisation advice on these groups.

Agencies should not count on a clear decision on any particular initiatives and should continue to develop proposals for December submission at their Minister's direction. The triage period is intended to provide the opportunity for some early signals, but cannot cover advice on every proposal.

## 2.4 Social Investment Panel

The Treasury will establish a Social Investment Panel (the Panel), modelled on the Investment Panel used for capital and “as a service” initiatives. This will be a small group of sector relevant experts who will consider new initiatives to support SSPM initiative discussions and prioritisation. The exact role of the Panel and its membership is still being discussed with SSPM.

Under the recommended approach (to be confirmed), the Panel:

- Will be chaired by a Treasury Deputy Secretary and include representatives from the Departmental Science Advisors, SuPERU, and about four officials from relevant sector entities capturing a range of operational and policy skills, and national and frontline experience.
- Is an advisory group to the Treasury, but Panel advice will also be provided to Ministers and agencies.
- Will consider all new spending initiatives and significant reprioritisations in the social sector advising on initiative quality and prioritisation. It will not consider cost pressures arising from existing policy settings, which will be considered through a separate process.
- Will meet for a day in November to discuss the process and any signalled triage initiatives. The main Panel sessions will be over 3 days in the week of 8 February.
- Will meet with agencies and Vote Analysts on proposals as needed.
- May meet with SSPM at their request.

The Departmental Science Advisors group will be available to provide additional advice on specific proposals or assist agencies as requested.

### Agency engagement with the Panel

Information to the Panel will consist of a summary and assessment from the Treasury drawing on information provided by the agency in the *Budget Initiative Summary Template* (see *Related Documents* on page 2).

Agencies should be engaging with Vote Analysts in this period to explain proposals and update submissions. It is expected the summary for the Panel will be shared with the agency as part of the process.

Agencies will be able to meet with the Panel to discuss proposals. This may be for selected initiatives only if there are a large number of initiatives.

## 2.5 Forming a recommended social sector package

The social investment and cost pressures tracks will be combined into an overall recommended Budget 16 package by SSPM for consideration by Budget Ministers. Budget Ministers may provide indications of package size or components later in 2015 to assist SSPM prioritisation.

The Treasury will support SSPM to form a recommended package by providing advice on individual initiatives and prioritisation. SSPM will also be provided with advice from the Social Investment Panel, and information on the initiatives supplied by agencies.

The SSB may provide advice on prioritisation of initiatives relating to the 0-5 and youth groups. A decision on this role is still to be taken by the SSB and SSPM.

Advice on initiatives will cover both expected return on investment or value for money, and alignment with strategic priorities. Criteria and presentation of assessment advice will be discussed with SSPM in October (more information available in Annex 4).

The Treasury will form its own recommended Social Sector Budget package within the parameters set by Budget Ministers. This will be shared with SSPM in late February incorporating Social Investment Panel advice. A final Treasury recommended package will be prepared in March, shared with SSPM, and provided to Budget Ministers to consider alongside any SSPM recommended package.

## 3 Making the case

### 3.1 Summary template and supporting information

The *Budget 2016 Initiative Process Guidance* document (see *Related Documents* on page 2) provides the *Budget Initiative Summary Template* and supporting information expectations for all Budget initiatives. Social sector initiatives (including all focus population initiatives and cost pressure initiatives) need to **complete the *Budget Initiative Summary Template* and upload supporting information to CFISnet by 4 December**.

As stated in the guidance, the level of information provided for an initiative should be the same as would be provided to support advice to a Minister, or paper to Cabinet. A comment on the quality of supporting information will be part of the advice provided to SSPM.

In addition, Cabinet has agreed [CAB-15-MIN-0078 refers] that **all social sector initiatives** (excluding cost pressures) need to **complete a return on investment assessment using the CBAX model** where appropriate. The Treasury can agree exemptions in the few cases where a CBAX assessment is not appropriate, but supporting information should still be provided.

A **CBA template** is included in the *Budget 2016 Initiative Process Guidance* (see *Related Documents* on page 2). The CBAX tool will generate all monetised results to include in this template. The near final *Budget 2016 CBAX spreadsheet model* is available on CFISnet and through contacting [CBAX@treasury.govt.nz](mailto:CBAX@treasury.govt.nz). The final *Budget 2016 CBAX spreadsheet* and detailed *CBAX User Guide* will be available in mid October, following an external review and extension of the CBAX impact value database.

- Reflecting the social investment principles and focus group review processes, the CBAX generated discussions and assessment process will put particular emphasis on:
- The use of evidence and data to support benefit claims, option assessment, and design decisions;
- Taking a customer perspective that targets groups, and tracks the impacts on key outcomes over time;
- Understanding of existing service effectiveness and operational interaction across agencies;
- Clear identification and assessment of where benefits are dependent on other services, interventions or behaviours;
- Having an appropriate evaluation plan that will track outcomes and provide feedback loops.



## 3.2 Using the CBAX Assessment Tool

The Government has been increasingly focused on improving economic and impact analysis across the state sector. For Budget 2016, Ministers have set higher expectations around the level of rigour that should be applied to initiatives in terms of evidence for expected outcome impacts.

The Treasury has recently republished its [CBA guidance](#), updating it to make it more relevant to social investments. This is further supported by the CBAX tool that helps agencies structure their analysis and supports better cross agency perspectives about common assumptions and future impacts.

The CBAX tool is a spreadsheet model which provides:

- a common model for organisations to use when analysing costs and benefits of initiatives, consistent with Treasury's CBA guidance
- a common basis for assumptions when quantifying and monetising the impacts of different proposals
- a common database to help organisations estimate broader societal impacts, making analysis quicker and providing consistent assumptions.

Social sector initiatives (except cost pressure initiatives) are required to be supported by a Return on Investment assessment completed using the CBAX spreadsheet tool (CAB-15-MIN-0078 refers). This assessment needs to be completed and uploaded when an initiative is lodged by 4 December.

### Guidance and support available for agencies preparing for CBAX assessments

The *near final* version of the CBAX tool is now available on CFISnet or by contacting [CBAX@treasury.govt.nz](mailto:CBAX@treasury.govt.nz). The purpose of releasing this near final model is to enable agencies to familiarise themselves with the CBAX tool, build capability and start preparing their analysis. Only minor changes are anticipated for the final CBAX tool. The Treasury will make the final CBAX tool, together with the CBAX User Guide, publicly available on the Treasury website<sup>3</sup> in October. Agencies should use the final Budget 2016 CBAX tool for initiatives submitted in December.

Suggested staging of analysis in order for agencies to submit Budget 2016 initiatives with supporting CBAX analysis by 4 December is set out in Annex 5.

For any questions about running a CBAX assessment, or to seek additional support, contact your Treasury Vote Analyst or [CBAX@treasury.govt.nz](mailto:CBAX@treasury.govt.nz).

### What information is required?

CBAX has been designed to draw on information on costs and target groups, and judgements on effectiveness that should be part of the proposal development and option assessment process for any social investment initiative.

There will always be limitations to a tool like CBAX. To be able to use the CBAX tool, organisations need to quantify impacts and success rates, for example the number of people

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<sup>3</sup> <http://www.treasury.govt.nz/publications/guidance/planning/costbenefitanalysis/cbax>

expected to gain employment, based on the best available data and evidence about the relevant impacts of an initiative. There will sometimes be gaps in the evidence for how effective an initiative might be, for example when trying something new. The level of certainty can be captured in the CBA Template and the Budget discussions will recognise that agencies will not have perfect information.

The advantage of the CBAX tool is that it makes assumptions explicit, and values different types of costs and benefits in a consistent way. This provides the basis for a more informed discussion between different options, and provides a basis for identifying ways to improve information in future.

Information that agencies should think about when preparing initiatives in anticipation of carrying out a CBAX assessment includes:

### Population and effectiveness

- **Counterfactual** – When identifying options, also identify the counterfactual. The counterfactual is the situation and impacts that would exist if the decision is not made and the initiative is not implemented. It is sometimes described as the “status quo”, “do nothing” or as the “do minimum” scenario.
- **Success rate**, or effectiveness rate or ratio, will often be informed by evaluations of similar programmes in New Zealand or overseas. This needs to be transparent and explicitly set out in the assumptions. Different scenarios may be relevant.
- **Population size and characteristics**, or number of new participants entering the programme each year.

### Impact types and quantification

- **Types of social impacts across sectors** – Identify the societal impacts including impacts outside the immediate sector. Impact types are private (non-government) impacts for New Zealanders e.g. health status or income, and Government, e.g. avoided welfare liabilities. Impacts are wider than fiscal impacts for the Crown, and fiscal Crown impacts may be used as proxy for wider impacts.
- **Identify all primary and flow-on impacts** arising from an intervention, e.g. avoided imprisonment could result in increased Jobseeker Support benefit costs.
- **Explicitly identify, quantify and value impacts**. Impacts should be at least explicitly identified and listed. Quantify impacts where possible, based on available evidence, e.g. effectiveness rates. For unquantified impacts provide a sense of the magnitude. Value and monetise quantified impacts where possible. The CBAX database helps agencies value and monetise impacts.

### Time

- **Duration of impacts** that can be attributed to the initiative, e.g. in the case of employment and justice outcomes. Be conservative on the length of the impacts, and consider this relative to the counterfactual.
- **Time lag** before commencement of benefits is particularly important for child and youth interventions where employment benefits are far off in the future. CBAX enables modelling 50 years out.

- **Discount rate** – CBAX analysis is required to consistently use the default 8% real rate, and sensitivity analysis using 4% real. Agencies, with reasoning, are able to provide additional analysis with an initiative specific discount rate.

Further guidance on identifying relevant information and values can be found in Treasury's [CBA Guidance](#).

### 3.3 Good use of evidence and appropriate evaluation

The social investment track for Budget 2016 will put additional scrutiny on the quality of evidence for the impact being claimed for an investment, and on having an appropriate evaluation plan that will track impact and effectiveness over time.

The *Budget 2016 Initiative Process Guidance* (see Related Document on page 2) and the Treasury's [CBA Guidance](#) provide some guidance on what should be provided to support a case and establish a good evaluation plan. Agency officials will also have their own internal guidance, and should consider engaging their relevant Departmental Science Advisor from the outset of initiative development.

The suggestions below provide some brief additional points to consider when making a case for investment and developing an evaluation plan. These are drawn from lessons and observations from previous Budgets and suggestions from the Departmental Science Advisors and SuPERU.

#### Key steps to work through when developing an initiative

1. The **rationale** for the bid: what is the evidence of the need for an intervention?
2. The **approach** proposed: what evidence supports the model or approach and how was this weighed against alternate approaches and the status quo? What is the evidence that this *particular* intervention adds value?
3. The **implementation plan** including:
  - a. Clarity as to the outcomes sought;
  - b. A design that allows for the intervention to be monitored and evaluated, against *baselines* and desired *outcomes* (rather than just inputs or outputs).

To address the above, agencies should consider:

- In establishing the justification, explain the threshold of evidence required to prompt action. This threshold may differ across departments and according to other (competing) pressures within the portfolio. This is understandable; however it is better to be clear about the drivers rather than cherry-picking the evidence in an attempt to strengthen a weak case.
- The importance of having baseline data available for evaluation in the development of an initiative and when deciding on the appropriate metrics to measure against the baseline when the intervention is implemented.
  - Distinguish between real and proxy indicators to monitor;
  - Clearly state the assumptions associated with the chosen indicators and how these might limit what can be inferred.
- Where there are no baselines against which to measure the success of the intervention put in place a data collection process to establish a baseline perhaps while running a more modest pilot intervention. In establishing baselines, draw an explicit link between the baseline indicators and the desired outcomes.

## What does a high quality evaluation plan look like?

Integrate a monitoring and evaluation plan into the development and implementation of the initiative. This plan should clearly state the baselines, the indicators to monitor, and the data collection issues including feasibility and frequency.

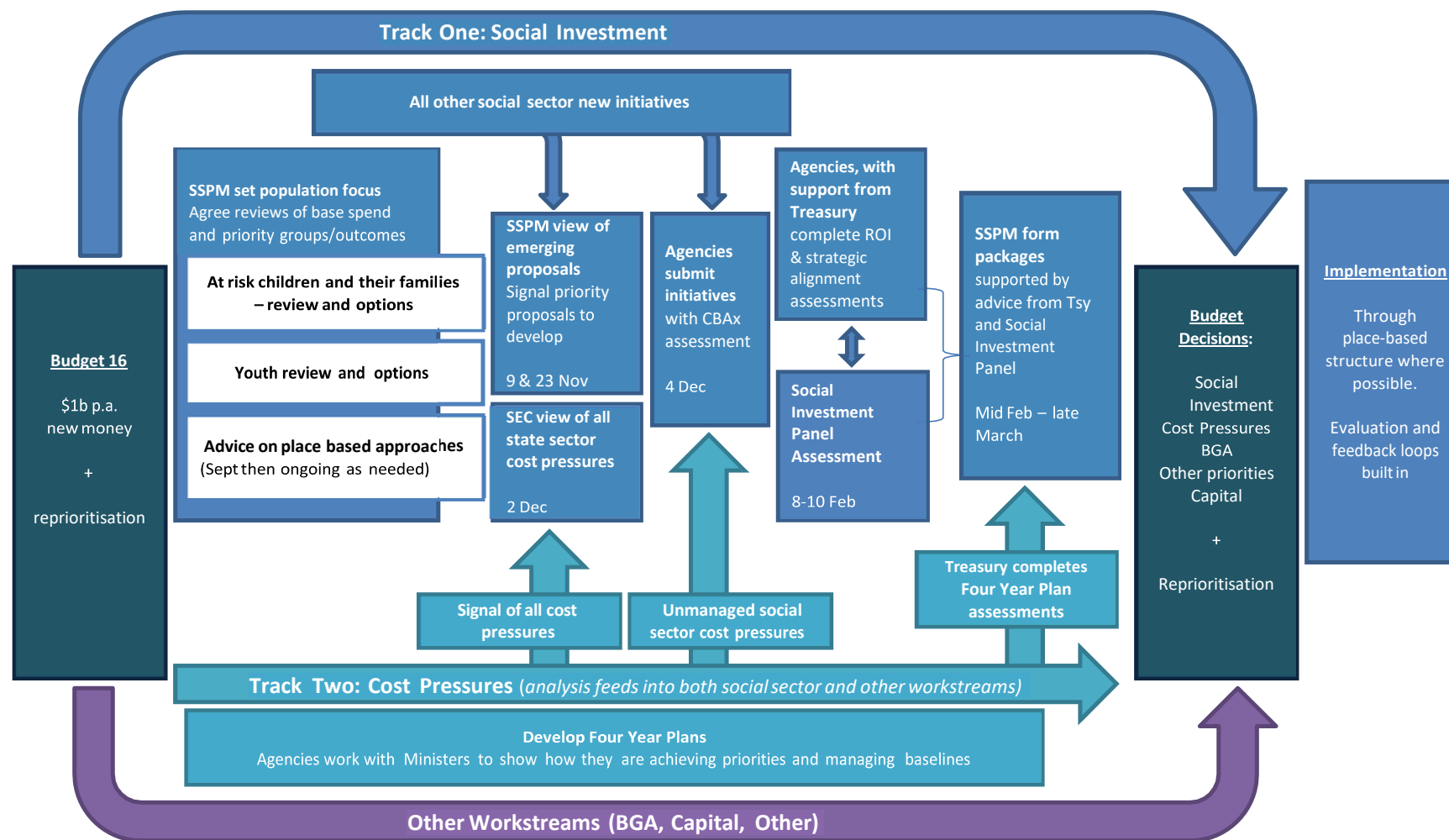
The nature and scale of evaluation will differ depending on the aims of the initiative, the level of existing evidence, and the resources and timescales involved. At a minimum, evaluative activity is similar to continuous improvement, but major initiatives may include a mixture of early developmental evaluation activity, process improvement studies, and multi-year impact evaluations.

It is important to start with an intervention logic which describes why and how the intervention is expected to achieve the desired outcomes for the target population. After thinking through the intervention logic, the following steps help with evaluation planning:

- Defining the purpose of the evaluation and how it will be used. This includes a short description of the purpose of the evaluation and how it will be used to monitor, evaluate, and improve the initiative, what is in scope/out of scope, identifying the key stakeholders and what they require from the evaluation (and when).
- Measures. This includes a discussion about the types of measures which will show that the initiative is achieving outputs and, more importantly, making a difference to the short-term, medium-term and long-term outcomes defined in the intervention logic. Consideration should be given to the full distribution of outcomes, including positive and negative consequences for sub-populations within the target group.
- Sources of evidence. Thinking about appropriate, feasible, useful, and convincing sources of evidence can inform the level of investment required for the evaluation. This involves consideration of the extent of analyses of existing data sources, or the creation of new sources of evidence. If there is a measure which has no available information, and you cannot collect new information, then consider proxies that demonstrate progress on measures.
- Causation. When planning for evaluation it is useful to consider what is required to determine whether changes in the outcomes are being caused by the initiative. Methodologies include:
  - Random Control Trials
  - Matched comparison groups that attempt to measure the counter-factual
  - Longitudinal data (or before-and-after data)
  - Using self-reported information or research data
  - Expert or key informant judgement of effects.

Further guidance on designing impact evaluations can be found in the [UK Treasury's Magenta Book Guidance](#).

## Annex 1: Budget 2016 Social Sector Process



## Annex 2: What is different from previous Budgets?

Budget 2016 is not a departure from previous Budget processes:

- Broad timeframes for initiatives are the same - submitted December, assessed by the Treasury in January/February to inform Budget decisions in March/April.
- Budgets have always required information and evidence for the costs, benefits and effectiveness of proposals. This usually involves an agency uploading an initiative template and attached business case, and discussions with a Treasury analyst.
- Budget Ministers and the Treasury compare initiatives and savings options across sectors and make prioritisation decisions.
- Advice from agencies on lowest priority spend and savings options has been requested as part of the Four-year Plan process.
- The main differences are:
- A social sector workstream covering multiple portfolios, building on the Budget 2015 approach. This provides greater transparency of options and pressures between agencies and across common customers and populations.
- Early Ministerial specification of the focus areas where Ministers want to consider options (i.e. at risk 0-5 year olds and their families, and youth 15-24).
- Formalising supporting information requirements through better guidance and tools to inform impact and return on investment discussions (including CBAX).
- A 'triage' stage providing Ministers with early visibility of options to decide which initiatives to continue to develop.

## Annex 3: Roles and Responsibilities

The table below provides information on the main social sector process groups and their roles.

<p><b>Budget Ministers</b></p> <p><i>Provide recommendations to Cabinet</i></p>	<p>Budget Ministers are responsible for:</p> <ul style="list-style-type: none"> <li>• Setting the overall process</li> <li>• Considering trade-offs between the social, business growth, and other Budget tracks</li> <li>• Deciding the final social sector Budget package to take to Cabinet</li> </ul> <p>Membership: Rt. Hon John Key, Hon Bill English, Hon Steven Joyce, Hon Paula Bennett</p>
<p><b>Social Sector Priority Ministers (SSPM)</b></p> <p><i>Provide recommendations to Budget Ministers</i></p>	<p>SSPM are responsible for:</p> <ul style="list-style-type: none"> <li>• Deciding priority population groups, and endorsing processes</li> <li>• Prioritising savings and investment options</li> <li>• Providing a recommended package to Budget Ministers in March 2016</li> <li>• Executing place-based changes to improve the lives of New Zealanders</li> </ul> <p>Membership: Hon Bill English, Hon Paula Bennett, Hon Dr Jonathan Coleman, Hon Amy Adams, Hon Hekia Parata, Hon Anne Tolley, Hon Nikki Kaye, Hon Michael Woodhouse, Hon Peseta Sam Lotu-liga, Hon Craig Foss, Hon Jo Goodhew, Hon Te Ururoa Flavell</p>
<p><b>Social Sector Board (SSB)</b></p> <p><i>Provide advice to SSPM</i></p>	<p>SSB are responsible for:</p> <ul style="list-style-type: none"> <li>• Running population focus and review processes, i.e. preparing population information, assessing existing and new programmes, developing investment reprioritisation cases (incl local application and ROI assessment) and prioritising options</li> </ul> <p>Membership: Chief Executives from the Ministry of Health, Ministry of Social Development, Ministry of Education, Ministry of Justice, Department of Corrections, New Zealand Police, Te Puni Kōkiri, and the Ministry of Pacific Island Affairs</p>
<p><b>Social sector agencies</b></p> <p><i>Provide advice to SSB, and support portfolio Ministers</i></p>	<p>Social sector agencies are responsible for:</p> <ul style="list-style-type: none"> <li>• Preparing initiatives to support portfolio Ministers to achieve priorities</li> <li>• Supporting portfolio Ministers to demonstrate how they are achieving priorities and managing pressures within baselines</li> </ul> <p>Membership: Ministry of Health, Ministry of Social Development, Ministry of Education, Ministry of Justice, Department of Corrections, New Zealand Police, Te Puni Kōkiri, and the Ministry of Pacific Island Affairs</p>



<p><b>Youth Review Team</b> <i>Coordinate Budget initiatives for 15-24 youth focus population</i></p>	<p>The Youth Review team is carrying out the review and option development work for the 15-24 youth focus population.</p> <p>Ministry of Education led group of officials from social sector agencies.</p>
<p><b>Social Sector Investment Change Programme Team</b> <i>Coordinate Budget initiatives for 0-5 focus population</i></p>	<p>Social Sector Board commissioned group, which led by Dorothy Adams and involves officials from other agencies. Working on system changes and levers to support the application of the social sector investment framework. Work directly contributing to Budget 2016 covers the place based approach, and 0-5s review and options. Lessons from Budget 16 and the population focus work will inform medium term investment, data and institutional advice.</p>
<p><b>Social Investment Panel</b> <i>Provide advice to Treasury and SSPM</i></p>	<p>The Social Investment Panel, who are an advisory panel to the Treasury, is responsible for:</p> <ul style="list-style-type: none"> <li>• Providing advice on Budget initiatives based on agency and Treasury analyst discussions to inform Treasury advice to SSPM and Budget Ministers</li> </ul> <p>Membership: To be Confirmed with SSPM. Likely chaired by Treasury and will include 6-8 members including a Science Advisor representative, SuPERU representative, and other sector experts.</p>
<p><b>Departmental Science Advisors</b> <i>Provide advice to Social Investment Panel, Treasury and agencies</i></p>	<p>The Departmental Science Advisors are responsible for:</p> <ul style="list-style-type: none"> <li>• Providing advice (alongside Superu) on evidence and evaluation expectations and standards to inform Budget guidance</li> <li>• Considering specific proposals or assisting reviews at the request of SSPM, the Treasury, the Social Investment Panel or agencies.</li> </ul>

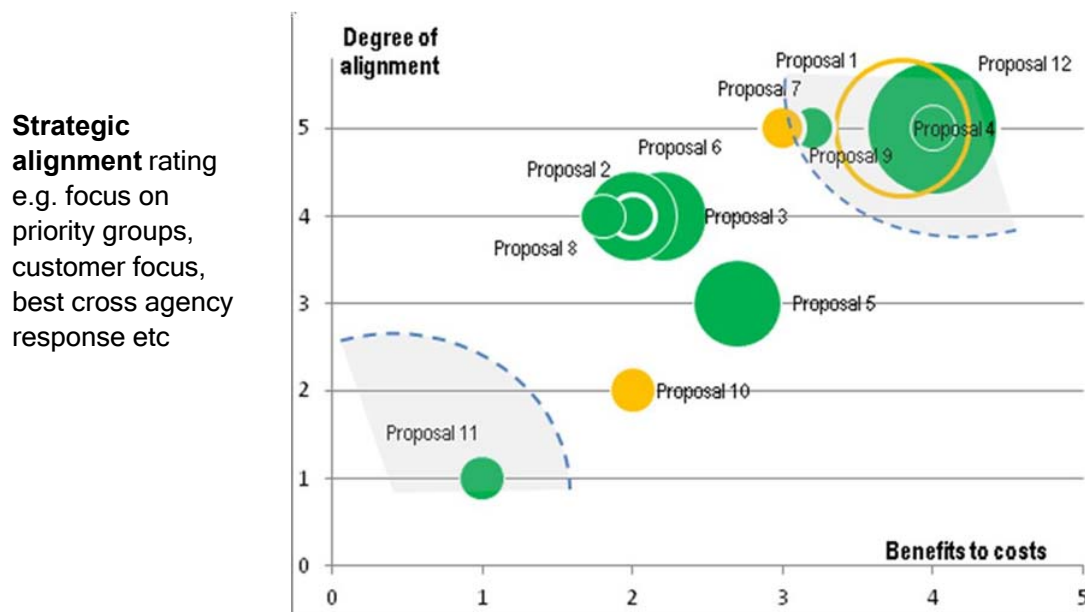
## Annex 4: Initiative Assessment – What Will Ministers See?

The inclusion of a requirement to use the CBAX tool, does not mean that all SSPM will be presented with is a simplistic list of initiatives ranked by ROI number.

CBAX analysis informs social investment case discussions and rankings. The discussions are just as important as the CBAX “RoI number”. Discussions based on the analysis will include what we can learn about system information, analytic capability and how to track results.

The exact way that assessment advice is provided to Ministers is still being developed, but will include both quantitative and qualitative assessment. This is expected to include rating of initiatives on both benefit to cost and strategic alignment. Strategic alignment criteria are intended to reflect non ROI or value for money considerations like focus on priority groups, strong customer focus etc.

A set of draft criteria will be developed to test with SSPM in October.



Rating of **benefits vs. costs** e.g. CBAX analysis, RoI and un-quantified impacts

## Annex 5: CBA and the CBAX Tool

The table below provides a quick guide to using CBAX tool for CBA steps.<sup>4</sup> Refer to Treasury Circular 2015/13 (Budget 2016: CBAX Cost Benefit Analysis Tool) available on CFISnet for more information on CBAX. If you don't have access to CFISnet, please contact your Treasury Vote Analyst.

CBA steps	Use of CBAX tool: The level of analysis and effort should be proportionate to the scale of the proposal.
<b>Step 1:</b> <i>Define policy alternatives and counterfactual</i>	This provides input into CBAX (agency focus in September - mid October). <ul style="list-style-type: none"> <li>• A clear counterfactual (i.e. what would happen if the initiative is not implemented), needs to be specified as an input into the CBAX spreadsheet model.</li> <li>• CBAX requires information for the counterfactual and the initiative to calculate the marginal impact over time.</li> </ul>
<b>Step 2:</b> <i>Identify the people who gain and those who lose</i>	This provides input into CBAX (agency focus in September - mid October). <ul style="list-style-type: none"> <li>• Identifying the people who are impacted by the initiative, both positively and negatively, is good policy analysis.</li> <li>• Agencies set out assumptions in the CBA summary template and input into the CBAX model, e.g. number of teenage mothers affected, how they are affected, and when.</li> <li>• For CBAX modelling, agencies specify the number and cohorts of people affected, over which periods, and the extent of the impact.</li> </ul>
<b>Step 3:</b> <i>Identify the benefits and costs; allocated to time periods</i>	This provides input into CBAX (agency focus in September - mid October). <ul style="list-style-type: none"> <li>• As a minimum light CBA, agencies should identify and list impacts, based on available information. This is part of standard policy analysis.</li> <li>• Identify all impacts across all sectors, e.g. flow-on effects in other sectors.</li> <li>• An example would be that 30% of the target population are expected to get employment in the counterfactual scenario, and that employment is increased to 50% for the target population with the initiative by year two.</li> </ul>

<sup>4</sup> Further information the 7 steps to completing a CBA can be found in the Treasury's Cost Benefit Analysis Guidance: <http://www.treasury.govt.nz/publications/guidance/planning/costbenefitanalysis/guide>

CBA steps	Use of CBAX tool: The level of analysis and effort should be proportionate to the scale of the proposal.
	<ul style="list-style-type: none"> <li>Agencies can focus on CBA steps 1-3 in September – mid October (i.e. identify initiatives and impacts, relevant assumptions and evidence to enable agencies to quantify and monetise impacts). This will assist in getting information ready to input into CBAX. The CBA summary template can capture this.</li> </ul>
<p><b>Step 4:</b> <i>Quantify the benefits and costs within ranges</i></p>	<p>Undertake analysis in CBAX (focus on quantifying impacts till mid October, CBAX mainly in November).</p> <ul style="list-style-type: none"> <li>Quantify impacts, for example increased income, and to the extent possible based on available evidence. Some impacts may be able to be quantified, but not monetised.</li> <li>The CBAX impact value database contains data that helps agencies value impacts. This is particularly useful for impacts across sectors.</li> <li>A proxy can be used with transparent assumptions and confidence rating of the evidence. If too uncertain, it is best to identify as unquantified / unmonetised.</li> </ul>
<p><b>Step 5:</b> <i>Discount to a common period, compare benefits with costs</i></p>	<p>Undertake analysis in CBAX (mainly in November).</p> <ul style="list-style-type: none"> <li>CBA steps 4-5 can be difficult, especially monetising and discounting impacts. The CBAX spreadsheet tool and impact value database helps agencies undertake CBA steps 4-5, and support from the Treasury is available. Agencies can focus on clarifying impact assumptions first. The CBAX model can calculate the discounted present values and RoI measures. Agencies can use present value calculations for RoI and CBA measures, such as benefit-cost ratio (BCR) where relevant for decision making.</li> <li>For comparative purposes, all initiatives should use the 8% real discount rate as a default, and do a sensitivity analysis with a 4% real discount rate (the rounded risk free rate). A project-specific rate can also be added where this is warranted (talk to your Vote Analyst if you want to add another discount rate).<sup>5</sup></li> <li>CBAX impact value database is a useful tool for agencies undertaking CBAs. These values can be “plugged-in” and reduce the amount of work agencies need to undertake. Agencies will need to assess whether a value is sufficient, or whether further data is needed.</li> <li>The CBAX impact value database will be extended over time as data becomes available (for example, the values used in Budget 2016 initiatives).</li> </ul>

<sup>5</sup> <http://www.treasury.govt.nz/publications/guidance/planning/costbenefitanalysis/currentdiscountrates>

<b>CBA steps</b>	<b>Use of CBAX tool: The level of analysis and effort should be proportionate to the scale of the proposal.</b>
<p><b>Step 6:</b> <i>Is the result clear enough? If not, consider whether it is worth investing in more research, and repeat above steps</i></p>	<p>Use outputs from CBAX (mainly in Nov).</p> <ul style="list-style-type: none"> <li>• The CBAX tool makes it easier to run different scenarios and test the sensitivity to assumptions. This will support advice in the CBA summary template.</li> </ul>
<p><b>Step 7:</b> <i>Write report</i></p>	<p>Use outputs from CBAX (mainly in November).</p> <ul style="list-style-type: none"> <li>• Agencies are required to submit in CFISnet the CBAX spreadsheet analysis in support of Budget initiatives and CBA templates.</li> <li>• Agencies can incorporate the CBAX information into the CBA template, for example, the present dollar values for each impact, and the RoI measures.</li> <li>• The one-page CBAX output sheet provides a basis for advice and conversations and can be reflected in the CBA summary template, for example, the RoI numbers.</li> <li>• The CBAX analysis and outputs will form just one part of the advice, alongside other non-monetised impacts in the CBA summary template, and wider considerations such as the strategic alignment in the Budget initiative template.</li> <li>• The Treasury will work with agencies to use the CBAX outputs for comparative analysis.</li> </ul>



# Cost Benefit Analysis Template

*This template is a way of organising whatever information you have in a consistent and systematic way. It should be relevant for all initiatives. The level of detail required depends on the size of the initiative and the information available. Impacts should be quantified where possible, but the template can also be used to analyse descriptive, unquantified impacts.*

*The CBAX tool and database can help you estimate a dollar value for quantified impacts. The CBAX tool and supporting information is available on <http://www.treasury.govt.nz/publications/guidance/planning/costbenefitanalysis/cbax>. Contact [CBAX@treasury.govt.nz](mailto:CBAX@treasury.govt.nz) for support.*

*The Treasury's [Cost Benefit Analysis Guidance](#) has more information on how to do cost benefit analysis (CBA).*

*Public sector agencies should use this CBA Template to meet the CBA requirements as set out in the Budget guidance. Please refer to the Budget guidance and contact your Treasury Vote Analyst if you have questions about the template or how much detail to include. This template has been updated to be consistent with the CBAX Tool User Guidance, especially the illustrative example. The information required is unchanged.*

## Section A Descriptive Information

<b>Vote</b>	[Must match CFISnet entry, if a Budget initiative]
<b>Responsible Minister</b>	[Must match CFISnet entry, if a Budget initiative]
<b>Initiative title</b>	[Must match CFISnet entry, if a Budget initiative]

Funding Sought (\$m)	2015/16	2016/17	2017/18	2018/19	2019/20 & outyears	TOTAL
<b>Operating</b>	-	-	-	-	-	-
<b>Capital</b>	-	-	-	-	-	-

### Problem Definition

Please describe the problem or opportunity that this proposal seeks to address and the counterfactual (what would happen if the proposal doesn't go ahead). Be specific about who the problem affects and how it affects them.

### Initiative Description

Please describe what the initiative will provide or produce, and how this will address the problem or opportunity identified. This description can be more detailed than the description provided in Budget documentation.

### Alternative Options Considered

What alternative options did you consider and why did you choose your preferred option?

## Section B Impact Analysis

### Impact Analysis

Discuss all of the impacts (costs and benefits) that the proposal will have on New Zealanders and the government.

- Describe the impacts (including **financial**, **social** and **environmental** impacts) that you can identify, whether or not they can be quantified. Be specific about which individuals or groups will be affected, how and when.
- Include primary and flow-on (secondary) impacts. For instance, a proposal to train individuals to get employment may increase their income, and also have a secondary impact on their use of health services.
- **Quantify** these impacts if possible. For instance, 'number of emergency visits avoided', or 'client waiting times reduced by x hours'. If you can, also **monetise** the impacts by converting them into a dollar value, e.g. 'money saved from reduced emergency visits'. Ranges may also be used, with wider ranges indicating more uncertainty.
- The **CBAx** spreadsheet tool can help you estimate the dollar value impacts of policy changes, drawing from a common database of impact values.
- The impacts presented should be the additional positive and negative impact of the proposal, compared to what would happen if the proposal doesn't go ahead (the **counterfactual**).
- Discuss the assumptions and evidence informing your analysis of these impacts. Assess how strong the evidence is, and how well the results can be applied to this proposal. Be specific about how effective the policy is assumed to be across different groups (e.g. is there a positive impact for all students on a training programme, or only the ones who complete the course?). Discuss which assumptions have the greatest impact on the results of your analysis.
- Discount Rates. For comparative purposes, all initiatives should use the 8% real discount rate as a default, and do a sensitivity analysis with a 4% real discount rate (the rounded risk free rate). A project-specific rate can also be added where this is warranted (talk to your Vote Analyst if you want to add another discount rate).<sup>1</sup>

### Impact Summary Table

Fill out the table below to summarise the costs and benefits of the proposal.

Start by including the estimated impact on **key outcomes**. This should be the biggest, most immediate impact. If this impact can be converted into monetary values, include these values in the next part of the table (government/wider society benefits and costs). Also include unquantified impacts on people or the government, and the fiscal cost of the initiative. In the example below, the key impact is on employment outcomes, which creates benefits for the government (reduced welfare spending) and individuals (higher income), as well as unquantified impacts on mental health and education.

Present any **monetary impacts** (including the fiscal cost) in present value (PV) terms using the discount rates above. This converts future cash flows into today's dollar terms and enables comparison between initiatives with different patterns of costs and benefits over time. Treasury's CBA guide explains PV and how to calculate it in more detail. The CBAx spreadsheet tool also has a simple calculator you can use to convert your initiative cost into a PV.

Summarise the **assumptions and evidence** that inform your assessment of each impact.

You can include an **additional option** or scenario to show how impacts change with different assumptions or policy settings.

Calculate the **net present value (NPV)** of your initiative using all the monetised benefits and costs set out in the Impact Summary Table below. This NPV calculation won't include unquantified benefits and costs, so the figure isn't the final word on whether a proposal should be funded. You can discuss how unquantified impacts affect your assessment in the conclusions section. Agencies should use a time period for their NPV calculation that corresponds with the time period over which the costs and benefits will be realised.

<sup>1</sup> List of Treasury recommended discount rates:

<http://www.treasury.govt.nz/publications/guidance/planning/costbenefitanalysis/currentdiscountrates>



**Impact Summary Table (with illustrative fictional example using the CBAX tool and database for NPVs)**

Impacts - Identify and list \$m present value, for monetised impacts	Option/scenario		Assumptions and evidence (quantify if possible, and use ranges where appropriate)	Certainty <sup>2</sup>
	1	2		
<b>Estimated impact on key outcomes</b>				
Increased employment outcomes	72 percent points	-	Expect 36% of participants to get into work after one year and another 36% of participants to get into work after two years. This is relative to counterfactual of no employment for the individuals. The success rate is based on international experiences, with New Zealand context to be assessed. Assumes only 25% of income for displacement etc effects. <sup>3</sup> Assumes the employment is ongoing 50 years (length is over-optimistic and to be refined).	Medium
<b>Cost of the Initiative</b>				
Fiscal operating and capital costs of the initiative <sup>4</sup>	(10.8)	-	40 participants per year for 5 year pilot. Annual operating expenditure of \$1.2 million for 5 years, and \$6 million one-off.	High
<b>Government Benefits/(Costs)</b>				
Additional tax revenue (adjusted to 25%)	1.7	-	Assumes 36% of participants move from benefit to earning the minimum weekly wage and another 36% earn an average wage for someone with a level 4-6 trade, with 25% adjustment. Marginal tax impact relative to tax on the Jobseeker Support benefit.	Medium
Reduction in Jobseeker Support benefit	15.4	-	Assumes an on-going reduction in benefit payments for 72% of the participants.	Medium
Reduction in health and justice sector costs	1.1	-	Provides proxy for flow-on reduction in health and justice sector costs. Assumes for all participants: emergency department visits are reduced from 3 to 2 visits annually for 50 years, and police hours are reduced from 5 to 3 hours annually for 20 years.	Low
<b>Total Quantified Government Impact</b>	<b>18.2</b>	-	The main assumptions relate to employment outcomes, and the length of these.	Medium
<b>Wider Societal Benefits/(Costs)</b>				
Extra personal income generated (after tax, and adjusted to 25%)	8.5	-	Assumes 36% of participants move from benefit to earning the minimum weekly wage and another 36% earn an average wage for someone with a level 4-6 trade, with 25% adjustment.	Low
Costs of attending	(Small)	-	There are short term costs to individuals of attending.	Low
Mental health improvements	Large	-	International evidence finds that moving into work can improve mental health outcomes. Limited New Zealand evidence.	Low
Improved education outcomes for children	Modest	-	Having parents who are unemployed for more than 2 years makes children 30% less likely to pass NCEA 2. Intergenerational impacts.	Medium
<b>Total Quantified Wider Societal Impact</b>	<b>8.5</b>	-	Wider societal impacts arise mainly from employment assumptions: income/mental health and impacts for participants' children.	Low
<b>Net Present Value of Total Quantified Societal Impacts</b>	<b>15.9</b>	-		Medium

<sup>2</sup> Rate your level of confidence in the assumptions and evidence as high (green) if based on significant research and evaluations that is applicable, medium (amber) if based on reasonable evidence and data, or low (red) if there is little relevant evidence. Colour the rating box for each impact.

<sup>3</sup> Only 25% of the income generated is counted to reflect displacement effects and opportunity costs from individuals going from unemployment to employment. See *Guide to Social Cost Benefit Analysis* and *CBAX Tool User Guidance* (page 15).

<sup>4</sup> This present value of the initiative costs, including both operating and where relevant capital spending, should be included for all initiatives. Other fiscal flow-on costs and benefits that are not included in the initiative costs are to be set out in a separate row.

## Section C Conclusions

### Conclusions

Considering quantified and unquantified impacts, does the analysis suggest that the benefits of the proposal exceed the costs, and to what extent? What is your level of confidence about this result, and what are the key sensitivities and assumptions that could change your conclusion?

If the impacts are predominantly unquantified and unmonetised, or based on little evidence, another way to approach the impact conclusion and make an overall judgement is to base this judgement on the known fiscal initiative costs and assess how effective the policy would need to be for the benefits to exceed the initiative's costs, and to assess how likely that success rate is. In the illustrative example, this judgement could consider what proportion of participants would need to find employment and not receive benefit payments for the initiative's overall benefits to outweigh the \$10.8 million initiative costs.

### Summary of monetised results [only fill this out if you have monetised costs and benefits]

Fill this table out with the NPV, benefit cost ratio and return on investment for your initiative. These can all be calculated with the information you included in the summary table above, and is available in the CBAX Output Summary (NB totals can vary due to rounding). We ask you to present all these measures, because they each provide a different perspective on the costs and benefits of an initiative.

Use ranges for values where appropriate	Discount Rate	
	8% real (default)	4% real (sensitivity)
Net Present Value (NPV) <sup>5</sup>	\$15.9	-
Benefit Cost Ratio (BCR) <sup>6</sup>	2.56 (2.56 = \$27.7m / \$10.8m)	-
Return on Investment (ROI) – Societal Total <sup>7</sup>	2.56 (2.56 = \$27.7m / \$10.8m)	-
Return on Investment (ROI) – Government <sup>8</sup>	1.7 (1.8 = \$18.2m / \$10.8m)	-

### Supporting Evidence

To substantiate assumptions and certainty ratings, please include links to supporting analysis or evidence here. This should include references to the research, evaluation and data sources that informed your assumptions, for instance about the effectiveness rate of your initiative and the counterfactual.

This would set out the New Zealand and international evidence for the assumptions.

This could set out the evaluation options linked to the initiative assumptions, especially if the evidence is limited.

<sup>5</sup> **Net Present Value (NPV)** - The NPV is the sum of the discounted benefits, less the sum of the discounted costs (relative to the counterfactual). This gives a dollar value representing the marginal impact on the collective living standards of all New Zealanders of the initiative, in today's dollar terms.

<sup>6</sup> **Benefit Cost Ratio (BCR)** - The BCR is the ratio of total discounted benefits to the total discounted costs. A proposal with a BCR greater than 1.0 has a positive impact, because the benefits exceed the costs. The BCR is the same as the Return on Investment Societal Total, unless there are negative impacts in addition to the fiscal cost of the initiative. All negative impacts are included in the denominator for the BCR measure. For example, the BCR measure would reduce if the private cost to people of attending was monetised for the illustrative example and therefore included in the denominator for the BCR calculation.

<sup>7</sup> **Return on Investment (ROI) - Societal Total** - Calculate the ROI by dividing the discounted net change in wider societal impact, including benefits to government, by the discounted cost of the initiative. This can be interpreted as the impact on New Zealanders per dollar the government spends on the initiative, as an example for every \$1 the government spends on this programme, New Zealanders receive benefits of \$3.

<sup>8</sup> **Return on Investment (ROI) – Government** – Calculate the ROI by dividing the discounted net change in impact for the government by the discounted cost of the initiative. This measures the discounted net marginal (fiscal) benefits to the government.

## Budget Initiative Summary Template

This template seeks a high-level summary of the Budget 2016 significant initiatives. Agencies are required to complete the blue fields – your Vote Analyst will complete their assessment in the grey fields. Please also refer to the Guidance document available on CFISnet, which provides detail on supporting information requirements for your initiatives. This supporting information must be provided to your Vote Analyst.

Work stream
[Social Sector/ BGA/Capital /Other]

<b>Vote</b>	[Must match CFISnet entry]
<b>Responsible Minister</b>	[Must match CFISnet entry]
<b>Initiative title</b>	[Must match CFISnet entry, see page 12 of the Guidance]
<b>Initiative description</b>	[Must match CFISnet entry, see page 12 of the Guidance]
<b>Ranking</b>	[Must match CFISnet entry, see page 12 of the Guidance]
<b>Responsible Vote Analyst</b>	[Please provide your name and extension number]

Funding Sought (\$m)	2015/16	2016/17	2017/18	2018/19	2019/20 & outyears	TOTAL
Operating	-	-	-	-	-	-
Capital	-	-	-	-	-	-

VA Recommendation	2015/16	2016/17	2017/18	2018/19	2019/20 & outyears	TOTAL
Operating	-	-	-	-	-	-
Capital	-	-	-	-	-	-

<b>Vote Analyst Recommendation</b>	[Support/Do not support/Partial support/Defer] [Please provide a short explanation of your recommended funding option]
<b>Degree of government commitment</b>	[Pre commitment/manifesto commitment/discretionary]

Supporting Information	
<b>Please list the supporting documents provided to your Vote Analyst.</b>	[All initiatives must have a <b>completed Cost Benefit Analysis Template</b> , except for cost pressure initiatives. Significant capital investment proposals are required to be supported by a Better Business Case, as outlined in CO(15)05. If the Regulatory Impact Analysis requirements apply to your initiative please attach a Regulatory Impact Statement. See page 13 of the Guidance for further information about specific requirements. Contact your Vote Analyst in the first instance with any queries.]
<b>Has Cabinet previously considered this initiative? Please provide a Cabinet reference and any supporting material.</b>	[See page 13 of the Guidance]

#### Vote Analyst Comment

[Please provide a comment on the quality of the supporting information provided. Have the costs and benefits of this proposal been adequately assessed? Has your agency met the Better Business Case or Regulatory Impact Analysis requirements where relevant? Do you have enough information to provide your assessment? If not, where possible, provide the agency's reason for not providing this information.]

#### Strategic Alignment

<b>How does this initiative fit with your agency's strategic intentions and align with the Government's priorities?</b>	[See page 14 of the Guidance]
<b>What is intended to be achieved, for whom?</b>	[See page 14 of the Guidance]
<b>How does this initiative relate to current activity(s) undertaken by your agency and/or by others across the State Sector</b>	[See page 14 of the Guidance]
<b>Please list the agencies or non-government organisations that you have consulted in the process of developing this initiative.</b>	[See page 14 of the Guidance]

#### Vote Analyst Comment

[Please rate this initiative's alignment with Government priorities on a scale from **0-5**. Please also provide a short comment on the answers provided by your agency – does this initiative align with the strategic intentions of the agency as outlined in their Four-year Plan? Is the strategic intent of this initiative clear? Has the agency clearly outlined who this initiative will target and what it is intended to achieve? Has your agency worked with other agencies where relevant in developing this initiative? Do they have a clear understanding of how this initiative will fit in with existing activity across the State Sector?]

#### Impact Analysis

<b>Provide a summary of the costs and benefits of this proposal.</b>	[Please summarise the impact analysis section of your Cost Benefit Analysis Template. See page 15 of the Guidance.]
<b>What alternative options did you consider? Why did you choose your preferred option?</b>	[See page 15 of the Guidance]

#### Vote Analyst Comment

[Please rate this initiative on a scale from **0-5** reflecting the benefits relative to the costs. Please explain your rating and provide a short comment on the quality of the cost-benefit analysis and the reliability of the inputs.]

#### Legislative and Regulatory Implications

<b>Please detail any legislative implications and whether the RIA requirements apply.</b>	[If the RIA requirements apply please attach the RIS. See page 15 of the guidance for specific information about the requirements.]
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**Vote Analyst Comment**

[Please use this space to insert the QA statement if applicable. See page 21 of the guidance for information on QA - contact the RIA team if you have any questions.]

**Affordability**

<b>What strategic trade-offs would be required to fund this initiative from baselines?</b>	[See page 15 of the Guidance]
<b>Provide an option for scaling, phasing and/or deferring this initiative.</b>	[See page 15 of the Guidance]
<b>Describe the implications on service delivery if this funding is not approved or deferred.</b>	[See page 15 of the Guidance]

**Vote Analyst Comment**

[Please provide a brief comment on the quality of the agency's Four-year Plan and discussion of strategic trade-offs. Do you agree with the agency's assessment of the impact of not approving this initiative?]

**Delivery and Risk Management**

<b>What are the risks to delivering this initiative? How will these risks be mitigated?</b>	[See page 16 of the Guidance]
<b>What capability is required to deliver this initiative? Does this capability exist or will it need to be built?</b>	[See page 16 of the Guidance]

**Vote Analyst Comment**

[Please rate this initiative **red, amber or green** according to your assessment of risks associated with the delivery of this initiative. Consider the size of the proposal relative to the agency's activity, any cross agency impacts, and impacts to front-line service delivery.]

**Implementation and Evaluation**

<b>How will this initiative be managed and implemented?</b>	[See page 16 of the Guidance]
<b>When will this initiative be evaluated and how will performance be assessed?</b>	[See page 17 of the Guidance]

**Vote Analyst Comment**

[This section is currently blank.]



# Budget 2016

## Process and Technical Guide for Departments

December 2015



**THE TREASURY**  
Kaitohutohu Kaupapa Rawa

New Zealand Government

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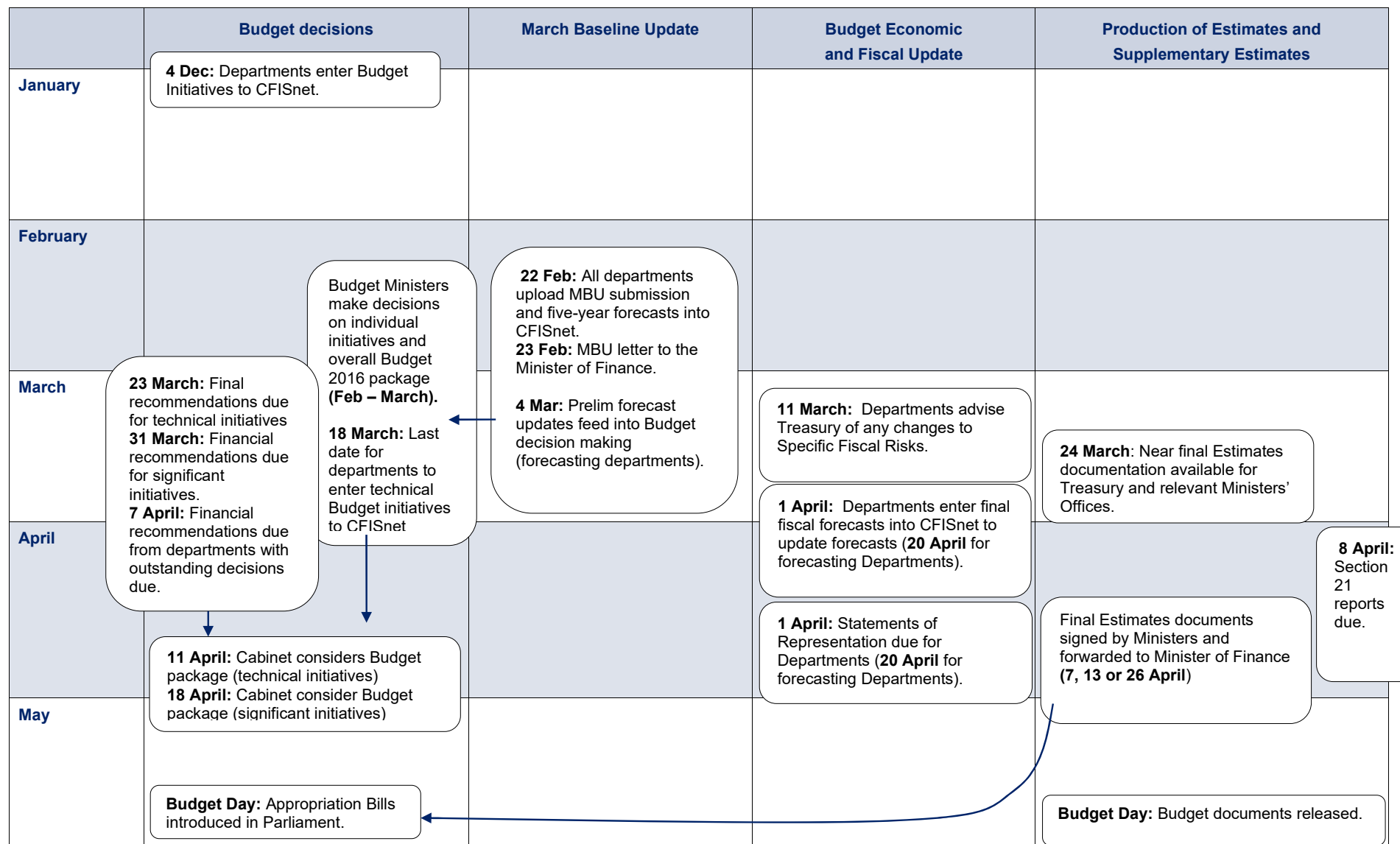
**BUDGET-SENSITIVE**

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BUDGET-SENSITIVE

# The Budget Process



## BUDGET-SENSITIVE

### About this Guidance

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1. With Four-year Plans and Budget initiatives now submitted, this guidance document focuses on the technical and process steps required for the decisions and production phase of Budget 2016.
2. You should use this document as your first port of call for guidance on the process for Budget 2016. General enquiries about the information contained in this guidance can be directed to your Treasury Vote team.
3. You should also reference the guidance “Budget 2016: Budget Initiative Process and Timetable” as you look to submit initiatives to CFISnet. See Circular 2015/12.
4. Please note that the deadlines in this guide are indicative and sensitive, as Budget Day for 2016 has not yet been finalised or publically communicated. There is a risk that timeframes may need to be changed. The Treasury will release a final timetable for Budget 2016 in February once Budget Day has been announced.
5. The Annex templates attached to this document can be downloaded from the Circulars section of CFISnet.
6. Any comments on how we could improve this guidance can be directed to [performanceinfo@treasury.govt.nz](mailto:performanceinfo@treasury.govt.nz).

### Budget 2016

7. The New Zealand economy has slowed unexpectedly in the first half of 2015 owing to weaker global demand, falling dairy prices, and lower business and consumer confidence. However, the economy continues to expand and the Half Year Update shows that economic growth is forecast to average 2.7% a year over the next five years. Low interest rates are expected to support consumer spending and investment, while a weaker dollar and a recovery in dairy prices are expected to boost exports.
8. The operating balance before gains and losses has recovered from a deficit of \$18.4 billion in 2010/11 to a surplus in 2014/15. We expect it to remain broadly in balance over the next three years before rising to a \$4.9 billion surplus in 2019/20. Net core Crown debt is expected to rise to a peak of 27.7% of GDP in 2016/17, then falling to 24.0% in 2019/20.
9. The Budget Policy Statement 2016<sup>1</sup> confirms the allowance for new operating funding for Budget 2016 at \$1.0 billion per annum. Continued financial discipline remains critical for achieving the Government’s policy and fiscal objectives.
10. There is very little headroom to fund additional spending pressures signalled through the cost pressure information and Four-year Plans. Much of the

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<sup>1</sup> The Budget Policy Statement 2016 can be found at : <http://www.treasury.govt.nz/budget/2016/bps>

allowance is already indicatively allocated to existing commitments and spending priorities.

11. Ministers will need to make difficult trade-offs and so the early information on cost pressures provided by agencies, the greater use of cost-benefit analysis (including CBAX), and the Social Investment Panel will help Ministers make these decisions.
12. For capital, the Future Investment Fund – made up of the proceeds from the Government Share Offers – has funded \$4.7 billion of new spending since Budget 2012, but has now been fully allocated. The capital allowance for Budget 2016 has therefore been increased by \$1 billion, of which around \$300 million has already been committed. This leaves around \$700 million available for new capital initiatives submitted. To inform Budget 2016 decisions, the Treasury will reconvene the Investment Panel in the third week of February (similar to Budget 2015). It will be comprised of up to eight senior officials drawn from the wider state sector, to analyse, advise and provide recommendations on investment proposals from a “whole of Government” perspective.
13. Four-Year Plans are the backbone of the Budget process, providing information on the pressures being faced, choices and trade-offs, and whether Ministers can have confidence that an agency can deliver increased value within existing funding. These plans can be updated post-budget decisions.

## Roles and Responsibilities

### Underlying Principles for Relationships between Key Players

14. A successful Budget is characterised by effective relationships and communications between the key players. Below are some important elements to achieve this:
  - working through different perspectives
  - a ‘no surprises’ approach to the provision of advice, and
  - the provision of ‘free and frank’ advice to Ministers by officials.

### Minister of Finance

15. The Minister of Finance’s role is to:
  - develop and reach agreement on the Government’s fiscal targets and the resulting Budget Strategy
  - manage competing priorities to ensure that the Budget package meets the Government’s fiscal and wider policy goals agreed by Cabinet, and
  - help ensure the value for money of government expenditure.

## Ministers

16. Ministers play a key role in the Budget process. On an individual level, with assistance from their Chief Executives, they identify priorities for their departments to deliver on. From a collective perspective (ie, through Cabinet), they agree on the Budget Strategy, the priorities the Government seeks to achieve and the final Budget package.

## Departments

17. Departments provide advice to Ministers on:
  - the key outcomes that the Minister might want the department to pursue over the medium-term and their relative priority (consistent with the Budget Policy Statement)
  - whether the existing outputs and other expenses will be the most efficient and effective ones to achieve those outcomes and what alternatives could be considered
  - whether the entities in the Vote have the right capability to deliver the outputs, and
  - the main risks and how to manage these.

## Treasury

18. Treasury plays a number of different roles through the Budget process.

### *Vote teams*

19. Vote teams play two main roles:
  - an “assist” role, where they work alongside departments in the strategic phase of the Budget, and in updating baseline information. Vote teams provide the link between departments, other Treasury teams and the Minister of Finance. Vote teams are a department’s first point of contact at any stage in the process, and
  - an “assess” role, where they provide advice to the Minister of Finance on a range of topics, such as the value for money of initiatives and whether initiatives align with Government priorities as well as advice to Budget Ministers on Four-year Plans and individual Budget initiatives, among others.

### *Rest of Treasury*

20. Treasury also plays a number of other roles, including co-ordinating the budget process, providing fiscal forecasts, publishing the Crown accounts, and producing the various Budget documents.

## Budget Process

21. Once Budget initiatives have been submitted, the following steps remain in the Budget 2016 process:
  - Budget Decisions on individual initiatives.
  - The March Baseline Update.
  - The Budget Economic and Fiscal Update.
  - Production of the Budget documents (Estimates and Supplementary Estimates, and their Supporting Information).
  - Preparation and introduction of the Appropriation Bills.
  - Preparation of media statements for Ministers.
  - Proactive Release
22. These steps are presented graphically on page 4.

## Budget Decisions Phase

23. A group of Budget Ministers, made up of the Prime Minister, Minister of Finance and the Associate Ministers of Finance, will meet over February and March to:
  - Take decisions on individual Budget initiative proposals; informed by the Four-year Plans which have been submitted and where appropriate CBAX assessments and various Panel advice.
  - Agree to a final consolidated Budget package. This package is likely to be taken to Cabinet on **18 April** for consideration.
24. Changes that fall within the criteria set out in Cabinet Office Circular (15) 4 should be progressed through the March Baseline Update and not through the initiatives module. Treasury will remove any initiative from the module that should be progressed through the March Baseline Update.

## Budget Initiatives

25. As with Budget 2015, we will continue to run two processes for Budget initiatives – a process for “significant” initiatives and a process for “technical” initiative (see paragraphs 32 and 34).

### *Uploading initiatives for Budget 2016*

26. Initiatives are entered into CFISnet via the Baselines / Budget Initiatives / Initiatives Entry module.
  - Initiatives are assessed by Vote Analysts and then by Budget Ministers.
  - More substantive and supporting information should be provided to Vote Analysts and should be uploaded into CFISnet through the relevant initiative. All initiatives require a supporting Budget Initiative Summary

Template. In most instances a CBA template and a CBAX assessment will be required for all initiatives, except cost pressures.

- Departments should enter numbers into the initiatives module based on the Operating Balance and/or Debt Impact of the initiative for each year, which could be different to the changes to appropriations.
- Where appropriate, Departments that seek to reprioritise funding across appropriations and years (and are fiscally-neutral) should be aggregated into a single “reprioritisation” initiative.
- Ensure that any offsetting savings for each initiative is entered into the “savings/revenue” line in the initiatives module. Fiscally-neutral items (eg, reprioritisation) should have numbers entered into both the “gross” and “savings/revenue” line (which should net out to zero over the forecast period).
- Departments that are seeking new funding should enter the initiative – even if it is being sponsored by another Minister.
- If the initiative is across Votes, all relevant Votes should enter an initiative for the funding required for their Vote (cross-Vote initiatives should have the same title).
- For Budget 2016 the Treasury will be publishing a document on Budget day that provides the title and description of every approved initiative (with the exception of those provided for in contingency). It will reduce a significant amount of rework for the Treasury and agencies if titles and descriptions for initiatives can be agreed as early in the process as possible. **We recommend agencies work with their communications teams to ensure the descriptions are written in plain English, without the use of public sector-specific jargon or acronyms, and can be understood by a member of the general public.**
- More information on the initiatives module and definitions of the choices available under “Initiative Type” is available in CFISnet Help.

#### *Significant or Technical Budget Initiatives*

27. Budget initiatives should have been uploaded into CFISnet on **4 December**.
28. When entering Budget initiatives into CFISnet, significant Budget initiatives should be selected as “significant” in the Priority Area dropdown depending on whether net new funding is being requested, and its policy implications. By default, all initiatives are classified as “significant”.
29. Technical initiatives are those initiatives that do not seek new funding from the centre over the five year forecast period, and do not carry significant policy implications. These initiatives should be entered into CFISnet as soon as possible, but no later than **18 March** (following outcomes of the March Baseline Update). The technical initiative package is likely to be taken to Cabinet on **11 April** for consideration.

30. Significant initiatives are those initiatives that do seek new funding from the centre over the five year forecast period, and/or do carry significant policy implications. This includes significant policy changes that are fiscally neutral (eg, funded through reprioritisation).

### Financial Recommendations

31. Departments should have already entered all Budget Initiative proposals to CFISnet, on **4 December**. Initiatives will be considered by Budget Ministers during February and March.
32. Financial recommendations sign off sheets for Chief Financial Officers can be found in Annexes 1 and 2.

#### *Significant Budget Initiatives*

33. The final Budget package Cabinet paper is prepared by Treasury, and includes financial recommendations for every agreed significant Budget Initiative proposal. These recommendations are completed by departments in CFISnet. Financial recommendations are due for most Votes at **1pm on 31 March**. For Votes with decisions outstanding at 31 March, final financial recommendations are due at **1pm on 7 April**. CFISnet will advise when the Recommendations module is ready for departments to complete their financial recommendations.
34. If Budget Ministers agree to a department's Budget Initiative proposal either in full or scaled, Treasury will enter the recommended funding into CFISnet. This will then allow agencies to generate financial recommendations that reconcile against the agreed funding.

#### *Technical Budget Initiatives*

35. The technical Budget initiative proposal Cabinet paper is prepared by Treasury, and includes a large number of financial recommendations for every agreed technical Budget Initiative proposal. These recommendations are completed by departments in CFISnet. Financial recommendations are due for all Votes at **1pm on 23 March**. As above, CFISnet will advise when the Recommendations module is ready for departments to complete their financial recommendations.
36. The financial recommendations in the final Budget Cabinet paper are generated automatically from the recommendations that departments complete in CFISnet. Therefore, financial recommendations must be correctly drafted. Because of the limited time available in the production schedule, Treasury will **not** be proofing the financial recommendations prior to Cabinet. Departments will need to QA their own recommendations to ensure they are of Cabinet minute quality.
37. Any specific questions about technical issues or the wording of financial recommendations should be directed to your Vote analyst. Further guidance on how to enter financial recommendations into CFISnet is available on the CFISnet Help page under 'Baselines' > 'Recommendations'.



## Budget Moratorium

38. There will be a moratorium on Cabinet, Cabinet Committees and joint Ministers approving any financial recommendations after Cabinet agrees the final Budget package (expected to be **Monday 18 April**) until Budget Day. Departments must not submit any papers to Cabinet or Joint Ministers with financial implications during this period. The moratorium exists so that the Budget documents and legislation accurately reflect the fiscal implications of all Government decisions.

## March Baseline Update (MBU)

39. The March Baseline Update (MBU) is a technical update, and allows departments to update baselines to reflect Cabinet and joint Ministerial decisions that have taken place since the last baseline update in October. The MBU must not include proposals seeking new funding, or carrying significant policy implications. Any such proposals are to be considered in the Budget Decisions process described above. Treasury has released guidance on MBU 2016 alongside this guidance. Please refer to Treasury Circular 2015/17 for further details.

## Budget Economic and Fiscal Update (BEFU)

40. The Minister of Finance is required by law to table an Economic and Fiscal Update on Budget Day. The BEFU includes Treasury's overall economic forecasts and the forecast financial statements of the Government. These forecasts are important for helping Parliament and the public understand the state of the Government's finances and their likely future performance, as well as informing how much the government needs to borrow.
41. It is imperative, therefore, that the forecast financial statements that agencies provide to Treasury represent their best estimates. Appropriation amounts are not a suitable proxy for spending forecasts because appropriations represent upper spending limits, not best estimates of actual spending.
42. An indicative timetable for this Update is included in the Budget 2016 Timetable and Technical Requirements for Departments Treasury Circular. Further guidance and instructions on completing the fiscal forecasts will be provided by Treasury early in 2016.

## Specific Fiscal Risks

43. Under the Public Finance Act 1989 (PFA), the BEFU must also incorporate to the fullest extent possible, all Government decisions and other circumstances that may have a material effect on the fiscal and economic outlook. These are known as fiscal risks – ie, items that could positively or negatively affect the economy or Government balance sheet, if they occur.
44. Treasury compiles the list of fiscal risks, based on information that departments provide at each Economic and Fiscal Update (EFU). The most recent EFU was the Half Year Economic and Fiscal Update (HYEFU), published in December 2015.

*What are the deadlines for Specific Fiscal Risks?*

45. Departments must advise their Treasury Vote Team by **11 March** of all changes to the status of the fiscal risks for their department published in the 2015 HYEPU and any new matters of which they are aware that may have a material effect on the economic and fiscal outlook.
46. Departments must also certify in their Statement of Responsibility that they have disclosed to the Treasury all matters in the Votes for which they are responsible that may have a material effect on the fiscal and economic outlook. The Statement of Representation is due with the Treasury on **1 April for Departments or 20 April for Forecasting Departments**.

*What do you need to provide?*

47. Items should be disclosed to Treasury where:
  - the matter will have an impact of more than \$10 million in any one year, and
  - it is **reasonably possible** that the matter will be approved or occurs. 'Realistically possible' is to be taken to mean that in the judgement of the department, the event has more than a 20% chance of being approved or occurring during the forecast period.
48. The fiscal impacts of decisions that have already been taken should be included in departments' forecast financial schedules. Only matters for which a decision has not yet been taken, or for which a decision is not required are to be disclosed through the Fiscal Risks reporting process.
49. If departments are in doubt as to whether or not to disclose a matter to the Treasury, they should disclose it. Matters to be disclosed include (amongst others):
  - Matters relating to Crown entities for which the department has monitoring responsibilities.
  - Matters funded by 3rd party revenue for which the Crown may have a liability should the revenue collected be insufficient to maintain services.
  - Matters that were previously not disclosed as they failed to meet the "under active consideration" criteria.
  - Matters that were previously disclosed as Time Limited Funding.
50. The following information should be provided to Treasury Vote Teams by departments for each new matter identified (not more than one page for each matter):
  - A title that is concise but sufficiently informative to both uniquely identify the matter and provide an indication of its substance. The title should be of a standard that could be published in an Economic and Fiscal Update (EFU).

- A description that provides a similar degree of information previously provided for Specific Fiscal Risks (SFRs). The description should concisely (in 5-10 lines) describe the nature of the matter, what actions the Government is taking or planning to address the matter, and the impact the matter would have on the operating balance and/or debt. The description is to be of a standard that could be published in an EFU. For unchanged risks that have previously been published, the description should match what has been published in previous EFUs.
  - Likely operating and capital costs across the forecast period (and beyond if appropriate) and where possible the specific years the costs would be assigned to.
  - For matters requiring decision:
    - How far advanced the policy work is.
    - How aligned the matter is to Government priorities.
    - What indications of support for the matter the Government has made (including public announcements).
    - Any lack of discretion around the matter.
  - For matters not requiring decision:
    - Any signals from the Government that the matter will occur (including public announcements).
    - The department's past experience and precedents in this area or with similar matters.
    - Any lack of discretion around the matter (eg, legislated entitlements).
  - Whether the matter should be considered for exclusion from the EFU on the basis of the grounds set out in section 26V of the PFA as disclosure is likely to:
    - Prejudice the substantial economic interests of New Zealand; or
    - Prejudice the security or defence of New Zealand or the international relations of the government; or
    - Compromise the Crown in a material way in negotiation, litigation, or commercial activity; or
    - Result in material loss of value to the Crown.
    - Whether or not the Minister of Finance (or his office) has been advised of the matter, and if he has, how this was done (Cabinet paper, discussion document, aide memoire, e-mail etc).
51. Once this information has been collected from departments, an internal Treasury Risks Committee assesses and recommends to the Secretary of the Treasury

which matters should be disclosed in the BEFU. The following types of matters are generally not disclosed:

- Matters that fail to meet the materiality threshold (ie, are less than \$100 million over five years).
- Matters that are unlikely to be approved or occur over the next five years.
- Matters whose disclosure could:
  - Prejudice the substantial economic interests of New Zealand
  - Prejudice the security or defence of New Zealand or the international relations of the Government
  - Compromise the Crown in a material way in negotiation, litigation or commercial activity, or
  - Result in a material loss of value to the Crown.

## **Production of 2016/17 Estimates, 2015/16 Supplementary Estimates, and their Supporting Information**

52. The *Estimates* and supporting information provide information to Parliament on the appropriations the Government is seeking for 2016/17 through the Budget and what those appropriations will be used for. The *Supplementary Estimates* and supporting information reflect changes to 2015/16 appropriations since the 2015/16 Estimates were tabled in Parliament.
53. Departments should read and be familiar with the detailed information and instructions on the format and content changes to both the *Estimates* and *Supplementary Estimates* which are available in the following documents:

Document	Content	Link
Estimates, Supplementary Estimates and their Supporting Information: Technical Guide for Departments	Sets out the purpose and content requirements for the Estimates, Supplementary Estimates and their Supporting Information for Budget 2016.	<a href="http://www.treasury.govt.nz/publications/guidance/planning/estimates/tech-est">http://www.treasury.govt.nz/publications/guidance/planning/estimates/tech-est</a>
Annotated mock-up of the 2016/17 Estimates template	Shows how information should be presented in the 2016/17 Estimates	<a href="http://www.treasury.govt.nz/publications/guidance/planning/estimates/">http://www.treasury.govt.nz/publications/guidance/planning/estimates/</a>
Annotated mock-up of the 2015/16 Supplementary Estimates template	Shows how information should be presented in the 2015/16 Supplementary Estimates	<a href="http://www.treasury.govt.nz/publications/guidance/planning/estimates/">http://www.treasury.govt.nz/publications/guidance/planning/estimates/</a>
Style Guide for Estimates and Supplementary Estimates of Appropriations and Supporting Information	Guidance on how to prepare accurate and consistent Estimates documents.	<a href="http://www.treasury.govt.nz/publications/guidance/planning/estimates/style">http://www.treasury.govt.nz/publications/guidance/planning/estimates/style</a>

54. Departments are expected to be engaging with their Vote analysts and their Ministers' Office throughout the process to ensure all feedback is taken on board and issues resolved promptly.
55. Treasury will do an initial view of the Estimates and Supplementary Estimates documents based on what is in CFISnet as at **24 March**. These documents should be as 'near final' as possible, as this review provides opportunity for departments to receive early feedback for improvement (or omissions) before their Minister formally signs-off the documents. The focus of this initial feedback is primarily on the statements, explanations and structure of these drafts and common problems; at this stage it is not a comprehensive proof-read or review of the numbers.
56. Departmental Chief Executives are responsible to the Minister(s) for the quality and accuracy of the Budget documents prepared by their departments (ie, Estimates and Supplementary Estimates). This includes factual accuracy (eg, output classes are correctly specified) and technical accuracy (eg, the numbers include all the decisions made to date, and they reconcile).

#### *Sign-off of Estimates Documents by Ministers*

57. Ministers responsible for appropriations in a Vote must provide a sign off to the Minister of Finance that the *Estimates* and *Supplementary Estimates* documents are accurate and ready for publishing. Treasury can then compile them directly

from CFISnet for printing, after Cabinet has taken decisions on the Budget. The relevant sign-off sheets are attached as **Annexes 3 – 6**.

58. Each Estimates and Supplementary Estimates sign-off sheet should be for one Vote. Where a Vote has more than one portfolio Minister responsible for different appropriations, the sign-off should be from one of those appropriation Ministers on behalf of all the Ministers responsible for these appropriations.
59. It is the Department's responsibility to ensure that their Minister, or another Minister with authority to approve the documents, is available to sign off all of the *Estimates* and *Supplementary Estimates* documents on or before the relevant deadlines. Please confirm to your Treasury Vote team when the Vote Minister has signed-off on the documents.
60. Please note that the version number of the *Estimates* and *Supplementary Estimates* that your Vote Minister signs off must be the same as the final version number of the *Estimates* and *Supplementary Estimates* submitted through CFISnet.
61. Ministers should also be seeking assurance from Chief Executives that the material being submitted is accurate and ready for forwarding to the Minister of Finance. Similarly, Chief Executives will be seeking similar assurances from the person within their department responsible for preparing the department's Estimates documents.

*Deadlines for submission to Ministers of Estimates Documents*

62. Departments should submit all Estimates documents as soon as they are finalised to enable prompt processing. The production process will be split into three streams depending on whether the relevant Vote has Budget initiatives or is a forecasting department. These deadlines should be read as the final dates for submission – if your Estimates documentation is finalised earlier you should look to submit it earlier.

	<b>Deadline for submission to Appropriation Minister</b>	<b>Deadline for submission to the Minister of Finance</b>
<b>Tranche 1</b> – Votes which have no initiatives in Budget 2016	Wednesday 6 April	Thursday 7 April
<b>Tranche 2</b> – Votes which have Budget initiatives	Tuesday 12 April	Wednesday 13 April
<b>Tranche 3</b> – Forecasting departments or Votes requiring change following Cabinet's consideration of the Budget package	Friday 22 April	Tuesday 26 April

## Appropriation Bills (2016/17 Estimates and 2015/16 Supplementary Estimates)

63. All changes to appropriations agreed by Cabinet through the Budget must, by law, be agreed by Parliament in an Appropriation Act.
64. Treasury, in conjunction with the Parliamentary Counsel Office, will compile the Appropriation (2016/17 Estimates) Bill and the Appropriation (2015/16 Supplementary Estimates) Bill after Cabinet has agreed to a final Budget package and after all departments have loaded their Estimates documents into CFISnet.
65. It is very important that all Estimates numbers loaded into CFISnet are correct as these are the numbers that will be used in compiling the legislation that will be introduced into Parliament. Once the legislation is finalised and introduced, changes are virtually impossible. It is important that the numbers receive adequate QA from departments, including checking actual outturns for the current financial year with the numbers for the current financial year in the Supplementary Estimates.
66. Departments should also submit information for appropriations affected by Section 21 of the PFA.

### Revenue Dependent Appropriations (Section 21 of the PFA)

67. A Revenue Dependent Appropriation (RDA) is an output expense appropriation that allows a department to incur expenses up to the amount of revenue earned by the department from the supply of a specified class of outputs (as opposed to being funded by the Crown). Like all other appropriations, changes to RDAs – including the creation of new RDAs – must be reported to Parliament, so that they can be approved through the Appropriation Acts.
68. Departments with revenue-dependent appropriations approved by the Minister of Finance should complete the template (available on CFISnet, under the 'Treasury Circulars' menu and as **Annex 7**) and upload to CFISnet so they can be listed in a schedule to the relevant Appropriation Bill. These completed templates must be uploaded by **8 April**.
69. When submitting the template, please include the document reference (eg, Cabinet Minute or letter) where the Minister of Finance approved the use of an RDA for each specified output class. Please email your Vote team once you have uploaded the template.
70. The completed templates can be uploaded through the Info > Document Sharing > Upload or Download a Document > "IFRS Info (FSG3, Elims, Stmt Reps, Contingent)" tabs. Please include 'section 21' in the comment field to allow Treasury to identify the relevant documents. No response is considered a nil return. Vote teams will discuss the content of the submission with you in advance of the submission date.

71. The requirements and process for obtaining the Minister of Finance's approval for an RDA are set out in Treasury Circular 2007/05, available on CFISnet.

### Ministers reporting against appropriations

72. Section 15C of the PFA now requires performance reporting for all departmental and non-departmental appropriations (excluding those for borrowing expenses and security and intelligence agencies) at year-end unless specifically exempted by the Minister of Finance. The Estimates documents identify who reports against each appropriation and in which document. For further information, refer the March Baseline Update circular for requesting exemptions from performance reporting and Treasury guidance for determining [Who Reports Performance Against Appropriations](#).

### Media Statements

73. The Minister of Finance's Office issues detailed guidance to Ministerial press secretaries on preparing media releases. This guidance is issued in April, soon after Cabinet signs off on the final Budget Package.
74. The main guidelines for presenting numbers in media releases are:
- **Show four-year totals:** For initiatives with ongoing costs, present the numbers as a four-year total (ie, showing the impact over 2016/17 to 2019/20). If there is a cost or saving in the current financial year (2015/16), then this should not be added to the four-year total, but referred to separately, for example:  
\$6.4 million over the next four years  
Or  
\$210,000 of funding in the 2015/16 financial year and \$6.4 million over the next four years.
  - **The only exception is if spending is time-limited:** For initiatives with funding that has a specific start and end date, present the numbers as a total for that specific period, for example:  
\$4.8 million over 2017/18 to 2019/20.
  - **For an initiative that has both ongoing operating and time-limited capital funding,** present the two separately, for example:  
\$6.4 million of operating funding over the next four years and \$3.9 million of capital funding in the next two years.
  - **Round to one decimal place:** Millions of dollars should be rounded to one decimal place:  
\$3.8 million, not \$3.760 million. The exception is when referring to amounts of less than \$1 million, where the figure should be presented in thousands, eg \$765,000.
75. The Budget Package Cabinet Papers and Minutes include an annex with the operating balance and/or debt impacts of all agreed initiatives. This document,



and a template that will be completed by your Vote Analyst, should be used when drafting media releases to ensure consistency of numbers. A copy of the draft template can be found in **Annex 8**.

76. Contact your Treasury Vote team for further information about Budget information for the media, MPs and the public.

## Proactive Release

77. The Treasury proactively releases Budget-related documents every year about five weeks after Budget day. The purpose of the release is to cut down on the number of Official Information Act requests related to the Budget received by the Minister of Finance, appropriation Ministers, the Treasury and departments. The release is also desirable for government transparency and public accountability.
78. The release includes all key documents that have been used in Budget decision-making, including:
  - Budget reports
  - Budget Cabinet papers
  - Relevant Treasury Reports and Aide Memoires
  - Cabinet Minutes, including the main Budget paper and financial recommendations package
79. It is expected that final Four-year Plans will be requested by Parliament select committees from departments shortly after Budget Day as part of their Estimates consideration. Departments are responsible for liaising with their Minister in responding to this request and public release of their plans (with information withheld where applicable in accordance with the Official Information Act 1982).
80. Treasury will provide further information on the process for the Budget 2016 proactive release in 2016.

## Guide to the Annexes

Annex No.	What	Due date	Who needs to use it
1	Budget 2016 Significant Financial Recommendations Chief Financial Officer Sign Off	<b>31 March or 7 April</b>	Departments with significant initiatives seeking Cabinet agreement to changes to appropriations in Budget 2016
2	Budget 2016 Technical Financial Recommendations Chief Financial Officer Sign Off	<b>31 March</b>	Departments with technical initiatives seeking Cabinet agreement to changes to appropriations in Budget 2016
3	2016/17 Estimates Chief Executive Sign Off	With Estimates documents	All departments
4	2015/16 Supplementary Estimates Chief Executive Sign Off	With Estimates documents	All departments
5	2016/17 Estimates Ministerial Sign Off	With Estimates documents	All departments
6	2015/16 Supplementary Estimates Ministerial Sign Off	With Estimates documents	All departments
7	Template for Section 21 Appropriations	<b>8 April</b>	Departments with output expense appropriations restricted by revenue (section 21)
8	Media Statements template	-	Departments whose Ministers wish to prepare media statements on Budget initiatives.

**ANNEX 1**

**BUDGET 2016 SIGNIFICANT INITIATIVES FINANCIAL RECOMMENDATIONS  
CHIEF FINANCIAL OFFICER SIGN OFF**

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**Vote**

The Significant Financial Recommendations for the above Vote contain all decisions for Cabinet consideration as part of the 2016 Budget Package.

These have been completed in accordance with Financial Recommendations requirements as set out in Treasury Circulars and guides.

<b>Aspect</b>	<b>Check ( ✓ / ✗ )</b>
All applicable recommendations have been included and reflect decisions taken by Budget Ministers.	
For Votes that are receiving new funding, the initiative name and description clearly specifies what the money is allowed to be spent on.	
The new initiative is spelt correctly and has the appropriate capitals (use capitals for all words except for words such as of, it, to etc). <b>Note</b> that departments are able to change titles without changing the original budget initiative.	
The scope statement for any <b>new</b> appropriation/category begins with “This appropriation/category is limited to ....”, and provides a clear legal boundary for the appropriation/category.	
Funding is going into the correct appropriations.	
Any implications for baselines outside the forecast period (ie, in outyears) are clearly documented in the recommendations.	
Where initiatives relate to more than one Vote, departments have coordinated their recommendations so that no information is missing or duplicated.	
Additional “non-standard” tables required by departments have been inserted.	

<p>Revenue type is correct ('Revenue Other' for third parties; 'Revenue Department' where another department purchases the good/service; or 'Revenue Crown', and the <b>GST</b> implications are correct (ie, all financial recommendations should be GST exclusive).</p>	
<p>The impact statement is correct ("with a corresponding / no impact on the operating balance / debt").</p>	

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Name

Chief Financial Officer

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Signature

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Date

Please forward this document to your Vote team no later than **1pm on 31 March**. If decisions are still outstanding on 6 April, please forward to your Vote team no later than **1pm on 7 April**. Your Vote team will advise you which deadline is relevant.

**ANNEX 2**

**BUDGET 2016 TECHNICAL INITIATIVES FINANCIAL RECOMMENDATIONS  
CHIEF FINANCIAL OFFICER SIGN OFF**

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**Vote**

The Technical Financial Recommendations for the above Vote contain all decisions for Cabinet consideration as part of the 2016 Budget Package.

These have been completed in accordance with Financial Recommendations requirements as set out in Treasury Circulars and guides.

<b>Aspect</b>	<b>Check ( ✓ / ✗ )</b>
All applicable recommendations have been included and reflect decisions taken by Budget Ministers.	
For Votes that are receiving new funding, the initiative name and description clearly specifies what the money is allowed to be spent on.	
The new initiative is spelt correctly and has the appropriate capitals (use capitals for all words except for words such as of, it, to etc). <b>Note</b> that departments are able to change titles without changing the original budget initiative.	
The scope statement for any <b>new</b> appropriation/category begins with “This appropriation/category is limited to ....”, and provides a clear legal boundary for the appropriation/category.	
Funding is going into the correct appropriations.	
Any implications for baselines outside the forecast period (ie, in outyears) are clearly documented in the recommendations.	
Where initiatives relate to more than one Vote, departments have coordinated their recommendations so that no information is missing or duplicated.	
Additional “non-standard” tables required by departments have been inserted.	

Revenue type is correct ('Revenue Other' for third parties; 'Revenue Department' where another department purchases the good/service; or 'Revenue Crown', and the <b>GST</b> implications are correct (ie, all financial recommendations should be GST exclusive).	
The impact statement is correct ("with a corresponding / no impact on the operating balance / debt").	

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Name

Chief Financial Officer

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Signature

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Date

Please forward this document to your Vote team no later than **1pm on 23 March**.

## ANNEX 3

### 2016/17 ESTIMATES CHIEF EXECUTIVE SIGN OFF

#### Template– Departmental certification letter to an appropriation Minister(s) for a Vote

[Date]

Hon [XXX]  
Minister of/for [XXX]  
BEEHIVE

Dear Minister

#### 2016/17 Estimates Documents for Vote: [Vote name]

#### Action Required

Attached, for your approval are:

- the documentation for the 2016/17 Estimates and Supporting Information for [where there is more than one appropriation Minister, insert: “*the appropriations that you are responsible for in*”] [Vote name], and
- a draft letter to the Minister of Finance.

#### Background

The Budget 2016 process requires that:

- the Estimates documentation for [vote] is completed by [date], and

*Either - when only one appropriation Minister is responsible for all of the appropriations in the vote, the following bullet should then be included:*

- *“as the appropriation Minister for all of the appropriations in the Vote, you confirm to the Minister of Finance that this material is correct and in a form suitable for publication.”*

*Or – when there is more than one appropriation Minister responsible for appropriations in the Vote, the following bullet should then be included:*

- *“one of the appropriation Ministers responsible for appropriations in the Vote, on behalf of all appropriation Ministers with appropriations in the Vote, confirm to the Minister of Finance that this material is correct and in a form suitable for publication.”*

## The Estimates and Supporting Information Documents

I confirm that the information provided for your approval:

- is consistent with the policies and performance expectations of the government, and has been prepared in accordance with the Public Finance Act 1989
- is consistent with the proposed appropriations to be set out in the Appropriation (2016/17 Estimates) Bill, as entered by [department] into the Treasury's CFISnet system
- is consistent with existing appropriations, financial authorities, and Cabinet decisions up to [date]
- has been prepared in the required format, and in accordance with the guidance that has been issued by the Treasury
- has been appropriately reviewed by [department's] senior management team – with a particular focus on areas where new strategic information, such as statements about what an appropriation is intended to achieve, is now required, and
- has been through an appropriate quality assurance process and is free of material errors and omissions.

Either – when only one appropriation Minister is responsible for all of the appropriations in the vote, the following bullet should then be included:

*“The budget process requires that you review the Estimates documentation, and then confirm to the Minister of Finance that it is fit for publication.”*

Or – when there is more than one appropriation Minister responsible for appropriations in the vote, the following bullet should then be included:

*“As detailed below there are several appropriation Ministers associated with [vote]:*

- *Minister –list of appropriations*
- *Minister –list of appropriations*
- *Minister –list of appropriations*

*[...]*

*The budget process requires that all appropriation Ministers review the Estimates documentation. One appropriation Minister, on behalf of all appropriation Ministers associated with the vote, should then confirm to the Minister of Finance that the Estimates documentation for the vote is fit for publication.”*



*“I understand the Ministers responsible for appropriations in [Vote name] have agreed that the Minister of/for [portfolio] will sign the attached letter to the Minister of Finance, on behalf of all appropriation Ministers. Accordingly, I recommend that once appropriation Ministers are comfortable with the material for the appropriations that they are responsible for, the Minister of/for [portfolio] sign the attached letter to the Minister of Finance.”*

### **Recommendation**

Either – when only one appropriation Minister is responsible for all of the appropriations in the vote, the following recommendation should then be included:

*“I recommend that you **sign** the attached letter to the Minister of Finance”*

Or – when there is more than one appropriation Minister responsible for appropriations in the vote, the following recommendation should instead be included:

*“I recommend that you **agree** with the other appropriation Ministers associated with the vote which Minister will **sign** the attached letter to the Minister of Finance.”*

Yours sincerely

[Chief Executive Signature]

[Chief Executive Title]

## ANNEX 4

### 2015/16 SUPPLEMENTARY ESTIMATES CHIEF EXECUTIVE SIGN OFF

#### Template– Departmental certification letter to an appropriation Minister(s) for a Vote

[Date]

Hon [XXX]  
Minister of/for [XXX]  
BEEHIVE

Dear Minister

#### 2015/16 Supplementary Estimates Documents for Vote: [Vote name]

#### Action Required

Attached, for your approval are:

- the documentation for the 2015/16 Supplementary Estimates and Supporting Information for [where there is more than one appropriation Minister, insert: “the appropriations that you are responsible for in” [Vote name], and
- a draft letter to the Minister of Finance.

#### Background

The Budget 2016 process requires that:

- the Estimates documentation for [vote] is completed by [date], and

Either - when only one appropriation Minister is responsible for all of the appropriations in the vote, the following bullet should then be included:

- “as the appropriation Minister for all of the appropriations in the Vote, you confirm to the Minister of Finance that this material is correct and in a form suitable for publication.”

Or – when there is more than one appropriation Minister responsible for appropriations in the Vote, the following bullet should then be included:

- “one of the appropriation Ministers responsible for appropriations in the Vote, on behalf of all appropriation Ministers with appropriations in the Vote, confirm to the Minister of Finance that this material is correct and in a form suitable for publication.”

## The Supplementary Estimates and Supporting Information Documents

I confirm that the information provided for your approval:

- is consistent with the policies and performance expectations of the government, and has been prepared in accordance with the Public Finance Act 1989
- is consistent with the proposed appropriations to be set out in the Appropriation (2015/16 Supplementary Estimates) Bill, as entered by [department] into the Treasury's CFISnet system
- is consistent with existing appropriations, financial authorities, and Cabinet decisions up to [date]
- has been prepared in the required format, and in accordance with the guidance that has been issued by the Treasury
- has been appropriately reviewed by [department's] senior management team – with a particular focus on areas where new strategic information, such as statements about what an appropriation is intended to achieve, is now required, and
- has been through an appropriate quality assurance process and is free of material errors and omissions.

Either – when only one appropriation Minister is responsible for all of the appropriations in the vote, the following bullet should then be included:

*“The budget process requires that you review the Estimates documentation, and then confirm to the Minister of Finance that it is fit for publication.”*

Or – when there is more than one appropriation Minister responsible for appropriations in the vote, the following bullet should then be included:

*“As detailed below there are several appropriation Ministers associated with [vote]:*

- *Minister –list of appropriations*
- *Minister –list of appropriations*
- *Minister –list of appropriations*

*[...]*

*The budget process requires that all appropriation Ministers review the Estimates documentation. One appropriation Minister, on behalf of all appropriation Ministers associated with the vote, should then confirm to the Minister of Finance that the Estimates documentation for the vote is fit for publication.”*

*“I understand the Ministers responsible for appropriations in [Vote name] have agreed that the Minister of/for [portfolio] will sign the attached letter to the Minister of Finance, on behalf of all appropriation Ministers. Accordingly, I recommend that once appropriation Ministers are comfortable with the material for the appropriations that they are responsible for, the Minister of/for [portfolio] sign the attached letter to the Minister of Finance.”*

### **Recommendation**

Either – when only one appropriation Minister is responsible for all of the appropriations in the vote, the following recommendation should then be included:

*“I recommend that you **sign** the attached letter to the Minister of Finance”*

Or – when there is more than one appropriation Minister responsible for appropriations in the vote, the following recommendation should instead be included:

*“I recommend that you **agree** with the other appropriation Ministers associated with the vote which Minister will **sign** the attached letter to the Minister of Finance.”*

Yours sincerely

[Chief Executive Signature]

[Chief Executive Title]

## ANNEX 5

### 2016/17 ESTIMATES MINISTERIAL SIGN OFF

#### Template - Ministerial certification to the Minister of Finance for a vote

[DATE]

Hon Bill English  
Minister of Finance  
BEEHIVE 7.6

Dear Minister

#### 2016/17 Estimates: Ministerial Sign-off for Vote: [Vote]

I advise that the *Estimates of Appropriation 2016/17 and Supporting Information* documents for [Vote], for which [name of department] is the administering department, have been completed - and that it is accurate and suitable for publication. I confirm that the information provided:

- is consistent with the policies and performance expectations of the government, and has been prepared in accordance with the Public Finance Act 1989
- is consistent with the proposed appropriations to be set out in the Appropriation (2016/17 Estimates) Bill, existing appropriations and financial authorities, and with Cabinet decisions up to [date]
- is provided in the required format, and has been prepared in accordance with the guidance that has been issued by the Treasury, and
- has been through an appropriate quality assurance process and is free of material errors and omissions.

[Where more than one portfolio Minister is responsible for different appropriations in the Vote the following bullet should also be added: "*has, where it relates to an appropriation that is the responsibility of another Minister, been approved by the Minister responsible for that appropriation*"]

In signing this statement, I acknowledge that I [and the other Ministers responsible for appropriations in this Vote] [am/are] responsible for the information for Vote [name]

administered by [department's name] included in the *Estimates of Appropriations 2016/17 and Supporting Information*.

Yours sincerely

[Signature]

**Signature**

The signature should be either:

- (i) Where the signing Minister is solely responsible for all of the appropriations contained in the Vote

*“Hon [Name]  
Minister of/for [portfolio]”*

- (ii) Or, Where more than one portfolio Minister is responsible for different appropriations in the Vote

*“Hon [Name]  
Minister of/for [portfolio]  
On behalf of all Ministers responsible for appropriations in Vote: [Vote name]”*

## ANNEX 6

### 2015/16 SUPPLEMENTARY ESTIMATES MINISTERIAL SIGN OFF

#### Template - Ministerial certification to the Minister of Finance for a vote

[DATE]

Hon Bill English  
Minister of Finance  
BEEHIVE 7.6

Dear Minister

#### 2015/16 Supplementary Estimates: Ministerial Sign-off for Vote: **[Vote]**

I advise that the *Supplementary Estimates of Appropriation 2015/16 and Supporting Information* documents for **[Vote]**, for which **[name of department]** is the administering department, have been completed - and that it is accurate and suitable for publication. I confirm that the information provided:

- is consistent with the policies and performance expectations of the government, and has been prepared in accordance with the Public Finance Act 1989
- is consistent with the proposed appropriations to be set out in the Appropriation (2015/16 Supplementary Estimates) Bill, existing appropriations and financial authorities, and with Cabinet decisions up to [date]
- is provided in the required format, and has been prepared in accordance with the guidance that has been issued by the Treasury, and
- has been through an appropriate quality assurance process and is free of material errors and omissions.

[Where more than one portfolio Minister is responsible for different appropriations in the Vote the following bullet should also be added: “*has, where it relates to an appropriation that is the responsibility of another Minister, been approved by the Minister responsible for that appropriation*”]

In signing this statement, I acknowledge that I [and the other Ministers responsible for appropriations in this Vote] [am/are] responsible for the information for Vote [name] administered by [department's name] included in the *Supplementary Estimates of Appropriations 2015/16 and Supporting Information*.

Yours sincerely

[Signature]

<p><b>Signature</b></p> <p>The signature should be <u>either</u>:</p> <p>(iii) Where the signing Minister is solely responsible for all of the appropriations contained in the Vote</p> <p><i>“Hon [Name] Minister of/for [portfolio]”</i></p> <p>(iv) <u>Or</u>, Where more than one portfolio Minister is responsible for different appropriations in the Vote</p> <p><i>“Hon [Name] Minister of/for [portfolio] On behalf of all Ministers responsible for appropriations in Vote: [Vote name]”</i>.</p>
---



**ANNEX 7**

**SECTION 21 – EXPENSES RESTRICTED BY REVENUE OUTPUT CLASSES IN  
APPROPRIATION BILL – SUBMISSION TEMPLATE**

Instructions:

(1) Fill this table out if your department has revenue-dependent output expense appropriations (s.21). Check pages 16-17 for further details.

(2) **Upload** to CFISnet by **1pm on 8 April**.

List all existing s21 appropriations ie, those appearing in 2015/16 Core Estimates	Has the Minister of Finance approved the use of s21?  Yes/No	Should it be included in the 2016/17 Core Estimates?  Yes/No	Note any Vote/Name changes, and any other relevant information
List any new s21 appropriations for the 2015/16 Supplementary Estimates			
List any new s21 appropriations to appear in the 2016/17 Core Estimates			

## ANNEX 8: MEDIA STATEMENTS TEMPLATE

### VOTE [X]

#### Headline Numbers:

##### **New Funding:**

- (A) **Gross New funding (note this does not include new contingencies):** \$[x]m operating over the next four years, plus \$[x]m in 2015/16

AND/OR

\$[x]m in new capital funding from the Capital Allowance [where applicable]

- (B) **New Contingencies Established:** \$[x]m operating over the next four years, plus \$[x]m in 2015/16

AND/OR

\$[x]m in new capital funding from the Capital Allowance [where applicable]

##### **Savings/Reprioritisation:**

- (C) **Amount funded from existing contingencies:** \$[x]m operating over the next four years, plus \$[x]m in 2015/16

AND/OR

\$[x]m capital expenditure [where applicable]

- (D) **Other savings/reprioritisation:** \$[x]m operating over the next four years, plus \$[x]m in 2015/16

AND/OR

\$[x]m capital expenditure [where applicable]

#### Guidance notes:

- Gross new funding is the up-front Budget spending excluding any contingencies established (and may be funded from new money and/or savings/reprioritisation).
- Please provide amounts for both operating and capital separately, do not sum them.

### **New Initiatives:**

[Initiative Title]

[Initiative Description]

#### **New Funding:**

**Gross New funding:** \$[x]m operating over the next four years, plus \$[x]m in 2015/16

AND/OR

\$[x]m in new capital funding from the Capital Allowance [where applicable]

**New Contingency funding:** \$[x]m operating over the next four years, plus \$[x]m in 2015/16

AND/OR

\$[x]m in new capital funding from the Capital Allowance [where applicable]

#### **Savings/reprioritisation:**

**Amount funded from existing contingencies:** \$[x]m operating over the next four years, plus \$[x]m in 2015/16

AND/OR

\$[x]m capital expenditure [where applicable]

**Other savings/reprioritisation:** \$[x]m operating over the next four years, plus \$[x]m in 2015/16

AND/OR

\$[x]m capital expenditure [where applicable]

#### **Additional Comments:**

- [any additional points that the Press Secretaries should be aware of]

Guidance notes:

- The above line items for the new initiatives should sum to the aggregate totals above
- If an initiative is time-limited, specify the period that the funding is for, e.g. 3 years.
- For initiatives with capital, specify both the capital amount (as a total over 10 years) and give the operating amount as a 4 year total.
- Please make any reprioritisation clear in the individual initiative information.
- The initiative description should be a brief 1-2 line description of the initiative.

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3 October 2016

Treasury Circular 2016/12

Restricted Distribution

Chief Executives  
Chief Financial Officers

Budget process enquiries: Your Treasury Vote Analyst

CFISnet: CFISnet Helpdesk (04) 917 6198  
[CFISnet@treasury.govt.nz](mailto:CFISnet@treasury.govt.nz)

**BUDGET 2017: BUDGET INITIATIVE PROCESS AND TIMETABLE**

1. This circular covers the timetable and process for Budget initiatives through to January 2017.
2. The “Budget 2017 Initiative Process: Guidance for agencies submitting Budget initiatives” document is now available on CFISnet. The template annexes in this document are also available in Word format on CFISnet as a related file to this circular.
2. Budget 2017 will build on the progress made in previous Budgets by introducing a new track for evidence-based social sector Budget initiatives (Track 1– Social Investment Track). Track 2 is the established investment track which covers social sector, Business Growth Agenda, capital and other initiatives.
3. The Treasury will release further guidance on the assessment criteria, investment threshold and initiative template for Track 1 initiatives on 31 October. Treasury will work with agencies and the Social Investment Unit to define the measures and weightings that will be used for the investment threshold. The Social Investment Unit will provide support to agencies in this process.
4. The Treasury will issue a circular before Christmas covering the indicative timetable for the remainder of the production of Budget 2017. The “Budget 2017 Process and Technical Guide for Departments” will be released alongside the December circular.

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**Timetable**

5. Below are the key dates for Departments through to the end of January, as well as indicative dates up until May. Most of this is consistent with previous years but with a new Track 1 process that has specific requirements and deadlines with the intention of rewarding high quality social investment proposals.

Date	Track One	Track Two
October	<p><b>Friday 7 October</b> – Track 1 process workshop will be held at: Level 5, The Treasury 9.30 am – 12.00 pm.</p> <p>Treasury will work with agencies and the Social Investment Unit to define the measures and weightings that will be used for the investment threshold.</p> <p>The Social Investment Unit will provide support to agencies in this process.</p>	<p><b>Thursday 6 October</b> – Social sector &amp; Other workshop held at: Level 5, The Treasury 2.00 – 5.00 pm.</p> <p><b>Friday 7 October</b> – BGA workshop held at: Level 5, The Treasury 12.30 – 3.30 pm.</p>
Late October	<p>Further specific guidance on Track 1 - Social Investment Track released.</p> <p>This will include the Track 1 Budget initiative template and the defined measures for the investment threshold.</p>	
October/ November	<p>Ministerial meetings about an agency's understanding of its business, its customers and effectiveness of baseline expenditure, new rules and processes for Budget 2017 and Track 1 intentions. Only for selected agencies.</p>	
November	<p><b>4 November</b> – Track 1 Initiative scoping documents provided to the Treasury for early visibility ahead of the Checkpoint.</p> <p><b>Checkpoint</b> – The Social Investment Panel convened to review the scoping documents and advise agencies and Budget Ministers on the further development of these initiatives.</p> <p><b>Late November</b> – Finance Ministers will review the early advice on Track 1 initiatives and set the investment threshold.</p>	<p>First Investment Panel convened to consider capital and near-capital initiatives that are ready for discussion.</p>

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30 November	Final Four-year Plans and cost pressure information due ( <a href="#">see 2016 Four-year Plan guidance</a> ).	
<b>2 December</b>	Budget initiative template, cost benefit analysis template, 15 year initiative impact spreadsheet and supporting information due – documents uploaded via CFISnet. Letter to Minister of Finance sent from the Portfolio Minister with Track 1 initiatives included; copy provided to Vote Analyst.	
Mid December	Budget technical guidance released including Estimates Style Guide and an interim Budget 2017 timetable. This timetable will include due dates for the March Baseline Update, financial recommendations, Estimates etc but cannot be finalised until Budget day is confirmed.	
December/ January	The Social Investment Unit and the Treasury will provide targeted assistance to further develop the Track 1 initiatives.	Initial Treasury assessment and analysis of Budget initiatives, with support provided to agencies to further refine initiatives to meet requirements.
<b>31 January</b>	Budget initiative template and supporting information due for Track 1 initiatives. No Track 1 initiatives can be submitted after this date.	Any initiatives not submitted before this date require the approval of Budget Ministers to be included in the Budget process.
February	The Treasury and the Social Investment Panel will assess Track 1 initiatives and provide advice to Budget Ministers.	
	Budget day confirmed and final Budget 2017 timetable released. Social Investment Panel meets with agencies to consider all Track 1 initiatives and selected Track 2 initiatives. Investment Panel meets with agencies to consider capital and near-capital initiatives. Peer Review process for selected BGA initiatives. Agencies may be asked to discuss initiatives with the peer-reviewers.	
February- March	Ministerial meetings about Budget 2017 initiatives, strategic choices and trade-offs and how they relate to the direction of travel agencies outline in their Four Year Plans. Ministerial groups meet and discuss packages of initiatives to present to Budget Ministers.	
Late March	Budget Ministers agree final Budget package.	
April	Cabinet confirm final Budget package.	
May	Option to update 2017 Four-year Plan if department wishes to reflect any significant Government decisions made during the Budget process.	

**Guidance document**

6. The “Budget 2017 Initiative Process” guidance document sets out expectations for agencies submitting initiatives for consideration as part of Budget 2017. It provides a

## IN-CONFIDENCE

high level timetable as well as detail on what needs to be submitted, and guidance on how to complete the provided templates and upload them into CFISnet.

7. The guidance includes information on the processes for the new Track 1– Social Investment Track (Part 1) as well as Track Two – the Established investment track which covers social sector, Business Growth Agenda, capital and other initiatives (Part 2). It also details the key assessment criteria for initiatives (Part 3).

8. The guidance also includes the following templates which are also available in Word format on CFISnet as related files to this circular:

Template 1: Scoping Document Template for Track 1 Initiatives (required for all Track 1 initiatives)

Template 2: Budget Initiative Summary Template for Track 2 Initiatives (required for all Track 2 initiatives)

Template 3: Cost Benefit Analysis Template (required for all initiatives)

Template 4: Ministerial Letter (required for all initiatives)

Template 5: Late Initiatives (required for all initiatives submitted after 31 January)

Template 6: Ministerial Engagement Template (agencies are required to prepare these templates to support Ministerial meetings)

Template 7: 15 year initiative impact excel spreadsheet (required for all initiatives where possible)

9. Accompanying the main guidance, the *Budget 2017 BGA process Additional Information for Agencies* document provides detail on the aspects of the Budget 2017 process that are specific to agencies in the BGA stream.

### Technical initiatives

10. Technical initiatives are those which do not require new funding and do not constitute a significant policy decision. This includes technical changes to appropriations outside the scope of Cabinet Office Circular (15) 04, as well as those that are within the scope of Cabinet Office Circular (15) 04 that miss the March Baseline Update. These changes should in nearly all instances be fiscally neutral.

11. Technical initiatives will not be due until after the March Baseline Update. Specific dates for this process will be provided in the technical guidance released in December and confirmed in February. No Budget initiative template or cost benefit analysis is required for technical initiatives, and these initiatives do not need to be included in the Ministerial letter. Please contact your Vote Analyst if you have any questions about technical initiatives.

Kamlesh Patel  
Team Leader, Fiscal and State Sector Management  
For Secretary to the Treasury

# Budget 2017 Initiatives Process

Guidance for agencies preparing Budget initiatives

October 2016



New Zealand Government

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## About This Guidance

This guidance document sets out expectations for agencies preparing significant initiatives for consideration as part of Budget 2017. Subsequent guidance will be released on 31 October 2016 detailing additional requirements and templates for Track 1 initiatives.

It provides a high level timetable as well as detail on what needs to be submitted, and how to complete:

- Template 1: Scoping Document Template for Track 1 Initiatives (required for all Track 1 initiatives)
- Template 2: Budget Initiative Summary Template for Track 2 Initiatives (required for all Track 2 initiatives)
- Template 3: Cost Benefit Analysis Template (required for all Track 2 initiatives)
- Template 4: Ministerial Letter (required for all initiatives)
- Template 5: Late Initiatives (required for all initiatives submitted after 31 January)
- Template 6: Ministerial Engagement Template (some agencies will be required to prepare these templates to support Ministerial meetings)
- Template 7: 15 year initiative impact excel spreadsheet (required for all initiatives where possible)

You can find word versions of these templates on CFISnet > Circulars > Download Circulars.

This document has been written by the Fiscal and State Sector Management team at the Treasury.

## Significant versus Technical Initiatives

This guidance relates to the submission of significant initiatives. That is, initiatives seeking new funding or that constitute a significant policy decision. Significant initiatives must be weighed against the Government's priorities and demonstrate that other funding avenues have been exhausted.

Technical initiatives are those which do not require new funding and do not constitute a significant policy decision. This includes technical changes to appropriations outside the scope of [Cabinet Office Circular \(15\) 04](#), as well as those that are within the scope of Cabinet Office Circular (15) 04 that miss the March Baseline Update. These changes should in nearly all instances be fiscally neutral. If you require further clarity on the distinction between technical and significant initiatives talk to your Vote Analyst.

Technical initiatives will not be due until after the March Baseline Update. Specific dates for this process will be provided in the technical guidance released in December and confirmed in February. No Budget initiative template or cost benefit analysis is required for technical initiatives, and these initiatives do not need to be included in the Ministerial letter. Please contact your Vote Analyst if you have any questions about technical initiatives.

## Questions and Feedback

You should use this document as your first point of call for guidance on preparing initiatives for Budget 2017. We welcome feedback on this guidance. Please contact your Vote Analyst in the first instance with any feedback or questions.

## Overview

For Budget 2017 Ministers intend to build on the changes introduced in Budget 2016, including a stronger focus on social investment and improving the evidence base to guide decision making. Budget 2017 will continue the approach of responsible fiscal management with a focus on achieving the debt target of reducing net debt to around 20 per cent of GDP in 2020. **This target will anchor all decisions in Budget 2017.**

Budget 2017 will focus on better use of evidence to support decision-making, greater transparency around cost drivers, agencies understanding their business, and process improvements to increase the quality and rigor of Budget submissions and assessments.

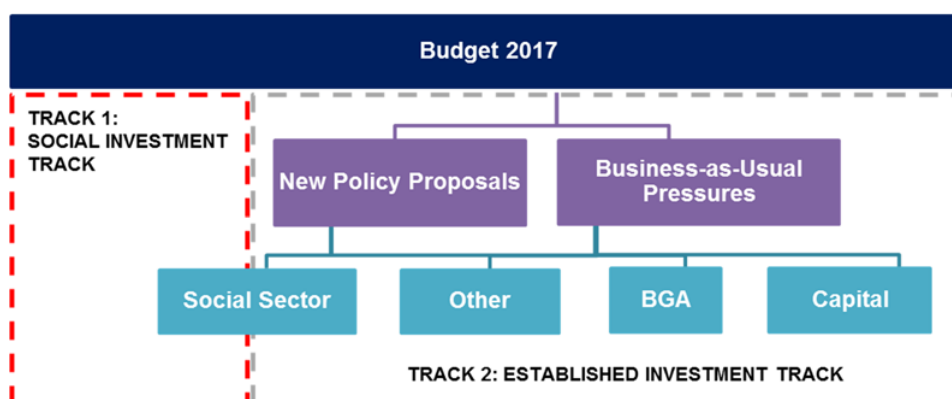
## Summary of key changes in Budget 2017

- A new uncapped Budget track to reward high quality social investment proposals.
- Broader application of CBAX to initiatives (including Business-as-usual pressures in the Social Sector and Other initiatives).
- CBAX supporting material will be published for successful initiatives as part of the Budget information proactive release process.
- 15-year forecast fiscal and economic impacts of initiatives to be included where possible.
- Late initiatives require a request for approval from Budget Ministers.
- Scope of expert panels widened to include new BGA peer review process.

## Budget 2017 at a glance

Budget 2017 will build on the progress made in previous Budgets by introducing a new track for evidence-based social sector Budget initiatives:

- Track 1 – Social Investment Track:** this track will reward high quality social investment proposals and will be uncapped with respect to the new spending allowances. Instead, an evidence-based investment threshold will apply to these initiatives.
- Track 2: – Established Investment Track:** this track will include all other initiatives, including business-as-usual pressures and capital spending initiatives. Track 2 is the traditional Budget process and proposals in this track will be constrained by the new spending allowances.



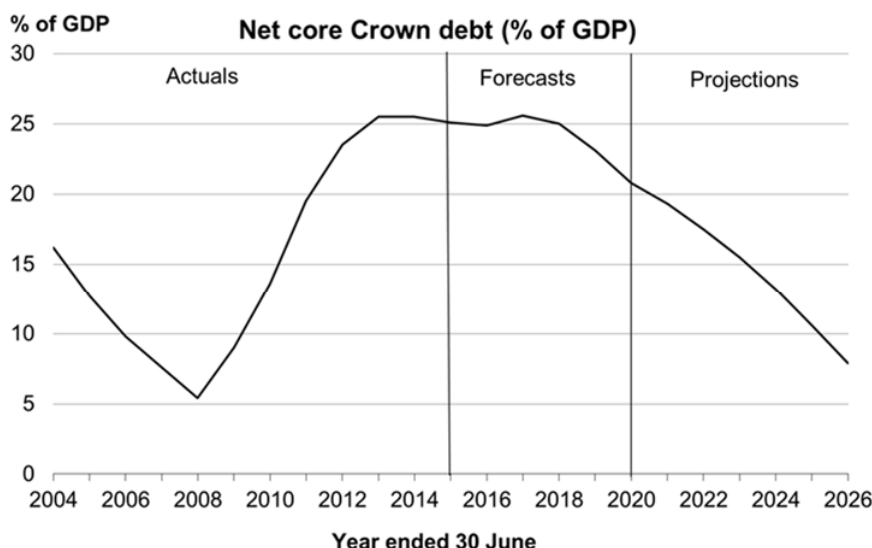


## Distinction between Track 1 and Track 2

Track 1 initiatives will be subject to a process, and requirements, that are distinct from the established investment streams of BGA, Social Sector, Capital and Other.

	Scope and Application	Purpose and Expectations	Key Dates
<b>Track 1</b>	This opt-in track is limited to <b>social investment initiatives</b> only.	The allocation for this track will be <b>uncapped</b> (but still subject to the Government's debt target). It rewards initiatives with high impacts for target populations and prevents crowding out by business-as-usual pressures. An <b>investment threshold</b> will be applied to initiatives and recognises high quality evidence as a critical success factor.	<b>4 November:</b> Initiative Scoping Document due for check-point. <b>2 December:</b> Ministerial Letter reflecting Track 1 initiatives. <b>31 January:</b> Track 1 initiatives due.
<b>Track 2</b>	This track is for business-as-usual and new policy initiatives across BGA, Social Sector, Capital and Other.	Pressures and commitments must be prioritised and managed <b>within the set allowances</b> . Process and requirements set out in the following sections.	<b>2 December:</b> Track 2 initiatives due and reflected in Ministerial letter. <b>31 January:</b> Late initiatives rule applied.

Although Track 1 is uncapped, it is still subject to the Government's current short term fiscal priority of **reducing net debt to around 20 per cent of GDP in 2020**. This is a key anchor for Budget 2017 and applies to investment decisions in *both* Track 1 and Track 2.



(Source: Treasury Budget Economic and Fiscal Update, 2016)

Significant operating and capital pressures for Budget 2017 are starting to emerge. Within set allowances, there will no doubt need to be choices and trade-offs associated with where funding is allocated through the Budget process. This has direct implications for Track 2 initiatives. The separation of Track 1 initiatives ensures that high quality evidence-based initiatives are not crowded out by business-as-usual pressures, as has occurred in previous Budgets.

## Cross Agency and System Initiatives

Budget 2017 will focus on funding what works, with a focus on outcomes rather than who provides the intervention. Where an initiative has funding implications for more than one agency only one template and cost benefit analysis is required. If the initiative is jointly owned by a number of Ministers it is entirely appropriate for the initiative to be included in each Ministers' letter. For information about how to enter a cross agency initiative in CFISnet see section 6. Cross agency initiatives will be assessed via the most appropriate workstream. Please ensure you engage with heads of professions and functional leads for cross agency initiatives as relevant, and the information group with respect to any new data and information related initiative (see Annex 2 for more on the information group and data and information related initiatives).

## Savings Initiatives

If agencies are submitting savings initiatives, meaning those which involve returning of funding to the centre, they should complete any relevant fields in the Budget Initiative Summary Template. No specific supporting information is required for savings initiatives, but it is expected that agencies provide their Vote Analyst with any relevant material to support the assessment of the initiative.

Ministerial engagement meetings in February and March will cover options for reprioritisation and savings, and the trade-offs associated with each of these. The purpose of the meetings is to better understand baseline expenditure, cost drivers and potential savings and reprioritisation options.

## Timeline

Date	Track One	Track Two
October	<p><b>Friday 7 October</b> – Track 1 process workshop will be held at: Level 5, The Treasury 9.30 am – 12.00 pm.</p> <p>Treasury will work with agencies and the Social Investment Unit to define the measures and weightings that will be used for the investment threshold.</p> <p>The Social Investment Unit will provide support to agencies in this process.</p>	<p><b>Thursday 6th October</b> – Social sector &amp; Other workshop held at: Level 5, The Treasury 2.00 – 5.00 pm.</p> <p><b>Friday 7th October</b> – BGA workshop held at: Level 5, The Treasury 12.30 – 3.30 pm.</p>
Late October	<p>Further specific guidance on the Social Investment Track released.</p> <p>This will include the Track 1 Budget initiative template and the defined measures for the investment threshold.</p>	
October/ November	<p>Ministerial meetings about an agency's understanding of its business, its customers and effectiveness of baseline expenditure, new rules and processes for Budget 2017 and Track 1 intentions. Only for selected agencies.</p>	
<b>November</b>	<p><b>4 November</b> – Track 1 Initiative scoping documents provided to the Treasury for early visibility ahead of the Checkpoint.</p> <p><b>Checkpoint</b> – The Social Investment Panel convened to review the scoping documents and advise agencies and Budget Ministers on the further development of these initiatives.</p> <p><b>Late November</b> – Finance Ministers will review the early advice on Track 1 initiatives and set the investment threshold.</p>	<p>First Investment Panel convened to consider capital and near-capital initiatives that are ready for discussion.</p>
30 November	<p>Final Four-year Plans and cost pressure information due (<a href="#">see 2016 Four-year Plan guidance</a>).</p>	
<b>2 December</b>	<p>Budget initiative template, cost benefit analysis template, 15 year initiative impact spreadsheet and supporting information due – documents uploaded via CFISnet.</p> <p>Letter to Minister of Finance sent from the Portfolio Minister with Track 1 initiatives included; copy provided to Vote Analyst.</p>	
Mid December	<p>Budget technical guidance released including Estimates Style Guide and an interim Budget 2017 timetable. This timetable will include due dates for the March Baseline Update, financial recommendations, Estimates etc but cannot be finalised until Budget day is confirmed.</p>	
December/ January	<p>The Social Investment Unit and the Treasury will provide targeted assistance to further develop the Track 1 initiatives.</p>	<p>Initial Treasury assessment and analysis of Budget initiatives, with support provided to agencies to further refine initiatives to meet requirements.</p>
<b>31 January</b>	<p>Budget initiative template and supporting information due for Track 1 initiatives. No Track 1 initiatives can be submitted after this date.</p>	<p>Any initiatives not submitted before this date require the approval of Budget Ministers to be included in the Budget process.</p>

Date	Track One	Track Two
February	The Treasury and the Social Investment Panel will assess Track 1 initiatives and provide advice to Budget Ministers.	
	Budget day confirmed and final Budget 2017 timetable released. Social Investment Panel meets with agencies to consider all Track 1 initiatives and selected Track 2 initiatives. Investment Panel meets with agencies to consider capital and near-capital initiatives. Peer Review process for selected BGA initiatives. Agencies may be asked to discuss initiatives with the peer-reviewers.	
February-March	Ministerial meetings about Budget 2017 initiatives, strategic choices and trade-offs and how they relate to the direction of travel agencies outline in their Four Year Plans. Ministerial groups meet and discuss packages of initiatives to present to Budget Ministers.	
Late March	Budget Ministers agree final Budget package.	
April	Cabinet confirm final Budget package.	
May	Option to update 2017 Four-year Plan if department wishes to reflect any significant Government decisions made during the Budget process.	

## Outline of this document

- **Section 1:** This section sets out the process, key requirements and detailed timetable for Track 1 initiatives. It will include information on the high level assessment criteria for initiatives going through this track and the role of different stakeholders, with more detail to be provided through subsequent guidance.
- **Section 2:** This sections sets out the process, key requirements and detailed timetable for Track 2 initiatives. It will provide a breakdown by key sectors including BGA, Social Sector, Capital and Other. The process and information requirements for initiatives in this track is similar to Budget 2016.
- **Section 3:** This section focusses on how initiatives will be assessed by Treasury and expert panels. The assessment criteria outlined will apply to initiatives in both Track 1 and Track 2. Given Track 1 has a specific scope and is uncapped, there will be additional expectations and criteria that will be used to asses these initiatives.
- **Sections 4 – 7:** These sections will provide additional detail on some of the specific changes and requirements in Budget 2017 mentioned above including: the application and use of CBAX, 15 year forecast information, CFISnet requirements and Ministerial engagement.
- **Section 8:** This section provides all the templates required for agencies to complete the information requirements for Track 1 and Track 2. Please note that not all of the templates will be relevant for agencies and the sections above will provide clarity on which templates need to be used where and in what circumstances.

# Budget 2017 Process Overview

TRACK 1:		
Purpose	Ministerial Groups	Requirements
<p><b>High Performance Track</b></p> <p>Reward high quality proposals that can deliver results and drive rigorous investment behaviours. This track will be limited to social investment initiatives only, with scope to broaden out in future Budgets.</p>	<p>Social Sector Budget Ministers</p> <p>Supported by: Social Sector Board Social Investment Panel Social Investment Unit</p>	<ul style="list-style-type: none"> <li>• Opt-in investment stream for social investment initiatives.</li> <li>• The Social Investment Unit and Social Investment Panel will be available to assist agencies.</li> <li>• Budget initiatives and Minister letter due 2Dec 16; Budget Ministers approval for late initiatives required from 31 Jan 17.</li> <li>• CBAX is required; CBAX material will be published following Budget 2017.</li> <li>• 15 year fiscal and economic implications required.</li> <li>• The Social Investment Panel will renew all initiatives.</li> <li>• Must meet the investment threshold to be given priority and higher weighting by Budget Ministers.</li> </ul>

TRACK 2:		
Purpose	Ministerial Groups	Requirements
<p><b>Business Growth Agenda</b></p> <p>This stream will consider business-as-usual and new policy initiatives across six workstreams: Export Markets, Innovation, Investment, Infrastructure, Sale and Skilled Workplaces and Natural Resources.</p>	<p>BGA Ministers</p> <p>Supported by: BGA Leadership Group BGA Workstream Chief Executive Groups Peer Review Process</p>	<ul style="list-style-type: none"> <li>• Budget initiatives and Minister letter due 2Dec 16; Budget Ministers' approval for late initiatives required from 31 Jan 17.</li> <li>• Fit for purpose CBA required. Opt-in for CBAX (where feasible and appropriate).</li> <li>• CBAX material will be published following Budget 2017.</li> <li>• 15 year fiscal and economic implications required.</li> <li>• Selected initiatives are reviewed by an external Peer Review Process to inform the Treasury's advice to workstream Ministerial groups.</li> </ul>
<p><b>Social Sector</b></p> <p>This stream will consider social sector business-as-usual and new policy initiatives.</p> <p>It is separate to the High Performance investment stream.</p>	<p>Social Sector Ministers</p> <p>Supported by: Social Sector Board Social Investment Panel Social Investment Unit</p>	<ul style="list-style-type: none"> <li>• Budget initiatives and Minister letter due 2Dec 16; Budget Ministers' approval for late initiatives required from 31 Jan 17.</li> <li>• CBAX is required for all business-as-usual and new policy initiatives, unless exempt.</li> <li>• CBAX material will be published following Budget 2017.</li> <li>• 15 year fiscal and economic implications required.</li> <li>• The Social Investment Panel will review selected business-as-usual and new policy initiatives.</li> </ul>
<p><b>Other</b></p> <p>This stream will consider the remaining business-as-usual and new policy initiatives that do not sit in the BGA or Social Sector.</p>	<p>Finance Ministers</p> <p>Supported by: The Treasury</p>	<ul style="list-style-type: none"> <li>• Budget initiatives and Minister letter due 2Dec 16; Budget Ministers' approval for late initiatives required from 31 Jan 17.</li> <li>• CBAX is required for all business-as-usual and new policy initiatives, unless exempt.</li> <li>• CBAX material will be published following Budget 2017.</li> <li>• 15 year fiscal and economic implications required.</li> </ul>
<p><b>Capital</b></p> <p>This stream will consider all capital and near-capital initiatives, regardless of sector.</p>	<p>Investment Ministers</p> <p>Supported by: Investment Panel</p>	<ul style="list-style-type: none"> <li>• Budget initiatives and Minister letter due 2Dec 16; Budget Ministers' approval for late initiatives required from 31 Jan 17.</li> <li>• Better Business Case is required. Requirement to use an appropriate form of CBA as part of the economic analysis (this can include CBAX).</li> <li>• Fiscal and economic implications (including whole-of-life costs) are required in the Financial Case.</li> <li>• The Investment Panel (or sub-panel) will review all initiatives.</li> </ul>

# 1 Process and Expectations for Track 1 Initiatives

## 1.1 Overview

	Scope and Application	Purpose and Expectations	Key Dates
<b>Track 1</b>	This opt-in track is limited to <b>social investment initiatives</b> only.	<p>The allocation for this track will be <b>uncapped</b> (but still subject to the Government's debt target).</p> <p>It rewards initiatives with high impacts for target populations and prevents crowding out by business-as-usual pressures.</p> <p>An <b>investment threshold</b> will be applied to initiatives and recognises high quality evidence as a critical success factor.</p>	<p><b>4 November:</b> Initiative Scoping Document due for check-point.</p> <p><b>2 December:</b> Ministerial Letter.</p> <p><b>31 January:</b> Track 1 initiatives due.</p>

This track will reward high quality social investment proposals and will be uncapped with respect to the new spending allowances, but it will be constrained by the debt target. Initiatives in this track will be subject to a higher level of rigor through the application of an evidence-based investment threshold and clear assessment criteria.

Cabinet has defined social investment [CAB-15-MIN-0280 refers] as “putting the needs of people who rely on public services at the centre of decisions on planning, programmes and resourcing by:

- Setting clear, measurable goals for helping those people.
- Using information and technology to better understand the needs of people who rely on social services and what services they are currently receiving.
- Systematically measuring the effectiveness of services, so we know what works well and for whom, and then feeding these learnings back into the decision-making process.
- Purchasing outcomes rather than specific inputs, and moving funding to the most effective services irrespective of whether they are provided by government or non-government organisations (NGOs).”

The process for Track 1 initiatives will broadly be split into two periods: **Assistance** and **Assessment**. The associated process and requirements for each of these stages are outlined in more detail in the sections below.

- **Stage 1 – Assistance:** The period between October and January will be used to provide assistance to agencies to develop high quality initiatives. Agencies will be required to submit a two-page summary of their proposed initiatives by 4 November which will be reviewed by the Social Investment Panel to inform further development and refinement of proposals. The Social Investment Unit will also be available to assist agencies in this process.

This guidance captures all aspects required for agencies to develop Track 1 initiatives for the November Checkpoint. Specifically, it includes the broad assessment criteria, initiative scoping document template (Template 1) and assistance available for agencies.

- **Stage 2 – Assessment:** Track 1 initiatives are due on 31 January following which they will be formally assessed by the Treasury and the Social Investment Panel. This guidance provides an overview of the high level assessment criteria that will be used as part of this stage and sets out the overall process from assistance through to assessment of the initiatives.

Further guidance on the assessment criteria, investment threshold and initiative template for Track 1 initiatives will be provided on 31 October. This guidance will inform agencies on the requirements for the submission of initiatives on 31 January 2017 and does not affect the requirements for the two page scoping document and check point process in November.

### 1.1.1 What is the purpose of a separate track?

The objective of identifying a separate track for **social investment initiatives** in Budget 2017 is to ensure a focus on investment opportunities for high impact, high certainty initiatives that deliver results for target populations, and to ensure that these are not crowded out by business-as-usual pressures as in previous Budgets.

The Government is committed to investing for effectiveness through Track 1. Initiatives in this Track will be subject to higher expectations through an investment threshold to provide the level of confidence required for Ministers to support investment outside of the Budget 2017 allowance. This is primarily achieved through a higher standard of evidence for proposals, a requirement that initiatives are expected to be self-financing over time, and the introduction of formal tracking of benefits actually delivered by each successful Track 1 proposal over time. This recognises that there are higher expectations, but also higher reward.

The following initiatives among others, are supported by the Track 1 process:

- Introducing a programme with strong evidence of effectiveness including an empirically-supported track record for effectiveness across a number of jurisdictions
- Retargeting an existing programme that has not established its effectiveness but where there is evidence to show that retargeting will be effective
- Scaling up a pilot or programme with an established empirical record of effectiveness
- Piloting of potentially very high-return initiatives but for which there is only limited available evidence on effectiveness, and
- Cross agency initiatives which recognise the need for agencies to work together to meet the needs of highly vulnerable populations where there is established effectiveness.

There is an expectation that ideas in this track will reflect work that agencies already have in the pipeline for certain target populations. This means there is already an established evidence base and data to support intervention in the specified areas.

### 1.1.2 The Investment threshold

The investment threshold is aimed at assessing overall confidence in the initiative and the agency delivering it against multiple criteria. It will include the following tests:

- A **high return on investment** on fiscal and social outcomes, and fiscals alone, as indicated in a CBAX analysis

- **Confidence that the outcomes** will be achieved for the target population based on evidence from academic research and/or a proven track record
- The relative ability to **measure the actual effectiveness** of an initiative , and **how quickly effectiveness can be understood**, and
- The ability to **scale-up** successful interventions and absorb proven new service delivery models into the base.

As part of the confidence assessment, factors to be taken into account will include whether the proposed initiatives identify a target population, define clear intervention points and specify a price point for interventions. It will also consider the level of confidence there is on how well an intervention can be implemented.

The investment threshold will be set by Finance Ministers in late November and agencies will be updated. Initiatives which meet the threshold will be weighted favourably by the Minister of Finance in discussions with Budget Ministers and Cabinet.

### 1.1.3 What is meant by High Quality Evidence?

Commensurate with an increase in the “reward” for social investment initiatives, there are higher expectations and process requirements for Track 1. Whilst successful initiatives will receive access to uncapped funding, these will need to meet the investment threshold.

High quality evidence will be a critical success factor. Agencies will need to support the initiative on the basis of existing data, evidence from academic research and/or a demonstration of the initiative being successfully implemented in another jurisdiction or in New Zealand. The further guidance provided on 31 October and setting of the investment threshold will clarify how the quality of evidence will be assessed. However, in the interim, the guidance from the Social Policy Evaluation and Research Unit (Superu), provides a steer on the level of evidence that is required:

<http://www.superu.govt.nz/evidence-checklist-assess-funding-applications-using-evidence-impact>

Performance-based fiscal control will be enhanced through the introduction of accountability on agencies for benefits delivery. Agencies must be able to show through ex post measurement and reporting how benefits will be recognised and captured to inform changes to service delivery and policy settings.



## 1.2 Assistance Stage

The assistance stage will run from 3 October 2016 – 31 January 2017, and we recommend that agencies engage with their Treasury sector team and with the Social Investment Unit throughout this time.

Budget meetings will be occurring with specific Ministers in late October and early November. Ministers should be prepared to provide an indication to the Minister of Finance about their Track 1 initiatives at these meetings.

October		November		December	January
<b>3 October</b> Budget Guidance Scoping Document	<b>6 – 7 October</b> Budget workshops	<b>4 November</b> Scoping Document Due	<b>7 – 11 November</b> Scoping Document reviewed <b>14 – 18 November</b> <b>CHECKPOINT</b> Social Investment Panel	<b>2 December</b> Ministerial letter due	<b>31 January</b> Track 1 initiatives due
<b>ASSISTANCE</b> Social Investment Unit		<b>21 – 25 November</b> Feedback to agencies		<b>FURTHER ASSISTANCE</b> Social Investment Unit	

### 1.2.1 The Scoping Document

The assistance stage will include a checkpoint in November for agencies. The checkpoint requires agencies to provide a high level summary of each initiative for early visibility and review by the Social Investment Panel and the Treasury.

The key information for this checkpoint is outlined in the 2 page scoping document template in Template 1. The scoping is due by 4 November to the Treasury and it captures the following information:

- **WHAT:** Description of initiative and Problem Definition
- **WHO:** Target Population and Expected Outcomes
- **HOW:** The Intervention Logic and Implementation
- **HOW MUCH:** Indicative Fiscal Costs
- **WHEN:** Predicted Return on Investment
- **WHY:** Evidence Base, Measurement Plan and Evaluation

The scoping document is intended to capture the key features of the initiative and should only provide enough information to support an initial review designed to support the further development of the initiative. The information provided should therefore be clear and concise.

These initiatives will need to be discussed with your Minister(s), however there are no formal sign off processes that are required for this document to be submitted.

The completed initiative scoping documents are to be uploaded to the CFISnet document sharing module, under the subject “*Budget and Estimates*”. A specific Budget initiative in CFISnet and Budget initiative template are not required for the Checkpoint.

## 1.2.2 The Checkpoint

The checkpoint for Track 1 initiatives will occur during the week of 14 – 18 November. The Social Investment Panel will be convened to review the scoping documents and meet with agency representatives to provide feedback and help inform the further development of the initiative.

The role and expectations for the Social Investment Panel are described in Annex 2. This Checkpoint Panel will be framed as a “critical friend” as it seeks to review the information provided for each initiative and support agencies through a discussion on how elements can be improved by digging into the evidence base and the application of its experience.

The broad assessment criteria for Track 1 initiatives are set out in the Assessment stage section below. Agencies should ensure that the initiatives are prepared so that these are consistent with those criteria.

## 1.2.3 Feedback

The Treasury will provide the secretariat for this Panel and feedback from the Panel will be provided to agencies during the week of 21 – 25 November.

A report will be provided to Finance Ministers on the initiatives that sets out a summary of all initiatives submitted and high level observations of the Panel. This report will provide early visibility to Budget Ministers of which initiatives are being developed.

The Minister of Finance will be writing to Ministers following this check-point process to provide a summary of the feedback from the Treasury and the Social Investment Panel on the initial Track 1 proposals and outline next steps.

Finance Ministers will set the investment threshold in late November.

## 1.2.4 Deciding which Track

The Panel's feedback and setting of the investment threshold are timed in order to allow agencies enough time to consider this feedback and for their Minister to make a choice on which track initiatives will go through in the Budget process.

Ministers are required to make a decision whether an initiative will be submitted in Track 1 or Track 2 by 2 December. All initiatives must be set out in the Ministerial letter to the Minister of Finance (Template 4).

Initiatives that are unsuccessful in Track 1 will not be reconsidered in Track 2 after this point.

The due date for completed Track 1 initiatives remains 31 January 2017.

## 1.2.5 5 What assistance is available?

A specific Budget workshop on the Track 1 process will be held at the Level 5, The Treasury between 9.30 am – 12.00 pm, on Friday 7 October.

The Social Investment Unit was established to embed social investment within the social sector, and is developing permanent platforms supporting secure information exchange, services

evaluation, and evidence-based commissioning. It will be available during October in a “Helpline” capacity to:

- support agencies to understand the requirements of taking an investment approach within their initiatives
- act as a “sounding board” on the extent that initiatives reflect social investment principles
- advise on opportunities to strengthen initiative two-pagers (from a social investment perspective).

Agencies are to send queries through to: [siu@ssc.govt.nz](mailto:siu@ssc.govt.nz) and copy in their Treasury Vote Analyst.

Once agencies receive feedback from the Social Investment Panel’s review of initiatives, the Social Investment Unit will be available to meet with agencies to provide specific support for agency’s priority initiatives.

### 1.3 Assessment Stage

The assessment stage will run from 1 February – April, during which time the Track 1 initiatives and the supporting material will be assessed by the Treasury and Social Investment Panel. Advice will be provided to Budget Ministers during this time ahead of decisions on the final Budget package in April.

Track 1 initiatives will be decided primarily by Cabinet on the strength of evidence that they will deliver the identified fiscal and wider benefits for a target population compared to the costs. These initiatives will be subject to a more rigorous evidence based investment threshold tied to the effectiveness of spending.

October		November	December	January	2017
3 – 24 October Working group defines measures and weightings	31 October Further guidance released	Late November <b>INVESTMENT THRESHOLD SET</b> Budget Ministers’ meeting	2 December Track 2 initiatives due Ministerial letter due	31 January Track 1 initiatives due	February Social Investment Panel <b>March</b> Budget Ministers’ meetings <b>April</b> Cabinet decisions

#### 1.3.1 Development of the measures and weightings

The investment threshold will be further refined through a working group that includes the Treasury, representatives from social sector agencies and the Social Investment Unit between 3 October – late October.

Further guidance, including the Track 1 Budget initiative template will be released on 31 October. This will be used to inform the assessment of initiatives that are submitted at 31 January 2017.

This working group will define the individual measures and any associated weightings that make up the investment threshold, by which initiatives will be assessed. These measures and weightings will be reported to Finance Ministers for endorsement.

The investment threshold will be set in late November.

### **1.3.2 2 Due Date**

The due date for complete Track 1 initiatives is Tuesday 31 January. Agencies are to submit the:

- Track 1 initiative template (to be included in the further guidance)
- 15-year information (see the Excel template available in CFISnet)
- CBAx.

The full set of requirements for final submission of these initiatives will be provided in the guidance on 31 October.

### **1.3.3 3 Social Investment Panel Assessment**

The Social Investment Panel will be convened in February to consider the material submitted by agencies, alongside the Treasury assessment. It will meet with agency representatives at this time. These sessions will build on the conversations from the mid-November Checkpoint.

As part of the Treasury's assessment, the investment threshold assessment framework will be applied to the Track 1 initiatives ahead of the Panel and it will be included in the advice. This assessment may be updated following the Panel's report and provided as part of the Treasury's advice to Budget Ministers.

### **1.3.4 Budget Ministers**

Budget Ministers will receive the advice on Track 1 initiatives and through the application of the investment threshold and wider judgements, prioritise these initiatives for investment. These initiatives that meet the investment threshold will be funded outside of the Budget allowances.

## 2 Process and Expectations for Track 2 Initiatives

### 2.1 Overview

	Scope and Application	Purpose and Expectations	Key Dates
<b>Track 2</b>	This track is for business-as-usual and new policy initiatives across BGA, Social Sector, Capital and Other.	Pressures and commitments must be prioritised and managed <b>within the set allowances</b> .  Process and requirements set out in the following section.	<b>2 December:</b> Track 2 initiatives due  <b>31 January:</b> Late initiatives rule applied

Track 2 covers all other initiatives in the Budget 2017 process not in Track 1, including BGA, Social Sector, Capital, and Other. This includes Business-as-usual pressures and new policy proposals. Track 2 in Budget 2017 builds on progress made in Budget 2016, which introduced changes in supporting evidence-based initiatives including increased requirements to use of CBAX. Initiatives as part of this track will be subject to the spending allowance, which will be confirmed through the Government's *Budget Policy Statement* in December.

Workstreams will provide advice to Budget Ministers who will confirm the final Budget 2017 package. In most instances it should be obvious which stream applies to your initiative, however if this is not clear please talk to your Vote Analyst as early in the process as possible.

#### Requirements for all Track 2 initiatives:

- Template 2: Budget Initiative Summary Template
- Template 3: Cost Benefit Analysis Template
- Template 4: Ministerial Letter
- Template 5: Late Initiatives (required for all initiatives submitted after 31 January)
- Template 7: 15 year initiative impact spreadsheet (required for all initiatives where possible)
- Regulatory Impact Statement where the initiative has regulatory implications

#### Additional Requirements for Social Sector and Other Track 2 initiatives:

- CBAX unless an exemption is provided

### Additional Requirements for Capital Track 2 initiatives:

- A Better Business Case

The initiative template is intended to be a summary only as it is unlikely that the case for any significant initiative can be made without providing further information on rationale, costs, benefits, options, implementation or evaluation. Agencies should upload supporting information to CFISnet or provide them to their Vote Analyst.

Agencies should consider the information and analysis that would be expected for a report to Ministers, a Cabinet paper, business case or regulatory impact statement if the proposal was being made outside the Budget process. Comments on the quality of summary and supporting information will be provided to sector and Budget Ministers.

#### TRACK 2:

	Purpose	Ministerial Groups	Requirements
Business Growth Agenda	This stream will consider business-as-usual and new policy initiatives across six workstreams: Export Markets, Innovation, Investment, Infrastructure, Safe and Skilled Workplaces, and Natural Resources.	BGA Ministers  <u>Supported by:</u> BGA Leadership Group BGA Workstream Chief Executive Groups Peer Review Process	<ul style="list-style-type: none"> <li>• Fit for purpose CBA required. Opt-in for CBAX (where feasible and appropriate).</li> <li>• CBAX material will be published following Budget 2017.</li> <li>• Selected initiatives are reviewed by an external Peer Review Process to inform the Treasury's advice to workstream Ministerial groups.</li> </ul>
Social Sector	This stream will consider social sector business-as-usual and new policy initiatives. It is separate to the Social Investment initiatives stream.	Social Sector Budget Ministers  <u>Supported by:</u> Social Sector Board Social Investment Panel Social Investment Unit	<ul style="list-style-type: none"> <li>• CBAX is required for all business-as-usual and new policy initiatives, unless an exemption is provided.</li> <li>• CBAX material will be published following Budget 2017.</li> <li>• The Social Investment Panel will review selected business-as-usual and new policy initiatives.</li> </ul>
Other	This stream will consider the remaining business-as-usual and new policy initiatives that do not sit in the BGA or Social Sector.	Finance Ministers  <u>Supported by:</u> The Treasury	<ul style="list-style-type: none"> <li>• CBAX is required for all business-as-usual and new policy initiatives, unless an exemption is provided.</li> <li>• CBAX material will be published following Budget 2017.</li> </ul>
Capital	This stream will consider all capital and near-capital initiatives, regardless of sector.	Investment Ministers  <u>Supported by:</u> Investment Panel	<ul style="list-style-type: none"> <li>• Better Business Case is required. Requirement to use an appropriate form of CBA as part of the economic analysis (this can include CBAX).</li> <li>• Fiscal and economic implications (including whole-of-life-costs) are required in the Financial Case.</li> <li>• The Investment Panel (or sub-panel) will review all initiatives.</li> </ul>

## 2.2 Business-as-usual Initiatives

Business-as-usual initiatives cover existing services and outputs that are funded from the baseline but which are facing wage, price, volume and/or other pressures and where an agency considers it cannot continue to deliver the same level and/or quality of service within its baselines.

In general, it is expected that Business-as-usual pressures will be funded from baselines. Where it is no longer possible for an agency to deliver the same level and/or quality of service within its baselines and once it has exhausted the options to deliver efficiency savings, Ministers may decide to submit a Budget initiative.

There is no separate workstream for Business-as-usual initiatives. These initiatives will be considered through the appropriate workstream; ie, Social Sector, BGA, Other or Capital.

In order for Business-as-usual pressures to be considered through the Budget process, they must:

- Identify the cost drivers according to the categories presented below.
- Be signalled in the agency's Four Year Plan as follows:
  - through commentary on how the agency is looking to manage the pressure(s), why it cannot be managed within baselines, and what are the strategic choices and trade-offs should no additional funding be provided, and
  - outlined in the *Supporting Financial Information Template*.
- Clearly outline why there are no efficiency savings across the entire agency that could be generated to offset all or part of the pressures.
- Clearly outline what will need to be stopped or how the services delivered by the agency would need to change in order to manage the pressures (this will form the basis of the cost benefit analysis and CBAX assessment).
- Complete a cost benefit analysis and a CBAX assessment unless exempted or a BGA initiative. For some Business-as-usual initiatives it will not be possible to complete a CBAX, if this is the case it is still expected that a cost benefit analysis is completed on the activity that would be stopped if funding was not granted. For more information on the CBAX exemption process see section 4.3.

Business-as-usual initiatives must be clearly defined as one of the following in line with the information provided in the agency's Four Year Plan [Supporting Financial Information Template](#):

- a. Volume: these can arise from population growth, changes in population characteristics, or changes in the economic environment. They are customer driven. For example, increased numbers of children requiring childcare.
- b. Wage: pressures due to progression (costs attributable to employees' progression through pay scales or application of performance-based pay increases or the remuneration policy/framework) and/or due to bargaining and/or general remuneration price increases.
- c. Price: inflationary pressures that are additional to any volume driven components. These not only include changes in costs of inputs, but also changes in capital-related operating expenditure (such as unfunded capital charge or depreciation) resulting from increases in the value of capital assets
- d. Other: any pressures that cannot be considered volume or price-driven; for example those that arise due to past policy decisions.

Information from Four Year Plans will be used to provide Ministers with context for any Business-as-usual initiative that arises, but that information does not constitute a Budget initiative. Initiatives for Business-as-usual need to be submitted as an initiative in CFISnet by 2 December 2016 along with the rest of the material required for Track 2 initiatives.

Four Year Plans are also expected to provide insights into possible pressures and opportunities that might need to be addressed in future Budget processes. This information will be used to inform consideration of future Budget allowances and future Budget strategies.



## 2.3 Social Sector Initiatives

Similar to Budget 2016, the Minister of Finance will have meetings with some Ministers and senior departmental officials on agency cost drivers and on budget proposals. Multilateral meetings with all social sector Ministers or smaller groups of Ministers may also be set up, but these will be confirmed as the process unfolds.

The Social Investment Panel will consider all initiatives in Track 1, and a selection of initiatives in Track 2, which may include business-as-usual pressure initiatives. Both Panels will provide advice to the Treasury and Budget Ministers.

- **In November**, the Panel will consider only Track 1 initiatives, with agency participation (November "Checkpoint"). This is intended to assist agencies in the preparation of their initiatives and to give a sense of what the Panel will assess when they consider their initiatives in February.
- **In February**, the Panel will assess Track 1 initiatives and a selection of initiatives in Track 2.

All social sector initiatives (including business-as-usual pressures) are required to include a completed CBAX assessment unless an exemption is provided (see section 4.3).

## 2.4 Business Growth Agenda Initiatives

The Business Growth Agenda (BGA) aims to create an economy that grows our productivity and incomes, and deliver real and ongoing improvements in the quality of life for all New Zealanders. Contributing to this vision, the 2017 BGA Refresh is focused on building a more diversified and resilient New Zealand economy to enable firms to succeed on the world stage.

To be successful, this requires action across six workstreams which will be used as an organising framework for Budget 2017: Building Export Markets, Building Innovation, Building Investment, Building Infrastructure, Building Safe and Skilled Workplaces, and Building Natural Resources.

Initiatives that contribute to towards the BGA vision and Refresh theme will be considered as part of the BGA process. The key elements of the BGA process are:

- Budget initiatives are submitted and allocated to one of these workstreams. In most cases this will be obvious from the initiative, but if not then the Vote Analyst will make a call in discussion with the proposing agency.
- All initiatives, including cost pressure initiatives must include a completed CBA assessment (at a minimum the first three steps outlined in section 4).
- Where appropriate and feasible, agencies use Treasury's CBAX investment tool to quantify the costs and benefits of initiatives in net-present value terms.
- The Treasury will run a peer-review process for selected BGA initiatives to support Treasury advice on priorities for each of the workstreams. Agencies may be asked to discuss proposals with the peer-reviewers February 2017.
- The BGA Ministerial group will discuss and confirm priorities for their workstream. This process will be supported by the CE groups that exist for each group and the Treasury.
- Ministers Joyce and English will consider the relative trade-offs across the Business Growth Agenda and submit a package for consideration by Budget Ministers.

As the advice on the priorities and the package for BGA develops the BGA Leadership Group and appropriate BGA Ministers will be consulted as necessary (see Annexes 1 and 2).

For further details on the BGA Budget process for Budget 2017, please refer to the specific guidance document which is available on CFISnet.

## 2.5 Capital Initiatives

Capital initiatives to be funded in Budget 2017 will be considered by Investment Ministers (see Annex 1). The Investment Panel (see Annex 2) will be used to provide independent advice to Investment Ministers including a recommendation on funding, commentary on the relative value of the initiative and commentary on the initiative's alignment to government, sector or agency strategies. Any new data and information-related initiatives will also be assessed by the Information Group (see Annex 2).

All initiatives in Budget 2017 which have a capital component will need to be brought forward for discussion with the Investment Panel either in the November 2016 (if the proposal is advanced enough at that point) or February 2017 panel sittings by the agency sponsoring the initiative. This includes initiatives that will have operating components that will be considered under other Budget 2017 workstreams.

As stated in Cabinet Office Circular (15) 05, a Better Business Case is required for any investment seeking new Crown capital funding. Therefore for all proposed initiatives with a capital dimension seeking funding in Budget 2017, a Better Business Case (BBC) will be expected as supplementary information supporting that proposal.

BBC is a systematic way to prepare business cases for programmes or projects that will provide information required for decision makers to invest with confidence. BBC uses the "five-case" model to answer five key questions:

- The Strategic Case. Is there a compelling case for change that justifies the proposed initiative?
- The Economic Case. Does the preferred investment option optimise value for money?
- The Commercial Case. Is the proposed initiative commercially viable?
- The Financial Case. Is the proposed initiative affordable?
- The Management Case. How can the proposed initiative be delivered successfully?

For more information see the [Treasury website](#) or email [betterbusinesscases@treasury.govt.nz](mailto:betterbusinesscases@treasury.govt.nz).

## 2.6 Other Initiatives

As in Budget 2016, where operating initiatives do not fit into the Social Sector, BGA or Capital workstreams, these initiatives will be considered Other initiatives and considered by Finance Ministers.

The Other package of initiatives often includes the operating costs associated with agreed capital initiatives. The Investment Panel and Investment Ministers consider the whole of life cost of an initiative, so in these instances Other initiatives will be assessed through the Capital process.

## 3 Key Assessment Criteria for All Initiatives

This section sets out what the Treasury and expert panels will look for when assessing **all** initiatives and providing advice to Ministers on these. There will be additional requirements that will be released later for Track 1. This section is useful in thinking about how you complete the Budget Initiative Template and what supporting information you provide. The level of detail needed to address each section will differ depending on the nature of the initiative.

### 3.1 Strategic Alignment

#### 3.1.1 How does this initiative fit with the agency's strategic intentions and align with the Government's priorities?

It should be clear how the initiative:

- relates to your agency's strategic intentions as set out in your 2017 Four Year Plan,
- relates to your long term investment plan,
- any stated priorities or strategies specific to your portfolio or sector, and/or
- supports an all of government strategy (eg, Better Public Services result areas, Business Growth Agenda, Government ICT Strategy etc).

It should also be clear how the initiative relates to the Government's four priorities:

- Responsibly managing the Government's finances
- Building a more productive and competitive economy
- Delivering better public services within tight fiscal constraints, and
- Rebuilding Christchurch, our second-biggest city.

#### 3.1.2 What is intended to be achieved, for whom?

Ministers are increasingly interested in understanding the individuals/ groups or sectors that will benefit from a policy intervention. Initiatives should clearly set out what is intended to be achieved for which target group of the population. Where initiatives contribute to improving outcomes for the priority groups identified by Ministers this should be explicitly stated. Answers should consider both short-term outcomes and longer-term economic and social impacts.

It is also useful to remember that the Public Finance Act 1989 requires agencies to provide a concise explanation of 'what is intended to be achieved' and 'how performance will be assessed' for each appropriation, category of a multi-category appropriation and reportable outputs. Guidance on how to go about doing this is available [on Treasury's website](#).

### 3.1.3 How does this initiative relate to current activity(s) undertaken by the agency and/or by others across the State Sector?

It is expected that initiatives will be informed by Four Year Plan discussions within departments and with their Minister(s), and that initiatives will be consistent with a department's Four Year Plan.

Ministers want increased visibility over how departments are planning to use their existing funding to deliver value and how they are managing their cost pressures. The Treasury will continue providing Ministers groups and Budget Ministers with information from Four Year Plans, assessments of the quality of the information and the quality of the Four Year Plan, and overviews of how the proposed initiatives fit in relation to other activity outlined in the Four Year Plan. This will provide insight in to the relative value of any proposed new initiatives and how well placed departments are to deliver these, along with how well placed departments are to deliver value from their baseline funding.

Information should be provided on the size, scope and effectiveness of existing activity (both within the agency and in the wider sector) and how the proposed initiative will either replace or be integrated with this activity.

### 3.1.4 How does this initiatives align with social investment principles?

A key focus for this Budget process is embedding social investment. While the principles below come from social investment in many instances they are applicable to other initiatives as well and will be considered as relevant. Initiatives are expected to show how they:

- Genuinely put clients and their needs at the centre (based on a client view rather than an agency or Vote view)
- Address the high costs of poor outcomes by understanding the efficacy and life course costs of interventions
- Are based on data, analytics and evidence to understand what is proven to work, for who, with the greatest impact
- Will monitor benefit realisation, be evaluated and be supported by feedback and learning loops.

### 3.1.5 The Strategic Alignment Judgement

Rating	Strategic Alignment Judgement
<b>5</b> Strong alignment	<ul style="list-style-type: none"> <li>• Strong alignment with investment principles, government priorities and Better Public Services results.</li> <li>• Cross-government / cross-sector.</li> </ul>
<b>4</b> High alignment	<ul style="list-style-type: none"> <li>• High alignment with investment principles and government priorities.</li> <li>• Cross-government / core-government.</li> </ul>
<b>3</b> Some alignment	<ul style="list-style-type: none"> <li>• Some alignment with the investment principles and government priorities.</li> <li>• Cross-government / core-government.</li> </ul>
<b>2</b> Limited alignment	<ul style="list-style-type: none"> <li>• Some alignment with the investment principles and government priorities.</li> <li>• Agency specific, limited cross-government.</li> </ul>
<b>1</b> Low alignment	<ul style="list-style-type: none"> <li>• Low alignment with the investment principles and government priorities.</li> <li>• Agency specific.</li> </ul>
<b>0</b> No alignment	<ul style="list-style-type: none"> <li>• No alignment sector or government strategies.</li> <li>• Alignment with specific agency.</li> </ul>

## 3.2 Impact Analysis

### 3.2.1 What alternative options were considered? Why was the preferred option chosen?

The process for developing the initiative should have included options analysis; including feasible alternative options for the policy intervention, method of delivery, rather than simply alternative options for funding.

The initiative should set out any alternative options considered to reach the same or similar objectives and provide reasons why the alternatives were not pursued. Supporting information should outline the evidence for the intended impact of your preferred option against alternate options.

### 3.2.2 Value for money judgement

Value for money (VFM) reflects the impacts on and benefits to New Zealand; ie an economic welfare perspective, rather than just the Crown or an agency. It captures the marginal impact compared to what would happen if an initiative/intervention does not proceed; including factoring in current services and the associated impacts.

When making a judgement about VFM the following factors are considered:

- How strong is the economic case? Which includes:
  - How reasonable the **assumptions** are? (Any conservative or optimism bias), and
  - Confidence in the **evidence base** for the assumptions and impact estimates.
- How substantive are the New Zealand national wellbeing and living standards gains? Which takes into account **all impacts**:
  - Unquantified or monetised (by using CBAX), and
  - Government or wider societal in relation to the initiative cost.

The value for money rating is not a straight reflection of the return on investment (RoI) numbers.

Rating	Impact indicators (one or several may apply)	Assumptions/evidence indicators (may alter impact judgements)
<b>5</b> High value / return – confident	<ul style="list-style-type: none"> <li>Significant positive impacts on national living standards.</li> <li>RoI estimate – 5 and above.</li> </ul>	<ul style="list-style-type: none"> <li>Conservative assumptions.</li> <li>Evidence certainty high or medium.</li> </ul>
<b>4</b> High / medium value – likely	<ul style="list-style-type: none"> <li>Significant positive impacts on national living standards</li> <li>RoI estimate – 2 and above.</li> </ul>	<ul style="list-style-type: none"> <li>Reasonable assumptions.</li> <li>Evidence certainty medium.</li> </ul>
<b>3</b> Medium value – break even confident	<ul style="list-style-type: none"> <li>Positive impacts on national living standards.</li> <li>RoI estimate – 1 – 2.</li> </ul>	<ul style="list-style-type: none"> <li>Reasonable assumptions.</li> <li>Evidence certainty medium.</li> </ul>
<b>2</b> Medium value – break even likely	<ul style="list-style-type: none"> <li>Moderate positive impacts on living standards.</li> <li>RoI estimate – 1 – 2.</li> </ul>	<ul style="list-style-type: none"> <li>Reasonable assumptions, with optimism bias.</li> <li>Evidence certainty medium.</li> </ul>
<b>1</b> Low returns – break even unclear	<ul style="list-style-type: none"> <li>Limited impacts on national living standards.</li> <li>RoI estimate – around 1.</li> </ul>	<ul style="list-style-type: none"> <li>Assumptions include optimism bias.</li> <li>Evidence certainty medium or low.</li> </ul>
<b>0</b> No returns / Value loss	<ul style="list-style-type: none"> <li>Unclear that it delivers value.</li> </ul>	<ul style="list-style-type: none"> <li>Assumptions with optimism bias.</li> <li>Poor evidence base.</li> </ul>

### 3.3 Affordability

No initiative should be considered a higher priority than existing activities funded within the baseline. It should be clear why the initiative cannot be funded from within existing baselines and how it represents the next highest value spend after the initiatives that will be funded within your Vote's existing funding levels. The Treasury will look at your department's Four Year Plan and what actions the department is taking to create increasing value for its customers and New Zealanders with its existing operating funding and balance sheet; for example what reprioritisation, efficiency savings and changes to delivery is your department proposing or undertaking. The Four Year Plan should highlight any key choices that need to be made to live within baselines; for example changes to policy settings, expectations, or the quality/quantity of services provided. A summary explanation of this is required in the ministerial letter (see Template 4).

Affordability considerations also include:

- Can the initiative be scaled or deferred?
- Is it practical to fund only the first year of this initiative as a pilot with subsequent years funding dependent on evaluation?

## 3.4 Delivery and Risk Management

### 3.4.1 What are the risks to delivering this initiative? How will these risks be mitigated?

The table below provides an overview of the sorts of risks agencies should have been considered when developing the initiative.

Categories of Risk	Possible Sources of Risk	Notes
<b>External and environmental risks</b>	Political. Economic. Social/demographic. Technological changes. Legislative. Environmental. Commercial.	These are external to the organisation and can be more difficult to mitigate or manage.
<b>Business risks</b>	Cross agency initiatives. Governance and stakeholders inter-dependencies (to/from other programmes and projects) resources and funding.	Where these are within the control of the organisation they can be mitigated.
<b>Service risks</b>	Specification. Time-scale. Change management. Project management. Costs and benefits. Training and users. Suppliers, availability. Performance and Volumes.	These risks are associated with the design, build, funding, and operational phases of a new service.

### 3.4.2 What capability is required to deliver this initiative? Does this capability exist or will it need to be built?

It should be clear how the initiatives relate to an agency's existing workforce as outlined in its Four Year Plan. Consideration will be given to an agency's capacity (how well placed is the agency to deliver your current strategic objectives and how would this new initiative impact this?) and existing capability (does the agency have in house capability to deliver this initiative or will the capability be procured or the entire initiative contracted out?).

## 3.5 Implementation and Evaluation

### 3.5.1 How will this initiative be managed and implemented?

In many cases achieving intended outcomes is highly dependent on implementation factors such as capability and leadership, funding sustainability, existing baseline activity and local factors. An implementation plan or information describing your agency's approach to developing a plan should be provided in support of any Budget initiative.

The Treasury's advice to Ministers takes into account how well placed an agency is to deliver the initiatives and will be based on assessments of the Four Year Plan, Long Term Investment Plan and the Investor Confidence Rating.

### **3.5.2 When will this initiative be evaluated and how will performance be assessed?**

Proposals should be accompanied by supporting information on the plan to test the impact that the programme, service, policy or regulation is having on the target group. This should track outcomes or results or outputs, wherever appropriate. It should set out how you would know if this initiative has had, or has not had, the intended impact; how you will track the performance of this initiative over time against a scenario where the initiative is not implemented; what are the critical points in the implementation of this initiative where performance will be assessed, and what are the options for scaling it up or down.

For further information on evaluation plans see section 4.2 of this Guidance. In addition, the Social Policy Evaluation and Research Unit (SuPERU) have developed a set of [New Zealand specific evaluation standards](#) that set out the expectations of the evaluation process, practices and products. While this guidance is written for social sector agencies, the principles are relevant across government. We recommend that agencies use this guidance when preparing their evaluation plans.

As noted above, the Public Finance Act 1989 requires agencies to provide a concise explanation of 'how performance will be assessed' for each appropriation, category of a multi-category appropriation and reportable outputs. Guidance on how to go about doing this is available [on Treasury's website](#).

## **3.6 Regulatory Impact Analysis**

If the RIA requirements apply to your initiative then a Regulatory Impact Statement (RIS), which summarises the RIA work undertaken by policy advisors, will need to be completed and quality assured. The process for quality assurance depends on if the regulatory proposal is considered likely to have significant impact or risk. To determine if the initiative is likely to have significant impact or risk, you will need to prepare a Preliminary Impact and Risk Assessment (PIRA).

Regulatory Impact Analysis (RIA) is a systematic approach to policy analysis that includes regulatory options. The RIA framework provides both a structure and process intended to assist policy advisors in undertaking that analysis. RIA has been a formal Cabinet requirement since 1998. The RIA requirements apply to any proposal that:

- considers options that involve creating, amending or repealing legislation (either primary legislation or disallowable instruments for the purposes of the Legislation Act 2012); and
- is expected to result in a Cabinet paper (this includes Budget Cabinet papers).

For more information see the [RIA handbook](#) or email [RIA@treasury.govt.nz](mailto:RIA@treasury.govt.nz).



## 4 Completing the Cost Benefit Analysis Template

### 4.1 Cost Benefit Analysis (CBA) Requirement

All Budget 2017 initiatives need to be supported by a CBA. To meet this requirement, agencies should complete the CBA template (Template 3). This template has been designed to assist agencies through the key steps for completing a CBA. It can be completed using outputs from CBAx. A Microsoft Word version is available on CFISnet and on the Treasury [website](#).

A useful place to start is the Treasury's [CBA Guidance](#) which replaced the previous CBA Primer. The approach this guidance document takes is that firstly, all significant decisions should be supported by a CBA. A rough CBA is better than no CBA, but it encourages undertaking a comprehensive CBA where the importance of the decision warrants it. It outlines the main steps and organising principles that agencies should adopt, and provides some short-cuts, or standard values that will generally be acceptable for inclusion in analysis.

#### *What do we mean by cost benefit analysis?*

Cost benefit analysis (CBA) is a tool for evaluating policy. CBA is first and foremost an organising principle. It is about organising in a logical and methodical way whatever information is available and enabling comparison across different options. The seven main steps of a CBA.

Step 1: Define policy alternatives and counterfactual

Step 2: Identify the people who gain and those who lose

Step 3: Identify the benefits and costs; allocate to time periods

Step 4: Quantify the benefits and costs within ranges

Step 5: Discount to a common period, compare benefits with costs

Step 6: Is the result clear enough? If not, consider whether it is worth investing in more research, and repeat above steps

Step 7: Write report

At a minimum, it is expected that agencies will complete at least the first three steps for all Budget 2017 initiatives. The first three steps require only thinking and familiarisation with the issue. Valuation of costs and benefits is usually more difficult, but this is not a reason not to make an attempt. The CBAx tool is designed to assist agencies with steps 4 and 5 (see section 4.3)

Effort should be proportionate to the scale of the proposal. Therefore, initiatives with significant impacts and/or cost should be supported by a detailed CBA that quantifies all costs and benefits. You should work together with your Vote Analyst to determine how much detail is required.

The analysis presented in the Cost Benefit Analysis Template should be summarised in the Budget Initiative Summary Template. The more detailed analysis will be used by Vote Analysts to help form their assessments, and may be made available to Ministers as appropriate.

Please contact your Vote Analyst in the first instance if you have any questions.

## 4.2 Impact Evaluation Plan

This year the CBA template includes an impact evaluation plan. This section explains why this is being included and offers guidance on how to fill it out. Contact your VA or the CBAX team for more advice on the template.

### 4.2.1 What is an impact evaluation?

Impact evaluation is calculating the causal effect of a programme on important outcomes and quantifying the effects magnitude. This is different from other types of evaluation, like qualitative and process evaluation (how and how well an initiative is delivered). While other forms of evaluation are important, and there is a short section provided in the CBA template to discuss these, the focus on impact evaluation is for two reasons:

- impact evaluation enables better planning before programmes are rolled out, and
- impact evaluation generates the kind of evidence needed to feed into CBA and allows for 'retrospective CBA' to see if the original assumed impacts of the CBA were realised.

Impact evaluation increases agencies ability to measure ex post (after roll out) the value of their programmes, whether they are a good use of resource, and what may need improving.

### 4.2.2 Why are we asking for evaluation templates?

We want to increase the evidence base for what works so we can focus our resources on effective programmes and improving or divesting from those that are less effective.

Policies and programs are often rolled out in ways that are not amenable to impact evaluation (for example with no plausible way of providing attribution or even no data on who received what). Many high quality impact evaluation methods (for example Randomised Control Trials) can only be implemented with planning before the programme is rolled out. Planning evaluations can also help standardise approaches. As discussed above, a high quality evaluation will not always be appropriate, in these cases the evaluation-limiting decision should be justified.

### 4.2.3 What level of evaluation is required?

The quality of the planned evaluation will depend on the specific context of the programme. For some programmes high quality evaluation may be convenient: data is already being collected; random rollout is feasible, cheap, and ethical; and outcomes occur shortly after the programme so there is little lag needed before analysis. In other cases evaluation may be more expensive or otherwise infeasible: the programme may be too small to justify extensive evaluation, there could be ethical barriers to high quality evaluation, the ultimate outcomes may not occur for a decade or more (e.g early childhood programmes), or it is not possible to develop a counterfactual group. Sometimes there may already be such a strong evidence base that further evaluation is not necessary/cost-effective (analogous to when new drugs that have had extensive overseas testing are bought to New Zealand without further trials).

In general, the impact evaluation template is expected to be most relevant to new social sector initiatives. But because the plan is part of the CBA template, all initiatives required to fill out the template should complete it. For initiatives where impact evaluation is not feasible this should be explained and justified.

It is expected that the quality of evaluation plans will improve over time.

#### 4.2.4 How do you do impact evaluation?

The goal of impact evaluation is to quantify the causal effect of a programme or policy on its participants. The causal effect of a programme is the difference between what happens to a person who receives treatment relative to what would have happened to them if they had not received treatment (the counterfactual). Since only one of these outcomes is observed the counterfactual must be estimated. High quality impact estimates will be unbiased (for example, they won't misattribute effects to causes other than the programme itself) and precise.

There are a variety of different methods for estimating the counterfactual, but the best methods (for example Randomised Control Trials) benefit from evaluation planning before the programme is rolled out. Your research team should be able to help you, and we strongly encourage you to discuss the impact evaluation plan with them.

Below are a list of links that may also be helpful:

- Superu have a variety of evaluation resources on their [website](#).
- While there is no universally agreed hierarchy of methods the UK [what works centre's modified Maryland scale](#) provides a helpful summary of different impact methodologies and the degree of evidence they provide.
- [Here](#) is a short introduction to impact evaluation and key methods from the World Bank.
- New Zealand's [what works](#) website has a series of tools and information on evaluation.
- The [Rainbow Guide](#) from Better Evaluation is a tool to help plan evaluations.

#### 4.2.5 Consider using the Integrated Data Infrastructure (IDI)

One component of impact evaluation that can be expensive is data collection.

However, a large amount of government data is already collected and collated in the IDI, so agencies should try to leverage this. The IDI is a large research database containing longitudinal microdata about people, households, and businesses. This includes data from a wide range of government agencies including: Health, Education, Justice, IRD, MSD, DIA, and Statistics.<sup>1</sup> It is important to check that your outcome variables or good proxies for them are available in the IDI, and if not you should see if the outcome data you would like is currently collected and could be put into the IDI. If there is no current collection of outcome data, you may need to collect it yourself. In this case it is important the data collection can be resourced and is budgeted for.

When impact evaluation is not possible, linking data on participants to the IDI is still beneficial as it allows for service mapping (working out which services are provided to what types of clients at what times).

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<sup>1</sup> There is more information about the IDI at [http://www.stats.govt.nz/browse\\_for\\_stats/snapshots-of-nz/integrated-data-infrastructure.aspx](http://www.stats.govt.nz/browse_for_stats/snapshots-of-nz/integrated-data-infrastructure.aspx). If using the IDI you are encouraged to discuss data arrangements with Statistics NZ, to ensure your outcome data exist and your participants can be linked in a mutually workable time.

## 4.3 CBAX

### 4.3.1 Overview

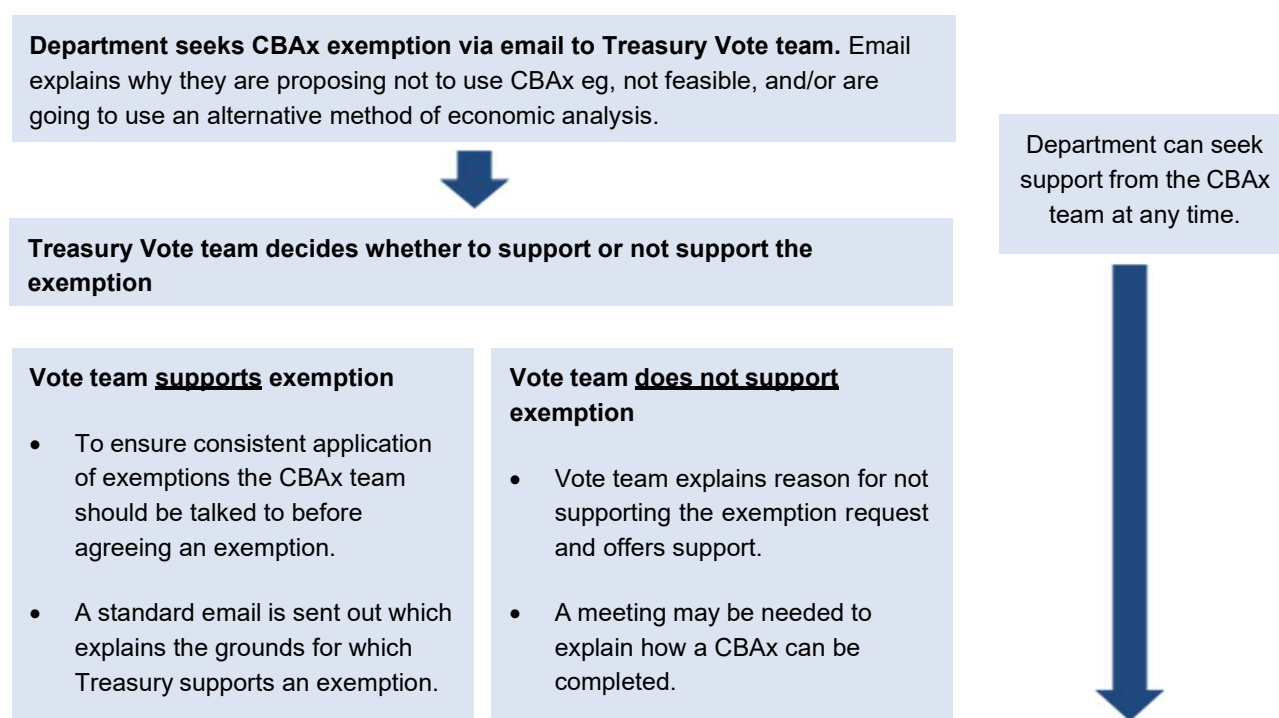
To assist agencies with their cost benefit analysis (CBA) assessments, and to enable a more robust comparison across different initiatives, the Treasury has developed a CBA tool known as CBAX. CBAX is a spreadsheet tool that helps agencies monetise impacts and undertake return on investment analysis. The CBAX tool has a database of standard values that supports agencies in valuing impacts and enables consistency of information and assumptions. The CBAX tool allows departments to add their own impact values if they're not currently in the impacts database.

CBAX is a requirement for all Social Sector initiatives (including Business-as-usual pressures) and Other initiatives, unless exempted (see below). CBAX can be used for BGA and capital initiatives where appropriate.

The Budget 2017 CBAX tool is available on CFISnet and on the Treasury website<sup>2</sup>. The Budget 2017 model contains improvements in response to user feedback and suggestions. The main improvements included in the Budget 2017 version are: updated impact values database, extension of possible impacts from 15 to 50, the option to segment the target population for an impact, and inclusion of an evidence base rating for each impact. The discount rates have reduced, and are based on the rates updated in May 2016.

The Treasury, with social sector agencies, has set up a CBAX Community of Practice. All agencies are welcome to participate and can be added to the CBAX mailing list. For support using CBAX please contact your Vote Analyst or the Treasury CBAX team at [CBAX@treasury.govt.nz](mailto:CBAX@treasury.govt.nz).

### 4.3.2 CBAX exemption process



<sup>2</sup> <http://www.treasury.govt.nz/publications/guidance/planning/costbenefitanalysis/CBAX>

## 5 Information on 15 Year Forecasts

Budget 2017 will require all initiatives to provide a 15 year forecast of fiscal and economic costs and benefits. Currently this information is only collected over the forecast period through the Budget initiative template and this does not provide visibility of the medium to long-term impacts of the initiative, including whether the initiative is expected to deliver savings outside the forecast period. Collecting this information supports a step change in better understanding the government's medium-term fiscal projections and a more consistent assessment of the longer term impact of Budget initiatives.

Information on the 15 year forecasts for each initiative will be collected by Vote. A spreadsheet template is available for agencies to access on CFISnet long with the other templates. For each initiative in the Vote agencies will need to set out:

- **Impact on Government:** this will include the net fiscal costs of implementing the initiative from the financial year 2016/2017 out to 2030/2031.

The net fiscal cost should factor in any expected savings to the government as a result of investing in the initiative now.

These fiscal impacts should be considered on a whole-of-government basis – costs and savings than impact other Votes should be estimated for initiative which may have those effects.

The fiscal cost over the forecast period (2016/17 to 2020/21) will be the same as what is presented in the Budget initiative summary template and entered into CFISnet.

- **Other Non-Government Impacts:** this will reflect the net economic, social or private costs as a result of the initiative. The net cost should factor in any expected benefits and savings that offset the total cost.

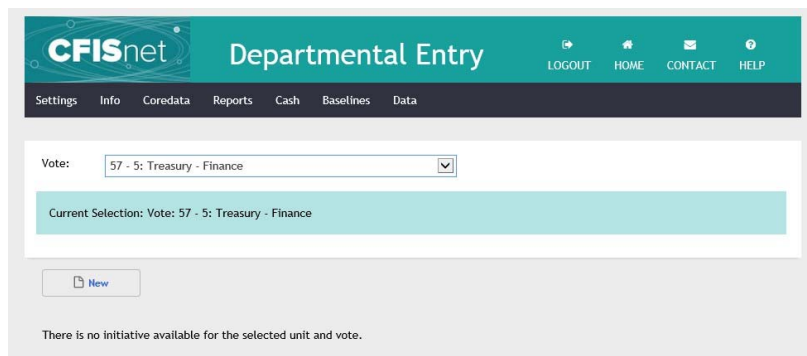
Initiatives which have completed a CBAX assessment can use this information to populate the spreadsheet. Agencies should be explicit about the assumptions behind the information presented for each initiative, including the level of confidence on the costs and savings that are outlined.

For Budget 2017, the information on costs and savings outside of the forecast period will be used to inform the assessment of the initiative and not to increase or decrease appropriations in those years outside the forecast period. The Fiscal Management Approach will remain unchanged; operating expenditure will be counted over a four year period and capital expenditure over a 10 year period.

## 6 CFISnet Requirements

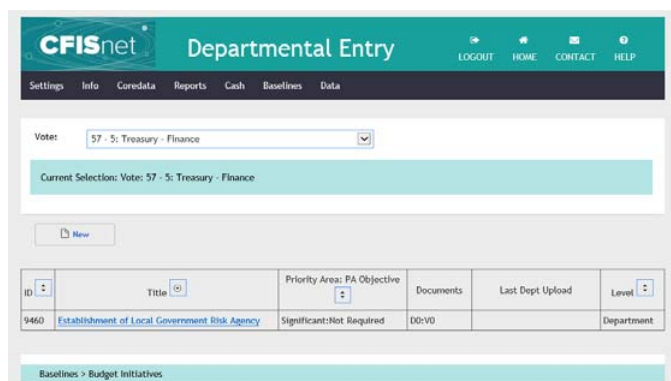
This section provides a brief overview of how to complete the initiative summary template and upload it to CFISnet. Further guidance is available on the relevant [CFISnet help page](#). Initiatives can be uploaded via CFISNet > Baselines > Budget Initiatives > Initiatives Entry.

### 6.1 Uploading templates to CFISnet



The above page will be blank until at least one initiative has been saved

Once saved, the initiative can be further edited by clicking on the title of the initiative. Editing is removed when the Level is changed to "Bilateral". Bilateral decisions are entered once Budget Ministers have agreed the Budget package. (The term 'Bilateral' refers to the days when Budget decisions were made on a bilateral basis.)



### 6.2 Cross agency initiatives

Where an initiative will be delivered by more than one agency and appropriation changes will be required in more than one Vote, a separate initiative will need to be entered under each affected Vote. This is because CFISnet generates financial recommendations by Vote based on the information provided in the Budget initiative module.

If you are unclear on how the funding will be split across agencies at the point at which you submit this information in December, the best approach is to have one agency submit the full cost and another agency submit a place holder initiative with zeros. Please ensure the titles and descriptions match.

## 6.3 Budget initiative input page

**CFISnet** Departmental Entry

Settings Info Coredata Reports Cash Baselines Data

LOGOUT HOME CONTACT HELP

List Delete Save

Vote: 57 - 5: Treasury - Finance

Title: \*

Description: \*

Initiative Type: Reprioritisation Within Vote

Priority Area: Significant

PA Objective: Not Required

Minister: Rt Hon John Key

Ranking: 100

Commercial In Confidence:

Document List: No document has been uploaded.

Upload Document:  Browse...

Funding Sought:

	2016/17	2017/18	2018/19	2019/20	2020/21
	\$000	\$000	\$000	\$000	\$000
Operating:					
Gross:	0	0	0	0	0
Savings/Revenue:	0	0	0	0	0
Net:	0	0	0	0	0
Capital :					
Gross:	0	0	0	0	0
Savings/Revenue:	0	0	0	0	0
Net:	0	0	0	0	0

Calculate

**Titles and descriptions** must match those provided in your Budget initiative template and Ministerial letter. The title field has a 150 character limit and the description field has a 400 character limit. This information flows through to the financial recommendations module and will appear in the Cabinet paper.

The Treasury will be publishing a document on Budget day (the summary of initiatives) that provides the title and description of every approved initiative (with the exception of those provided for in contingency). It will reduce a significant amount of rework for the Treasury and agencies if titles and descriptions for initiatives can be agreed as early in the process as possible. **We recommend agencies work with their communications teams to ensure the descriptions are written in plain English, without the use of public sector-specific jargon or acronyms, and can be understood by a member of the general public.**

The **Initiative Type** drop down selection asks you select from one of the following categories: Cost Pressure – Volume, Cost Pressure – Wages, Cost Pressure – Prices, Cost Pressure – Policy, New Policy (Operating), New Policy (Capital), Savings (Return to the Centre), Transfer Between Votes, Reprioritisation Within Vote. Please select the option most appropriate for the initiative.

**Priority Area** allows you to specify if an initiative is ‘Significant’ or ‘Technical’. Please refer to section 1.1 for an explanation of the difference between significant and technical initiatives. It is important to make the correct selection as this flows through to the financial recommendations module and determines which Cabinet paper this initiative will appear in (the technical package is agreed a week before the significant).

**PA Objective** is no longer required.

Selection of **Minister** should be straightforward in most instances. If you are entering a cross-agency initiative being submitted by more than one Minister, the Minister entered here should be the Minister responsible for your Vote. In order to complete the financial recommendations, a separate initiative will need to be entered for each affected Vote. If the split across Votes remains unclear at the time of submitting initiatives in December, enter one initiative reflecting the total cost. New initiatives can be entered later in the process.

Provide a **Ranking** for each initiative (1 being the highest priority) representing the relative priority of this initiative against other initiatives in the Vote. Cross-agency initiatives should be ranked by the lead agency. No two initiatives within a Vote should be given the same ranking. For further advice on ranking, please contact your Vote Analyst.

**Commercial-in-confidence** should be selected if your initiative is commercially sensitive. This will mean that only Vote Analysts with direct access to the Vote will be able to see the detail.

The **Upload Document** function should be used to upload the completed Budget initiative template, Cost Benefit Analysis template and all other supporting documentation. Maximum file size is 4Mb.

For the **Funding Sought** input if the initiative involves a mix of spending/savings/revenue the 'Calculate' button in the bottom left will calculate net amounts.

Funding Sought:		2016/17	2017/18	2018/19	2019/20	2020/21
		\$000	\$000	\$000	\$000	\$000
Operating:	Gross:	<input type="text" value="0"/>	<input type="text" value="0"/>	<input type="text" value="0"/>	<input type="text" value="0"/>	<input type="text" value="0"/>
	Savings/Revenue:	<input type="text" value="0"/>	<input type="text" value="0"/>	<input type="text" value="0"/>	<input type="text" value="0"/>	<input type="text" value="0"/>
	Net:	0	0	0	0	0
Capital :	Gross:	<input type="text" value="0"/>	<input type="text" value="0"/>	<input type="text" value="0"/>	<input type="text" value="0"/>	<input type="text" value="0"/>
	Savings/Revenue:	<input type="text" value="0"/>	<input type="text" value="0"/>	<input type="text" value="0"/>	<input type="text" value="0"/>	<input type="text" value="0"/>
	Net:	0	0	0	0	0

If the initiative involves transfers between agencies, one agency will need to enter a positive initiative, and the other will need to enter a separate initiative with the offsetting savings. Ensure titles and descriptions are aligned.

If the initiative is seeking funding for a multi-year appropriation agencies should enter the indicative spending profile. The financial recommendations will be adjusted manually to reflect the authority for the multi-year appropriation.

If the initiative requires funding beyond year 4, this should be reflected in the Budget initiative template and the financial recommendations will be adjusted manually to reflect the authority for the out year funding.

If your initiative is partially funded by revenue other (ie, levies, charges, third party funding), the net amount sought should only be for the Crown revenue. The financial recommendations module allows you to seek authority for appropriation for the gross amount.



## 6.4 Input fields not required for 2016

This is the area immediately below the 'Calculate' button. Performance information was last sought via CFISnet for Budget 2011. You do not need to complete these fields in CFISnet as all relevant performance information should be provided in supporting documentation.

**Performance Information:**

Option1 - where performance/outputs can be expressed in a table

Type	Title	Unit	2016/17	2017/18	2018/19	2019/20	2020/21	
Quant								Delete
Quant								Delete
Quant								Delete

Add

And/Or Option2 - where performance/outputs are best expressed as text

Not Required

Recommended Decision in Budget 2011

Not Required

Risk if B2011 decision not made

Not Required

Gateway Review Number

Not Required

Whole of Life Cost

Not Required

Not required

## 7 Ministerial Engagement and Late Initiatives

### 7.1 Ministerial Engagement Meetings

Ministerial engagement meetings will be held with the Minister of Finance throughout the Budget process. These meetings will be focussed on agencies' understanding of their core business with consideration of which initiatives are being developed in that context.

These meetings provide the Minister of Finance with an opportunity to engage with portfolio Ministers to better understand baseline expenditure, cost drivers and potential savings and reprioritisation options. It also provides a chance to get early visibility on Budget initiatives that are likely to come through and allows for discussion and clarification of the rules and processes that will support Budget 2017.

The meetings are expected to cover the following areas:

- **Meeting 1 (October/November):** Agencies' understanding of their business, their customers and effectiveness of baseline expenditure, new rules and processes for Budget 2017 and Track 1 intentions.
- **Meeting 2 (February/March):** Budget 2017 initiatives, strategic choices and trade-offs and how they relate to the direction of travel agencies outline in their Four Year Plans.

Agencies should complete Template 6 to help support their Minister in the October/November discussions. The Treasury will also use this template to help inform the Minister of Finance ahead of these engagements.

Final dates and times of these meetings will be circulated in due course. Please contact your Vote Analyst if you have any queries.

### 7.2 Submission of Ministerial Letter

For Budget 2017 your Minister is required to write a letter to the Minister of Finance listing the initiatives they wish to be considered through the Budget process. The purpose of this letter is to establish clear ministerial ownership of the initiatives early in the process.

It is also the intention that these letters will be shared with other Ministers as part of early prioritisation discussions. The approach of collegial scrutiny was adopted in Budget 2015 for the social sector process. The visibility this provided was very useful to the process.

This letter is provided in Template 4. You may alter the template to suit your agencies' needs. Please ensure the titles and descriptions provided in the letter align with those entered into CFISnet, and provided in the Budget initiative template. The titles and descriptions of approved initiatives will be made available to the public on Budget day. It is important that Ministers have early oversight and are happy with these details in order to avoid rework later in the process.

When completing the fiscal implications table, please ensure it is presented consistently with the Budget initiative template.

Please complete this template and ensure it has been **signed by your Minister before 2 December**. Budget initiative templates, cost benefit analyses and 15 year information are also due on 2 December.

### 7.3 Late initiatives

In Budget 2017, any late initiatives will require the approval of Budget Ministers to be included in the Budget process. This will increase the collective transparency over late initiatives, which may otherwise bypass good process.

A letter (Template 5) will need to be submitted to Budget Ministers from the relevant portfolio Minister which will need to:

- Set out the title and description of the initiative.
- Set out the reasons for the initiative being submitted late.
- Append a completed Budget initiative summary template and CBA template, with supporting CBAX and/or a business case (or clear reasons why these cannot be provided).
- Outline which aspects of the Budget process it has missed and how the initiative will receive assurance and rigour.

Late initiatives will be defined as any that are not included in a portfolio Minister's submission letter and **not lodged with the Treasury before 31 January 2017**. Placeholder initiatives will not bypass this requirement and initiatives which are substantially underdeveloped will be reviewed by the Treasury.

## 8 Templates

This section provides the templates that are required to be completed. Word (or excel for template 7) versions of all of these templates can be found in CFISnet:

Template 1: Scoping Document Template for Track 1 Initiatives (required for all Track 1 initiatives)

Template 2: Budget Initiative Summary Template for Track 2 Initiatives (required for all Track 2 initiatives)

Template 3: Cost Benefit Analysis Template (required for all initiatives)

Template 4: Ministerial Letter (required for all initiatives)

Template 5: Late Initiatives (required for all initiatives submitted after 31 January)

Template 6: Ministerial Engagement Template (agencies are required to prepare these templates to support Ministerial meetings)

Template 7: 15 year initiative impact excel spreadsheet (required for all initiatives where possible)

# Template 1: Scoping Document Template for Track 1 Initiatives

This template seeks a high level summary of initiatives that will be going through the social investment track ('Track 1') for inclusion in the check point process in November. The scoping document will be submitted to Treasury on 4 November 2016 and reviewed by the Social Investment Panel. **Please note that is intended to be a two page, high level description only to inform the further development of the initiative.**

<b>Vote</b>	[If it is a cross agency initiative, please list all the Votes impacted]
<b>Responsible Minister</b>	[If it is a cross agency initiative, please list all the responsible Ministers and identify if there is a lead Minister]
<b>Initiative title</b>	

WHAT: Description of initiative and Problem Definition	
<b>Description of proposed initiative</b>	[Please provide a summary of the initiative and why the particular intervention is required]
<b>Alignment and relationship with existing services</b>	[Please provide details on how this initiative aligns to existing services targeted at the same population and outcomes. For example, is this initiative filling a gap, complimenting other services, and/or is there an intention for it to replace an existing service? If this is a cross agency initiative, describe how services are currently being delivered across agencies. ]

WHO: Target Population and Expected Outcomes	
<b>Identify and describe target population</b>	[Describe the target population according to their characteristics and needs. This can include an analysis of the population that has been identified as not achieving particular outcomes. Agencies should not limit the target population to current clients.]  <i>eg, teenage mothers in Rotorua who are not in employment, education or training, [x]% of teenage mothers in Rotorua target of not achieving NCEA Level 1</i>
<b>What are the outcomes that are expected for this target population as a result of this initiative?</b>	[Describe the changes in the target population's outcomes that would be expected over the short and long-term]  <i>eg, increased independence for teenage mothers</i>

HOW: The Intervention Logic and Implementation	
<b>How does the initiative help achieve the expected outcomes?</b>	[Please provide detail on how agencies can demonstrate the link to outcomes listed above through an intervention logic/case for change]  <i>eg, [initiative] trains single mothers which provides skills that makes teenage mothers more employable – increasing their independence</i>
<b>How well placed is the agency to deliver the proposed interventions?</b>	[Outline how you have confidence there is the capability and capacity to successfully implement the initiative. How would you seek to improve this confidence?]

HOW MUCH: Indicative Fiscal Costs and Savings	
<b>What is the estimated fiscal cost and savings of the proposed initiative?</b>	[Please provide your best estimate of how much funding will be required to deliver this initiative over the forecast period (2016/17-2020/21). This should include the cost of intervening for each individual. Please also provide your best estimate of savings, either from direct cash or near-cash savings, or reduced pressure on public services]  <i>eg, the cost of [initiative] is \$[x], or \$[y] for each teenage mother (for [z] people)</i>
<b>Assumptions and cost drivers</b>	[Outline some of the key assumptions and judgements underpinning these indicative costs including any trade-offs that may be required within the agency to ensure the initiative is delivered successfully and meets outcomes]

Indicative Fiscal Cost (\$m)	2016/17	2017/18	2018/19	2019/20	2020/21 & outyears	TOTAL
<b>Operating</b>	-	-	-	-	-	-
<b>Capital</b>	-	-	-	-	-	-

WHEN: Predicted Return on Investment	
<b>Articulate the predicted return on investment for this initiative</b>	[This reflects fiscal returns to the government, as well as individual and social non-government returns (where applicable) as identified by the CBAX assessment. Returns need to be a direct result from the initiative and described in terms of the outcome. If relevant, agencies need to articulate how the ROI differs between segments of the population]  <i>eg, the return on investment of [initiative] is predicted to be [x], which equates to:</i> <ul style="list-style-type: none"> <li>- reduced welfare spend of \$[y]</li> <li>- increased PAYE of \$[z]</li> <li>- reduced corrections spend of \$[a]</li> <li>- increased connectedness equivalent to \$[b]</li> <li>- increased reliance on primary health care at a corresponding reduction of reliance on secondary / after-hours health care</li> </ul>
<b>What are the estimated timeframes for these returns and the level of confidence in results?</b>	[Articulate the level of confidence in the results and outcomes expected from this initiative, including any assumptions that are underpinning the predicted ROI]

WHY: Evidence Base, Measurement Plan and Evaluation	
<b>What is the evidence available to support the proposed intervention for the target population group</b>	[Agencies need to support introducing the initiative on the basis of a proven track record, existing data and/or evidence from academic research]  <i>eg, [initiative] is supported by evidence from three major peer-reviewed scientific journals and/or [initiative] has been demonstrated as successful in the UK, Canada and Australia, with evidence of return of [x], [y] and [z] respectively</i>
<b>Indication of how performance will be assessed and measured</b>	[Please signal how you are thinking about ex post evaluation and measurement of the proposed intervention, including potential measures, to ensure it is achieving expected outcomes. This will be a key requirement for the final initiative in January.]

## Template 2: Budget Initiative Summary Template for Track 2 Initiatives

This template seeks a high-level summary of the Budget 2017 significant initiatives. Agencies are required to complete the blue fields – your Vote Analyst will complete their assessment in the grey fields. Supporting information must be provided to your Vote Analyst. Please use the descriptions provided as a guide for what information is expected in each of the boxes below. Contact your Vote Analyst in the first instance with any queries.

<b>Vote</b>	[Must match CFISnet entry]
<b>Responsible Minister</b>	[Must match CFISnet entry]
<b>Initiative title</b>	[Must match CFISnet entry. The title should be concise and provide a clear direction of what the initiative is about]
<b>Initiative description</b>	[Must match CFISnet entry. The description should outline what the additional funding will achieve in terms of outcomes/ impacts/ results and start with "This funding will...."]
<b>Ranking</b>	[Must match CFISnet entry]
<b>Workstream</b>	BGA/Social Sector/Capital/Other
<b>Responsible Vote Analyst</b>	[Please provide your name and extension number]

Funding Sought (\$m)	2016/17	2017/18	2018/19	2019/20	2020/21 & outyears	TOTAL
<b>Operating</b>	-	-	-	-		-
<b>Capital</b>	-	-	-	-		-

[If your proposal requires time limited funding until the year 2020/21 please delete the '& outyears' from the table. If your proposal requires time limited funding beyond 2020/21, please add new columns to the table to reflect the profile of funding sought.]

VA Recommendation	2016/17	2017/18	2018/19	2019/20	2020/21& outyears	TOTAL
<b>Operating</b>	-	-	-	-	-	-
<b>Capital</b>	-	-	-	-	-	-

<b>Vote Analyst Recommendation</b>	[Support in full/Do not support/Partial support and Scale/Defer] [Please provide a short explanation of your recommended funding option]
<b>Degree of government commitment</b>	[Pre-commitment/manifesto commitment/discretionary]

Supporting Information	
<b>Please list the supporting documents provided to your Vote Analyst.</b>	[All initiatives must have a <b>completed Cost Benefit Analysis Template and 15 year forecast included in the Excel template</b> . Significant capital investment proposals are required to be supported by a Better Business Case, as outlined in CO(15)05. If the Regulatory Impact Analysis requirements apply to your initiative please attach a Regulatory Impact Statement]
<b>Has Cabinet considered this or other similar initiatives before?</b>	[If Cabinet has previously considered this initiative or other related initiatives please list these and attach the relevant Cabinet reference. Please provide detail of funding provided through previous Budgets for this or other similar

	initiatives]
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#### Vote Analyst Comment

[Please provide a comment on the quality of the supporting information provided. Have the costs and benefits of this proposal been adequately assessed? Has your agency met the CBA, CBAX, Better Business Case or Regulatory Impact Analysis requirements where relevant? Do you have enough information to provide your assessment? If not, where possible, provide the agency's reason for not providing this information.]

#### Vote Analyst Comment – Agency Capability and Performance

[Please provide a comment on the capability of the agency to deliver and implement new and existing initiatives taking into consideration their performance on Four Year Plans (4YP), the Long-Term Investment Plan (LTIP) and Investor Confidence Rating (ICR), where relevant]

#### Strategic Alignment and Target Population

<b>How does this initiative fit with your agency's strategic intentions as outlined in your Four Year Plan and align with the Government's priorities?</b>	[See section 3.1 of the Guidance]
<b>What is intended to be achieved, for whom?</b>	[See section 3.1 of the Guidance]
<b>How does this initiative relate to current activity(s) undertaken by your agency and/or by others across the State Sector</b>	[See section 3.1 of the Guidance]
<b>Please list all recent interventions by your vote/ sector that attempted to reach similar outcomes</b>	
<b>Please list the agencies or non-government organisations that you have consulted in the process of developing this initiative.</b>	

#### Vote Analyst Comment

[Please rate this initiative's alignment with Government priorities on a scale from **0-5**. Please also provide a short comment on the answers provided by your agency – does this initiative align with the strategic intentions of the agency as outlined in their Four Year Plan? Is the strategic intent of this initiative clear? Has the agency clearly outlined who this initiative will target and what it is intended to achieve? Has your agency worked with other agencies where relevant in developing this initiative? Do they have a clear understanding of how this initiative will fit in with existing activity across the State Sector?

#### Impact Analysis

<b>Provide a summary of the costs and benefits of this proposal.</b>	[Please summarise the impact analysis section of your Cost Benefit Analysis Template.]
<b>What alternative options did you</b>	[See section 3.2 the Guidance]



<b>consider (including scaling)? Why did you choose your preferred option?</b>	
<b>Outline any flow on costs and benefits</b>	[Please provide detail on whether funding the proposed initiative will lead to flow on costs and benefits for other appropriations, Votes or agencies. Has this been factored into the Cost Benefit Analysis?]

#### Vote Analyst Comment

[Please rate this initiative on a scale from **0-5** to reflect Value for money. Please explain your rating and provide a short comment on the quality of the cost-benefit analysis and the reliability of the inputs. See section 3.2.2 of the guidance.]

#### Legislative and Regulatory Implications

<b>Please detail any legislative implications and whether the RIA requirements apply.</b>	[If the RIA requirements apply please attach the RIS. See section 3.6 of the guidance for specific information about the requirements.]
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#### Vote Analyst Comment

[Please use this space to insert the QA statement if applicable. Contact the RIA team if you have any questions.]

#### Affordability

<b>Provide an option for scaling, phasing and/or deferring this initiative.</b>	[See section 3.3 of the Guidance]
<b>Describe the implications on service delivery if this funding is not approved or deferred.</b>	
<b>If this initiative is business-as-usual, identify the cost drivers</b>	[This should reference information and analysis provided through your Four Year Plan].

#### Vote Analyst Comment

[Please provide a brief comment on the quality of the agency's Four Year Plan and discussion of strategic trade-offs. Do you agree with the agency's assessment of the impact of not approving this initiative?]

#### Delivery and Risk Management

<b>What are the risks to delivering this initiative? How will these risks be mitigated?</b>	[See section 3.4 of the Guidance]
<b>What capability is required to deliver this initiative? Does this capability exist or will it need to be built?</b>	[See section 3.4 of the Guidance]

#### Vote Analyst Comment

[Please rate this initiative **red, amber or green** according to your assessment of risks associated with the delivery of this initiative. Consider the size of the proposal relative to the agency's activity, any cross agency impacts, and impacts to front-line service delivery.]

Implementation and Evaluation	
<b>When will this initiative be implemented and how will this be managed? What changes will be required to ensure the successful delivery of this initiative?</b>	[Please reference your implementation or procurement plan. If this is a cross agency initiative please provide detail on how agencies will work together to deliver the outcomes expected from the initiative. See section 3.5 of the Guidance for further information]
<b>Outline the plan for how this initiative will be evaluated, at which points and the specific measures that will be used to assess performance</b>	[Answers provided in the template should provide a high level summary of this evaluation plan. See section 3.5 Guidance for further information]

**Vote Analyst Comment**

Please provide a brief comment on the agency's capability to deliver the initiative and ensure that the expected outcomes are achieved. Is there a clear and quality plan for how the success of the initiative will be measured and at which points or milestones?

## Template 3: Cost Benefit Analysis Template

**PLEASE DELETE TEXT IN ITALICS AND GREY – THIS TEXT IS EXPLANATORY, ILLUSTRATIVE AND FOR GUIDANCE.**

*This template is a way of organising whatever information you have in a consistent and systematic way. It should be relevant for all initiatives. The level of detail required depends on the size of the initiative and the information available. Impacts should be quantified where possible, but the template can also be used to analyse descriptive, unquantified impacts.*

*The CBAX tool and database can help you estimate a dollar value for quantified impacts. The CBAX tool and supporting information is available on <http://www.treasury.govt.nz/publications/guidance/planning/costbenefitanalysis/CBAX>. Contact [CBAX@treasury.govt.nz](mailto:CBAX@treasury.govt.nz) for support.*

*The Treasury's [Cost Benefit Analysis Guidance](#) has more information on how to do cost benefit analysis (CBA).*

*Agencies should use this CBA Template to meet the CBA requirements. Please refer to the Budget guidance and contact your Treasury Vote Analyst if you have questions about the template or how much detail to include. This template has been updated to provide evidence focus, consistent with the [CBAX Tool User Guidance](#), including evaluation plan, intervention logic and CBAX output.*

### Section A Descriptive Information

<b>Vote</b>	<i>[Must match CFISnet entry, if a Budget initiative]</i>
<b>Responsible Minister</b>	<i>[Must match CFISnet entry, if a Budget initiative]</i>
<b>Initiative title</b>	<i>[Must match CFISnet entry, if a Budget initiative]</i>

Funding Sought (\$m)	2015/16	2016/17	2017/18	2018/19	2019/20 & outyears	TOTAL
<b>Operating</b>	-	-	-	-	-	-
<b>Capital</b>	-	-	-	-	-	-

#### Problem Definition

*A description of the problem or opportunity that this proposal seeks to address, and the counterfactual.*

*Please describe the problem or opportunity that this proposal seeks to address and the counterfactual (what would happen if the proposal doesn't go ahead). Be specific about who the problem affects and how it affects them.*

#### Initiative Description

*A description of what the initiative will provide or produce and how this will address the problem or opportunity.*

*Please describe what the initiative will provide or produce, and how this will address the problem or opportunity identified. This description can be more detailed than the description provided in Budget documentation.*

#### Alternative Options Considered

*What alternative options did you consider and why did you choose your preferred option?*

## Section B Impact Analysis

### Impact Analysis

*An explanation of who is impacted (winners and losers), what the impacts are (costs and benefits), and when the impacts will be realised and for how long. The impacts should be quantified and monetised if possible.*

*Discuss all of the impacts (costs and benefits) that the proposal will have on New Zealanders and the government.*

- *Describe the impacts (including **financial, social and environmental** impacts) that you can identify, whether or not they can be quantified. Be specific about which individuals or groups will be affected, how and when.*
- *Include primary and flow-on (secondary) impacts. For instance, a proposal to train individuals to get employment may increase their income, and also have a secondary impact on their use of health services.*
- *Attach an **intervention logic map** – intervention, outputs, outcomes and impacts, and the key assumptions.*
- ***Quantify** these impacts if possible. For instance, ‘number of emergency visits avoided’, or ‘client waiting times reduced by x hours’. If you can, also **monetise** the impacts by converting them into a dollar value, eg, ‘money saved from reduced emergency visits’. Ranges may also be used, with wider ranges indicating more uncertainty.*
- *The **CBAX** spreadsheet tool can help you estimate the dollar value impacts of policy changes, drawing from a common database of impact values.*
- *The impacts presented should be the additional positive and negative impact of the proposal, compared to what would happen if the proposal doesn’t go ahead (the **counterfactual**).*
- *Discuss the assumptions and evidence informing your analysis of these impacts. Assess how strong the evidence is, and how well the results can be applied to this proposal. Be specific about how effective the policy is assumed to be across different groups (eg, is there a positive impact for all students on a training programme, or only the ones who complete the course?). Discuss which assumptions have the greatest impact on the results of your analysis.*
- ***Discount Rates.** For comparative purposes, all initiatives should use the 7% real discount rate as a default, and do a sensitivity analysis with a 3% real discount rate (the rounded risk free rate). A project-specific rate can also be added where this is warranted (talk to your Vote Analyst if you want to add another [discount rate](#)).*

### Impact Summary Table

*All monetised and non-monetised impacts should be listed.*

*Fill out the table below to summarise the costs and benefits of the proposal. Delete the illustrative example. The impacts might differ, so consider other impacts than those in the illustration. Summarise the **assumptions and evidence** that inform your assessment of each impact.*

*Start by including the estimated impact on **key outcomes**. This should be the biggest, most immediate impact. If this impact can be converted into monetary values, include these values in the next part of the table (government/wider society benefits and costs). Also include unquantified impacts on people or the government, and the fiscal cost of the initiative. In the example below, the key impact is on employment outcomes, which creates benefits for the government (reduced welfare spending) and individuals (higher income), as well as unquantified impacts on mental health and education.*

*Present any **monetary impacts** (including the fiscal cost) in present value (PV) terms using the discount rates above. This converts future cash flows into today’s dollar terms and enables comparison between initiatives with different patterns of costs and benefits over time. Treasury’s CBA guide explains PV and how to calculate it in more detail. The CBAX spreadsheet tool also has a simple calculator you can use to convert your initiative cost into a PV.*

You can include an **additional option** or scenario to show how impacts change with different assumptions or policy settings.

Calculate the **net present value (NPV)** of your initiative using all the monetised benefits and costs set out in the Impact Summary Table below. This NPV calculation won't include unquantified benefits and costs. You can discuss how unquantified impacts affect your assessment. Agencies should use a 50-year time period for their NPV calculation.

**Impact Summary Table** (Please add and delete rows for impacts as appropriate, and colour code evidence base)

Impacts - Identify and list \$m present value, for monetised impacts	Option/scenario 1	Assumptions and evidence (quantify if possible, and use ranges where appropriate) 2	Evidence certainty <sup>3</sup>
<b>Estimated impact on key outcomes</b>			Low
<b>Cost of the Initiative</b>			Low
<b>Government Benefits/(Costs)</b>			Low
			Low
			Low
<b>Total Quantified Government Impact</b>			Low
<b>Wider Societal Benefits/(Costs)</b>			Low
			Low
			Low
			Low
<b>Total Quantified Wider Societal Impact</b>			Low
<b>Net Present Value of Total Quantified Societal Impacts</b>			Low

<sup>3</sup> Rate your level of confidence in the assumptions and evidence as high (green) if based on significant research and evaluations that is applicable, medium (amber) if based on reasonable evidence and data, or low (red) if there is little relevant evidence. Colour the rating box for each impact.

**DELETE this illustrative fictional example**      **Impact Summary Table (using the CBAX tool and database for NPVs)**

Impacts - Identify and list \$m present value, for monetised impacts	Option/scenario 1	2	Assumptions and evidence (quantify if possible, and use ranges where appropriate)	Certainty <sup>4</sup>
<b>Estimated impact on key outcomes</b>				
Increased employment outcomes	72 percent points	-	Expect 18% of participants to get into work after one year and another 18% of participants to get into work after two years. This is relative to counterfactual of no employment for the individuals. The success rate is based on experiences in several overseas countries, with New Zealand context to be assessed. Assumes only 25% of income for displacement etc effects. Assumes ongoing employment.	Medium
<b>Cost of the Initiative</b>				
Fiscal operating and capital costs of the initiative <sup>5</sup>	(10.9)	-	40 participants per year for 5 year pilot. Annual operating expenditure of \$1.2 million for 5 years, and \$6 million one-off.	High
<b>Government Benefits/(Costs)</b>				
Additional tax revenue (adjusted to 25%)	0.9	-	Assumes 18% of participants move from benefit to earning the minimum weekly wage and another 18% earn an average wage for someone with a level 4-6 trade, with 25% adjustment. Marginal tax impact relative to tax on the Jobseeker Support benefit.	Medium
Reduction in Jobseeker Support benefit	6.1	-	Assumes an on-going reduction in benefit payments for 36% of the participants.	Medium
Reduction in health and justice sector costs	1.1	-	Provides proxy for flow-on reduction in health and justice sector costs. Assumes for all participants: emergency department visits are reduced from 3 to 2 visits annually for 25 years, and police hours are reduced from 5 to 3 hours annually for 10 years.	Low
<b>Total Quantified Government Impact</b>	<b>8.1</b>	-	The main assumptions relate to employment outcomes, and the length of these.	Medium
<b>Wider Societal Benefits/(Costs)</b>				
Extra personal income generated (after tax, and adjusted to 25%)	3.9	-	Assumes 18% of participants move from benefit to earning the minimum weekly wage and another 18% earn an average wage for someone with a level 4-6 trade, with 25% adjustment.	Low
Costs of attending	(Small)	-	There are short term costs to individuals of attending.	Low
Mental health improvements	Large	-	International evidence finds that moving into work can improve mental health outcomes. Limited New Zealand evidence.	Low
Improved education outcomes for children	Modest	-	Having parents who are unemployed for more than 2 years makes children 30% less likely to pass NCEA 2. Intergenerational impacts.	Medium
<b>Total Quantified Wider Societal Impact</b>	<b>3.9</b>	-	Wider societal impacts arise mainly from employment assumptions: income/mental health and impacts for participants' children.	Low
<b>Net Present Value of Total Quantified Societal Impacts</b>	<b>1.2</b>	-		Medium

<sup>4</sup> Rate your level of confidence in the assumptions and evidence as high (green) if based on significant research and evaluations that is applicable, medium (amber) if based on reasonable evidence and data, or low (red) if there is little relevant evidence. Colour the rating box for each impact.

<sup>5</sup> This present value of the initiative costs, including both operating and where relevant capital spending, should be included for all initiatives. Other fiscal flow-on costs and benefits that are not included in the initiative costs are to be set out in a separate row.

## Section C Conclusions

### Conclusions

#### What is being recommended and why?

Considering quantified and unquantified impacts, does the analysis suggest that the benefits of the proposal exceed the costs, and to what extent? What is your level of confidence about this result? What sensitivities and assumptions could change your conclusion?

If the impacts are predominantly unquantified and unmonetised, or based on little evidence, another way to approach the impact conclusion and make an overall judgement is to base this judgement on the known fiscal initiative costs and assess how effective the policy would need to be for the benefits to exceed the initiative's costs, and to assess how likely that success rate is. In the illustrative example, this judgement could consider what proportion of participants would need to find employment and not receive benefit payments for the initiative's overall benefits to outweigh the \$10.9 million initiative costs.

### Overall Ratings

Value for Money <sup>6</sup>	Strategic Alignment <sup>7</sup>
<p>Rating from 0-5. Consider monetised and unquantified impacts and evidence base.</p> <p>5 High value / return confident, 4 High/medium likely, 3 medium/break even confident, 2 medium/break even likely, 1 2 low/break even unclear, 0 no returns / value loss</p>	<p>Rating from 0-5. Consider alignment with government strategic direction and priorities, and cross-government action.</p> <p>5 Strong alignment, 4 High alignment, 3 Some alignment, 2 Limited alignment, 1 Low alignment, 0 No alignment</p>

<sup>6</sup> For guidance on Value for Money ratings see section 3.2.2

<sup>7</sup> For guidance on Strategic alignment ratings see section 3.1.5

**Summary of monetised results** [only fill this out if you have monetised costs and benefits]

Fill this table out with the NPV, benefit cost ratio and return on investment for your initiative. These can all be calculated with the information you included in the summary table above, and is available in the CBAx Output Summary (NB totals can vary due to rounding). We ask you to present all these measures, because they each provide a different perspective.

Use ranges for values where appropriate	Discount Rate	
	8% real (default)	4% real (sensitivity)
Net Present Value (NPV) <sup>8</sup>	\$1.2m	\$m
Benefit Cost Ratio (BCR) <sup>9</sup>	1.1 (1.1 = \$12m / \$10.9m)	x.x (x.x = \$x.xm / \$x.xm)
Return on Investment (ROI) – Societal Total <sup>10</sup>	1.1 (1.1 = \$12m / \$10.9m)	x.x (x.x = \$x.xm / \$x.xm)
Return on Investment (ROI) – Government <sup>11</sup>	0.74 (0.74 = \$8.1m / \$10.9m)	x.x (x.x = \$x.xm / \$x.xm)

**Supporting Evidence**

ie, the bibliography

To substantiate assumptions and certainty ratings, please include links to supporting analysis or evidence here. This should include references to the research, evaluation and data sources that informed your assumptions, for instance about the effectiveness rate and the counterfactual. Set out the New Zealand and international evidence for the assumptions.

This could set out the evaluation options linked to the initiative assumptions, especially if the evidence is limited.

**Ex-post Impact Evaluation Plan**

How will you evaluate (after the programme has been rolled out) what the effect of the programme was, particularly on the impacts listed in Section B?<sup>12</sup>

Data collection and impact evaluation method

Funding of evaluation

Completion dates, publication, and dissemination of findings to key stakeholders

Impact evaluation is important for understanding whether the impacts and assumptions discussed in the CBA are realised. Impact evaluations build the long term evidence base for what works for whom in what contexts. Planning the evaluation in advance ensures a robust ex post evaluation is possible. Below are issues to address.

**Data collection:**

<sup>8</sup> **Net Present Value (NPV)** - The NPV is the sum of the discounted benefits, less the sum of the discounted costs (relative to the counterfactual). This gives a dollar value representing the marginal impact on the collective living standards of all New Zealanders of the initiative, in today's dollar terms.

<sup>9</sup> **Benefit Cost Ratio (BCR)** - The BCR is the ratio of total discounted benefits to the total discounted costs. A proposal with a BCR greater than 1.0 has a positive impact, because the benefits exceed the costs. The BCR is the same as the Return on Investment Societal Total, unless there are negative impacts in addition to the fiscal cost of the initiative. All negative impacts are included in the denominator for the BCR measure.

<sup>10</sup> **Return on Investment (ROI) - Societal Total** - Calculate the ROI by dividing the discounted net change in wider societal impact, including benefits to government, by the discounted cost of the initiative. This can be interpreted as the impact for New Zealanders per dollar the government spends on the initiative, eg, for every \$1 the government spends on this programme, New Zealanders receive benefits of \$3.

<sup>11</sup> **Return on Investment (ROI) – Government** – Calculate the ROI by dividing the discounted net change in impact for the government by the discounted cost of the initiative. This measures the discounted net marginal (fiscal) benefits to the government.

<sup>12</sup> More information on this impact evaluation plan is available in the budget guidance Section 4



- *What outcomes will you measure, and how will you measure them? You should reference the key outcomes discussed in the impact summary table in Section B and your intervention logic, but you can discuss additional outcomes and intermediate outcomes/outputs here if you wish. If it is not possible or cost-effective to measure some of the outcomes in the impact summary, please state what outcomes these are and explain why you won't be measuring them.*
- *How will you collect data (eg, legal name, date of birth, and address)<sup>13</sup> on the participants (and, if appropriate, untreated comparison group) of your programme? Will it be possible to link these data to the Integrated Data Infrastructure (IDI),<sup>14</sup> and if so when will these data be available? Will this process be updated (and at what frequency) as more people undertake the programme?*

**Impact evaluation method:**

- *How will you form a plausible comparison group of 'untreated' people (households/businesses/rivers or whatever the target group is) so that you can attribute changes in outcomes as causal effects of your programme or policy (ie, above and beyond a counterfactual of no intervention)?*
- *Are there any important caveats/weaknesses of your methodology, and how will you deal with these.*
- *Are there any ethical issues with how you will evaluate this programme, and how will you address these?*

**Other forms of evaluation and monitoring:**

- *Will you be undertaking any qualitative or process evaluation (how and how well the initiative is delivered) and what will this involve?*

**Funding of evaluation:**

- *How will you fund the evaluation and how much do you expect it to cost (including design of evaluation, collection of data, analysing the results, writing up findings and publishing results?)*

**Completion dates, publication, and dissemination of findings to key stakeholders:**

- *When will you complete your evaluation by? When will you release your results publicly? Will you update this process, eg, initial evaluation, long term follow-up, replication etc.?*

**Other:**

- *Have you contacted your research, evaluation, or analytics team for comment on this evaluation plan and do they support, 'sign-off', the approach?*

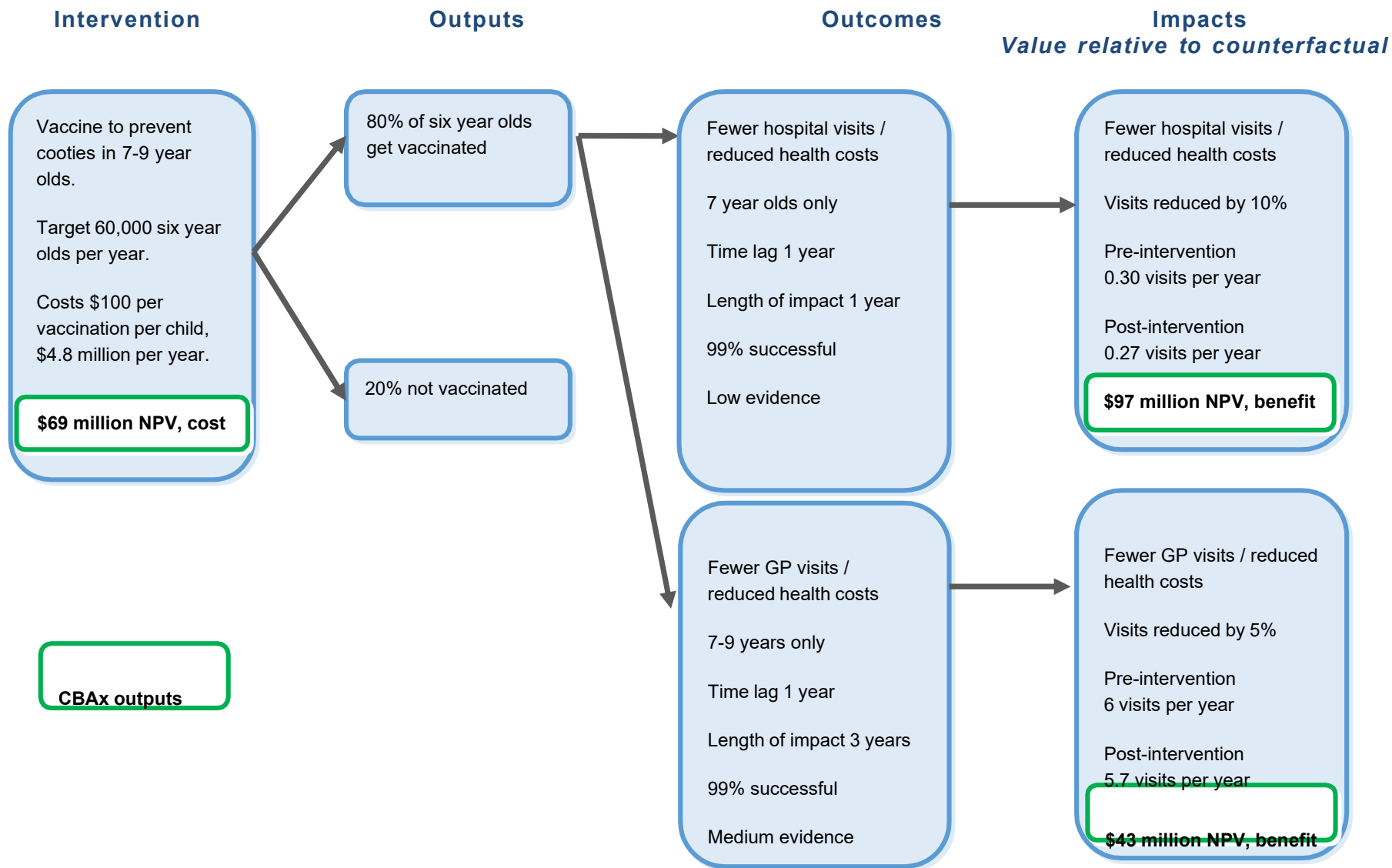
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<sup>13</sup> Legal name and date of birth are a minimum requirement for linking to the IDI. Address information can also help increase link rates. You may also be able to use internal agency IDs if these are already linked to legal name and date of birth.

<sup>14</sup> The IDI is a large research database containing longitudinal microdata about people, households, and businesses from a wide range of government agencies including: Health, Education, Justice, IRD, MSD, DIA, and Statistics. For more information see [http://www.stats.govt.nz/browse\\_for\\_stats/snapshots-of-nz/integrated-data-infrastructure.aspx](http://www.stats.govt.nz/browse_for_stats/snapshots-of-nz/integrated-data-infrastructure.aspx).

Appendix 1 One-page Intervention Logic

*Delete fictional illustrative example*





Appendix 2 Attach CBAX Outputs Summary  
**Outputs Summary**

Delete fictional illustrative example. Highlight cells in CBAX Outputs Summary tab and copy, paste below

Proposal details			
Respondent name	Cooties vaccine		
Intervention details	Vaccine for children affected by cooties		
Start year	2017	Total population over 50 Years	#####
Period for analysis	50 Years	Discount rate	7%

Summary metrics		
Return on Investment, Societal Total (50y)	<input type="text" value="2.0"/>	Net economic benefit per cohort member (50y) <input type="text" value="\$ 24"/>
Return on Investment, Government only (50y)	<input type="text" value="2.0"/>	Initiative NPV costs per cohort member (50y) <input type="text" value="\$ 23"/>

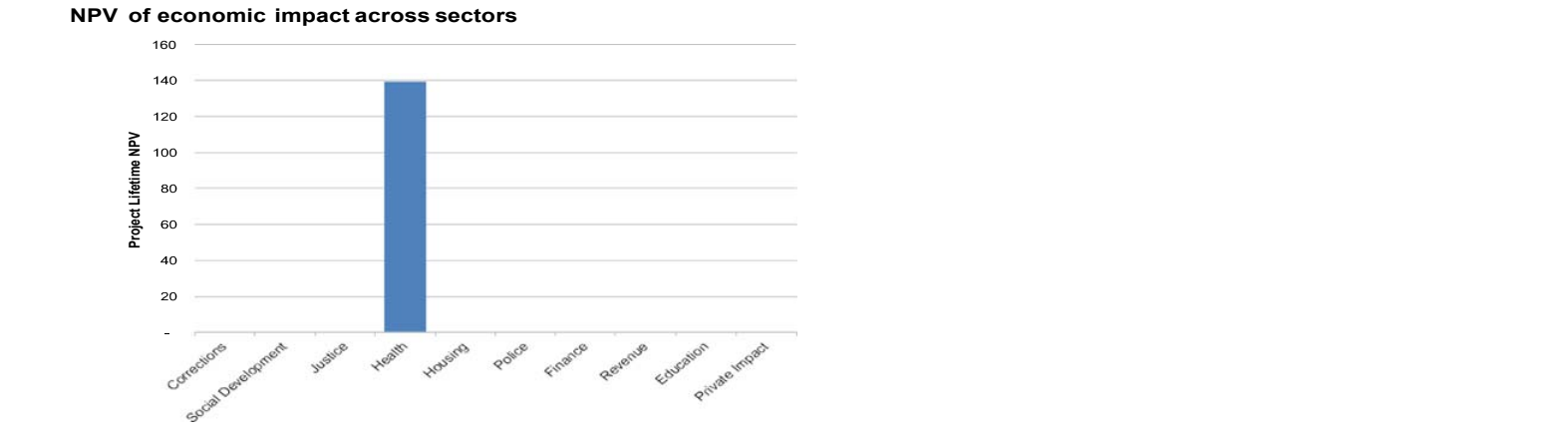
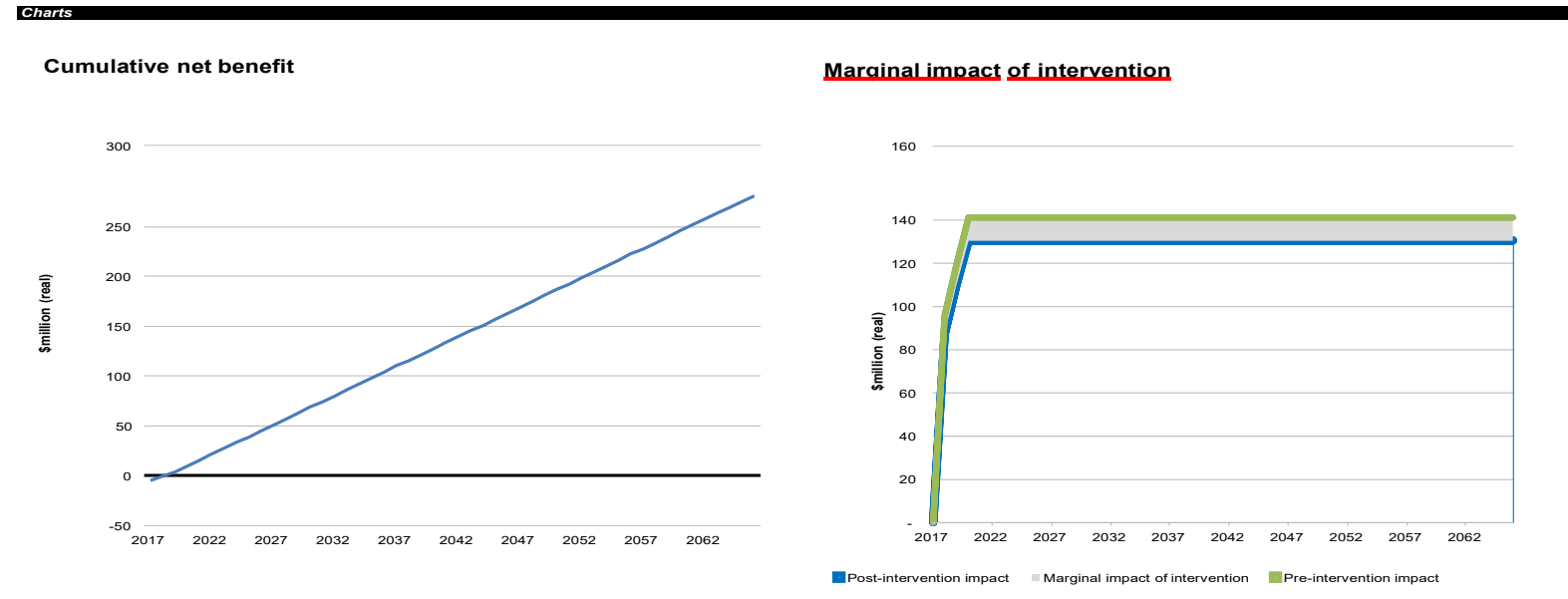
Net benefit summary									
Category	5-Year NPV \$m	10-Year NPV \$m	50-Year NPV \$m	Unit: 2017 (\$m)					
				2017	2018	2019	2020	2021	
Total marginal impact	32	64	139	-	8	10	11	11	
Total cost of initiative	(20)	(35)	(69)	(5)	(5)	(5)	(5)	(5)	
Net economic benefits	12	30	71	(5)	4	5	6	6	

**Word summary/comment field**

This is an area to explain key modelling assumptions or anything important individuals looking at the model should know.  
Text goes here:

Cost summary							
Cost category	50-Year NPV \$m	Unit: 2017 (\$m)					
		2017	2018	2019	2020	2021	
Fiscal cost of initiative							
Operating expenses	(69)	(5)	(5)	(5)	(5)	(5)	
Capital expenses	-	-	-	-	-	-	
Total fiscal cost of initiative	(69)	(5)	(5)	(5)	(5)	(5)	

Impact summary									
Evidence Quality	5-Year NPV \$m	10-Year NPV \$m	50-Year NPV \$m	Unit: 2017 (\$m)					
				2017	2018	2019	2020	2021	
Impact 1 <b>Low</b>	24	46	97	-	7	7	7	7	
Impact 2 <b>Medium</b>	8	19	43	-	1	2	3	3	
Impact 3	-	-	-	-	-	-	-	-	
Impact 4	-	-	-	-	-	-	-	-	
Impact 5	-	-	-	-	-	-	-	-	
Impact 6	-	-	-	-	-	-	-	-	
Impact 7	-	-	-	-	-	-	-	-	
Impact 8	-	-	-	-	-	-	-	-	
Impact 9	-	-	-	-	-	-	-	-	
Impact 10	-	-	-	-	-	-	-	-	
Impact 11	-	-	-	-	-	-	-	-	
Impact 12	-	-	-	-	-	-	-	-	
Impact 13	-	-	-	-	-	-	-	-	
Impact 14	-	-	-	-	-	-	-	-	
Impact 15	-	-	-	-	-	-	-	-	
Impact 16	-	-	-	-	-	-	-	-	
Impact 17	-	-	-	-	-	-	-	-	
Impact 18	-	-	-	-	-	-	-	-	
Impact 19	-	-	-	-	-	-	-	-	
Impact 20	-	-	-	-	-	-	-	-	
Impact 21	-	-	-	-	-	-	-	-	
Impact 22	-	-	-	-	-	-	-	-	
Impact 23	-	-	-	-	-	-	-	-	
Impact 24	-	-	-	-	-	-	-	-	
Impact 25	-	-	-	-	-	-	-	-	
Impact 26	-	-	-	-	-	-	-	-	
Impact 27	-	-	-	-	-	-	-	-	
Impact 28	-	-	-	-	-	-	-	-	
Impact 29	-	-	-	-	-	-	-	-	
Impact 30	-	-	-	-	-	-	-	-	
Impact 31	-	-	-	-	-	-	-	-	
Impact 32	-	-	-	-	-	-	-	-	
Impact 33	-	-	-	-	-	-	-	-	
Impact 34	-	-	-	-	-	-	-	-	
Impact 35	-	-	-	-	-	-	-	-	
Impact 36	-	-	-	-	-	-	-	-	
Impact 37	-	-	-	-	-	-	-	-	
Impact 38	-	-	-	-	-	-	-	-	
Impact 39	-	-	-	-	-	-	-	-	
Impact 40	-	-	-	-	-	-	-	-	
Impact 41	-	-	-	-	-	-	-	-	
Impact 42	-	-	-	-	-	-	-	-	
Impact 43	-	-	-	-	-	-	-	-	
Impact 44	-	-	-	-	-	-	-	-	
Impact 45	-	-	-	-	-	-	-	-	
Impact 46	-	-	-	-	-	-	-	-	
Impact 47	-	-	-	-	-	-	-	-	
Impact 48	-	-	-	-	-	-	-	-	
Impact 49	-	-	-	-	-	-	-	-	
Impact 50	-	-	-	-	-	-	-	-	
<b>Total:</b>	<b>32</b>	<b>64</b>	<b>139</b>	<b>-</b>	<b>8</b>	<b>10</b>	<b>11</b>	<b>11</b>	





## Template 4: Ministerial Letter

Hon Bill English  
Parliament Buildings  
WELLINGTON

Dear Minister,

I am submitting the initiatives outlined in the Annex for Vote [Name] for consideration as part of the Budget 2017 process.

*[Please provide a brief summary of how you arrived at the set of initiatives you are putting forward. This should include why these cannot be funded from within existing baselines and how these represent the next highest value spend after the initiatives that will be funded within your Vote's existing funding levels. It should reference your department's Four Year Plan and what actions the department is taking to create increasing value for its customers and New Zealanders with its existing operating funding and balance sheet; for example what reprioritisation, efficiency savings and changes to delivery is your department proposing or undertaking. It should highlight any key choices that need to be made to live within baselines; for example changes to policy settings, expectations, or the quality/quantity of services provided.]*

*This overview should also set out what would happen should these initiatives not be funded. This does not need to cover the consequences of not funding which are set out in the initiatives themselves. It should set out whether any of these initiatives would still be progressed if new funding is not provided and how. It will be assumed that no new initiative will be delivered should additional funding not be provided unless otherwise set out in this letter.*

*Please also attach the 15 year information to this letter]*

**Annex – Budget 2017 Initiatives for Vote [Name]**

**Track 1 Initiatives**

**Title of Initiative [Must match CFISnet]**

Description of initiative [Must match CFISnet]. This description should be concise and written without any sector specific jargon or acronyms. Please note that if the initiative is approved this description will be published on Budget day and should be written to be understood by a member of the general public. You may wish to consult your communications team when preparing this description. Initiatives should be listed in order of their priority ranking.

<b>Funding Sought (\$m)</b>	<b>2016/17</b>	<b>2017/18</b>	<b>2018/19</b>	<b>2019/20</b>	<b>2020/21 &amp; outyears</b>	<b>TOTAL</b>
<b>Operating</b>	-	-	-	-		-
<b>Capital</b>	-	-	-	-		-

**Title of Initiative [Must match CFISnet]**

Description of initiative [Must match CFISnet]. This description should be concise and written without any sector specific jargon or acronyms. Please note that if the initiative is approved this description will be published on Budget day and should be written to be understood by a member of the general public. You may wish to consult your communications team when preparing this description. Initiatives should be listed in order of their priority ranking.

<b>Funding Sought (\$m)</b>	<b>2016/17</b>	<b>2017/18</b>	<b>2018/19</b>	<b>2019/20</b>	<b>2020/21 &amp; outyears</b>	<b>TOTAL</b>
<b>Operating</b>	-	-	-	-		-
<b>Capital</b>	-	-	-	-		-

*Repeat as required*

## Track 2 Initiatives

### Title of Initiative [Must match CFISnet]

Description of initiative [Must match CFISnet]. This description should be concise and written without any sector specific jargon or acronyms. Please note that if the initiative is approved this description will be published on Budget day and should be written to be understood by a member of the general public. You may wish to consult your communications team when preparing this description. Initiatives should be listed in order of their priority ranking.

Funding Sought (\$m)	2016/17	2017/18	2018/19	2019/20	2020/21 & outyears	TOTAL
Operating	-	-	-	-		-
Capital	-	-	-	-		-

### Title of Initiative [Must match CFISnet]

Description of initiative [Must match CFISnet]. This description should be concise and written without any sector specific jargon or acronyms. Please note that if the initiative is approved this description will be published on Budget day and should be written to be understood by a member of the general public. You may wish to consult your communications team when preparing this description. Initiatives should be listed in order of their priority ranking.

Funding Sought (\$m)	2016/17	2017/18	2018/19	2019/20	2020/21 & outyears	TOTAL
Operating	-	-	-	-		-
Capital	-	-	-	-		-

*Repeat as required*



## Template 5: Late Initiatives

*[Please use this template for all initiatives that are were included in a portfolio Minister's submission letter and not lodged with the Treasury before 31 January 2017.]*

Rt. Hon John Key,  
Hon Bill English,  
Hon Steven Joyce,  
Hon Paula Bennett  
Parliament Buildings  
WELLINGTON

Dear Ministers,

Please approve the late initiative(s) outlined in the Annex for Vote [Name] for consideration as part of Budget 2017.

*Please provide the same information as in Template 4 plus:*

- *Set out the reasons for the initiative being submitted late.*
- *Append a completed initiative and CBA template, with supporting CBAX and/or a business case (or clear reasons why these cannot be provided).*
- *Outline which aspects of the Budget process it has missed (for example, expert panels and relevant Ministerial groups) and how the initiative will receive assurance and rigour.*

**Annex – Late Budget 2017 Initiatives for Vote [Name]**

**Late Initiatives (Track 2 only)**

**Title of Initiative [Must match CFISnet]**

Description of initiative [Must match CFISnet]. This description should be concise and written without any sector specific jargon or acronyms. Please note that if the initiative is approved this description will be published on Budget day and should be written to be understood by a member of the general public. You may wish to consult your communications team when preparing this description. Initiatives should be listed in order of their priority ranking.

Funding Sought (\$m)	2016/17	2017/18	2018/19	2019/20	2020/21 & outyears	TOTAL
Operating	-	-	-	-		-
Capital	-	-	-	-		-

**Title of Initiative [Must match CFISnet]**

Description of initiative [Must match CFISnet]. This description should be concise and written without any sector specific jargon or acronyms. Please note that if the initiative is approved this description will be published on Budget day and should be written to be understood by a member of the general public. You may wish to consult your communications team when preparing this description. Initiatives should be listed in order of their priority ranking.

Funding Sought (\$m)	2016/17	2017/18	2018/19	2019/20	2020/21 & outyears	TOTAL
Operating	-	-	-	-		-
Capital	-	-	-	-		-

## Template 6: Ministerial Engagement Template

In Budget 2017, the Minister of Finance will meet with a number of individual portfolio ministers in October/November and February/March.

The purpose of the October/November meetings are to:

- discuss what is being achieved with baseline resources (both appropriations and balance sheet), what the cost pressures are, and what the options are to manage these through potential savings and reprioritisation options; and
- get early visibility of the Budget initiatives that are likely to come through.

The Minister of Finance's officials will engage with the offices of the relevant ministers to set up these meetings.

The following questions will form the content for meeting one in October/November and it is expected that agencies will work with their Treasury sector team contacts to prepare this information for ministers.

### Meeting One Agenda:

1. Four Year Plans: understanding value delivered with existing resources and how agency intends to deliver increasing value with current resources: Portfolio minister leads.
2. Rules and Processes for Budget 2017: Minister of Finance leads.
3. Initiative intentions: Portfolio minister leads.

### Four Year Plans and how to deliver better results

- What is the population that the agency seeks to achieve results for? How much does the agency know about this population; for example:
  - How is this population segmented?
  - What is the proportion and location of target groups within this population?
  - What overlaps does it have with other agencies?
- What interventions does this population receive?
  - When are these interventions applied within the pipeline or sector and over the life course of the population?
  - What does the agency know about the unit costs of its different interventions (including overheads and capital cost)?
  - What proportion of at-risk individuals receive the agency's interventions?
- What is the impact on results?
  - How do these interventions impact of results? What is the change in results due to these interventions?
  - What proportion of baseline spending has been evaluated?
  - What do these evaluations find about the effectiveness of interventions, and how robust are the results?
  - How is funding being shifted, or interventions changed, as a result of these evaluations?
  - How does the agency work with others to deliver results?

### **Initiative intentions**

Proposals should align with the direction of travel and strategic intentions outlined in the agency's Four Year Plan.

There is be an explicit requirement for Business-as-usual pressures to be signalled through the agency's Four Year Plan and these pressures will need to be categorised based on identified cost drivers (wage, price or volume).

- What initiatives is the Minister likely to lodge in Track 1 (where applicable) and Track 2?
- How do these align with the Four Year Plan and address specific challenges and populations?
- How do these align with the agency, sector and Government's priorities?

### **Some of the analysis that should be considered to support this discussion are:**

- What cost pressures were forecast in 2015/16? What was the accuracy of these compared to actuals/forecasts for 2016/17? How did the agency manage these cost pressures?
- What initiatives have been implemented in previous Budgets and how effective have these interventions been? Have evaluations been carried out?
- What is the forward perspective of the opportunities, challenges and pressures facing an agency and the Vote(s) it administers?
- What are the key strategic choices and trade-offs resulting from these?

# Template 7: 15 year initiative impact excel spreadsheet (required for all initiatives where possible)

## 15 year impacts (nominal) table

Vote: \_\_\_\_\_

			Year ending June 30th. E.g. 2017 = July 2017 - June 2018														
Initiative	Net Impact	Total (\$m)	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
Initiative Name:	Government	0															
Initiative ID:	Non-Government	0															

			Year ending June 30th														
Initiative	Net Impact	Total (\$m)	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
Initiative Name:	Government	0															
Initiative ID:	Non-Government	0															

			Year ending June 30th														
Initiative	Net Impact	Total (\$m)	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
Initiative Name:	Government	0															
Initiative ID:	Non-Government	0															

			Year ending June 30th														
Initiative	Net Impact	Total (\$m)	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
Initiative Name:	Government	0															
Initiative ID:	Non-Government	0															

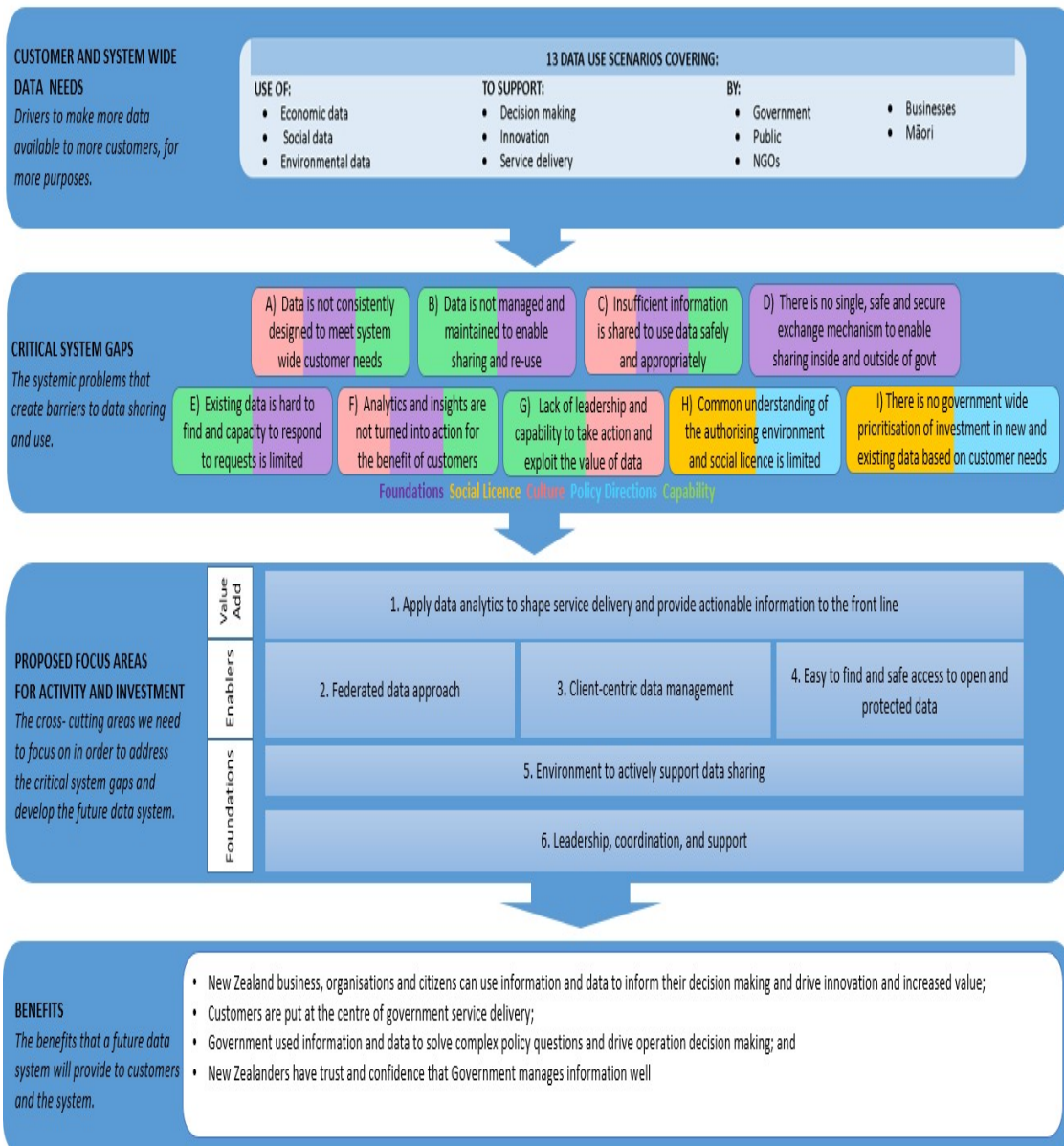
## Annex 1: Ministers Groups

Budget Ministers	Rt. Hon John Key, Hon Bill English, Hon Steven Joyce, Hon Paula Bennett
Finance Ministers	Hon Bill English, Hon Steven Joyce, Hon Paula Bennett
Social Sector Ministers	Hon Bill English, Hon Paula Bennett, Hon Dr Jonathan Coleman, Hon Amy Adams, Hon Hekia Parata, Hon Anne Tolley, Hon Judith Collins, Hon Nathan Guy, Hon Michael Woodhouse, Hon Peseta Sam Lotu-liga, Hon Craig Foss, Hon Jo Goodhew, Hon Te Ururoa Flavell
Business Growth Agenda Ministers	<p><b>Building Export Markets:</b> Rt. Hon John Key, Hon Bill English, Hon Steven Joyce, Hon Paula Bennett, Hon Murray McCully, Hon Nathan Guy, Hon Todd McClay, Hon Craig Foss, Hon Jo Goodhew, Hon Nicky Wagner, Hon Paul Goldsmith, Hon Te Ururoa Flavell</p> <p><b>Building Innovation:</b> Hon Steven Joyce, Hon Amy Adams, Hon Nathan Guy, Hon Craig Foss, Hon Paul Goldsmith</p> <p><b>Building Investment:</b> Hon Bill English, Hon Steven Joyce, Hon Michael Woodhouse, Hon Todd McClay, Hon Paul Goldsmith</p> <p><b>Building Infrastructure:</b> Hon Bill English, Hon Gerry Brownlee, Hon Steven Joyce, Hon Paula Bennett, Hon Amy Adams, Hon Simon Bridges, Hon Dr Nick Smith, Hon Nathan Guy</p> <p><b>Building Skilled and Safe Workplaces:</b> Hon Steven Joyce, Hon Hekia Parata, Hon Anne Tolley, Hon Nathan Guy (Acting), Hon Michael Woodhouse, Hon Peseta Sam Lotu-liga, Hon Craig Foss, Hon Louise Upston, Hon Te Ururoa Flavell</p> <p><b>Building Natural Resources:</b> Hon Steven Joyce, Hon Paula Bennett, Hon Simon Bridges, Hon Dr Nick Smith, Hon Nathan Guy, Hon Maggie Barry, Hon Louise Upston, Hon Peseta Sam Lotu-liga, Hon Te Ururoa Flavell</p>
Investment Ministers	Hon Bill English, Hon Steven Joyce, Hon Paula Bennett, Hon Peter Dunne

## Annex 2: Support for Ministers Groups

Social Sector Board	Chief Executives from the Ministry of Health, Ministry of Social Development, Ministry of Education, Ministry of Justice, Department of Corrections, New Zealand Police, Te Puni Kōkiri, and the Ministry of Pacific Island Affairs.
Social Investment Panel	The Panel consists of 6-8 experts, including Chief Science Advisor, Sir Peter Gluckman and a Treasury Deputy Secretary, who will provide additional advice on social sector initiatives in Budget 2017. The Panel will consider all new spending proposals, and significant reprioritisation proposals excluding cost pressures in the social sector. There will be two sittings. One in November 2016, as part of the Track 1 Checkpoint process, and one in February 2017 to assess final initiatives and provide Budget advice to Ministers.
BGA Leadership Group	Chief Executives from Treasury, Ministry of Foreign Affairs and Trade, Ministry of Business, Innovation and Employment, New Zealand Trade and Enterprise, Ministry for Primary Industries, Ministry for the Environment.
BGA Expert Panel	The BGA stream in Budget 2017 will include the new feature of a Treasury run peer review process. Following the submission of initiatives, peer reviewers will meet with agencies to discuss selected BGA initiatives. The process will provide specialist, supplementary assessments of BGA initiatives which will inform the Treasury's advice going to BGA workstream Ministerial. The peer review process is expected to provide an additional layer of rigour and ensure Budget initiatives across all sectors are assessed on a level playing field. For more information on the peer review process, please refer to the guidance document <i>Budget 2017: Business Growth Agenda Process – Additional Information of Agencies</i> available on CFISnet.
The Information Group	<p>The Information Group, part of the GCIO's Partnership Framework, is a strategic working group that advises from a system-view how Government can better unlock the value of information.</p> <p>Budget Ministers have asked the Information Group to provide advice on all new data and information related initiatives. In response, the Information Group has created the Data Investment Framework (see below), which provides a system view of the needs of future data system and identifies agreed priorities for activity and investment.</p> <p>The Group will assess all data and information-related initiatives on the extent to which they deliver the Data Investment Framework's priorities and are driven by the value proposition for the system as a whole.</p> <p>As the Information Group will provide advice to Budget Ministers, agencies are encouraged to engage with the Information Group prior to finalising their initiatives. Agencies should also be prepared to discuss their initiatives with the Information Group after submission but before Budget Ministers' deliberations.</p>
Investment Panel	The Panel is an advisory group to the Treasury and the rest of the Corporate Centre providing advice on investment and asset performance from a "whole of Government" perspective. It comprises of up to eight members selected from across the State Sector on the basis of relevant knowledge and skills. The Panel includes at least one senior Treasury official, representation from GCIO, a Chief Executive or Chief Financial Officer from a department, and a member with commercial acumen. There will be two sittings specific to the Budget 2017 process. One in November 2016 for initiatives that are ready for discussion, and one in February 2017 for any remaining initiatives. After both sittings, the Panel will provide advice to Investment Ministers.

## DATA INVESTMENT FRAMEWORK





# Budget 2017 Initiatives Process

## Guidance for Agencies Preparing Track 1 Social Investment Initiatives

31 October 2016

New Zealand Government

Treasury:3601776v2

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## About this guidance

This guidance follows on from the Budget guidance document released on Monday 3 October 2016, which provides information on the November Checkpoint process for Track 1 initiatives. Scoping documents for Track 1 initiatives are due with the Treasury on **Friday 4 November**.

This guidance document sets out the assessment criteria and expectations for Social Investment initiatives submitted in Track 1. Finalised Track 1 initiatives are due with the Treasury on **31 January 2017** and this document provides guidance on what is required for this submission.

Section 1 of this guidance focuses on the information agencies need to provide for consideration in Track 1.

Section 2 outlines the framework for assessment.

Section 3 goes into detail on the investment threshold and how it will be used.

### Questions and Feedback

You should use this document as your first point of call for guidance on preparing Track 1 initiatives for Budget 2017. We welcome feedback on this guidance. Please contact your **Vote Analyst** in the first instance with any feedback or questions.

It is recommended that agencies talk to their **research and evaluation teams** (if applicable) for assistance on specific requirements outlined in this document.

As outlined in the earlier guidance, the **Social Investment Unit (SIU)** is also available to assist agencies and provide specific support in the lead up to the submission of initiatives in January ([siu@ssc.govt.nz](mailto:siu@ssc.govt.nz)). The introduction of a separate track for social investment initiatives (with higher expectations) is a new process for Budget 2017 and the SIU is available to:

- support agencies to understand the requirements of taking an investment approach within their initiatives
- act as a “sounding board” on the extent that initiatives reflect social investment principles
- advise on opportunities to strengthen initiatives following feedback from the Social Investment Panel through the November Checkpoint process

This document is intended to provide general guidance on what is expected for Track 1 across all initiatives. Your Vote Analyst and SIU are available to discuss specific initiatives and this may be a valuable way to test key judgements or marginal calls and confirm your approach to certain elements of assessment.

## Overview

The key purpose of Track 1 is to encourage effective social investment proposals which will deliver results for New Zealanders and ensure that these are not crowded out by other business-as-usual pressures.

The track is “uncapped” with respect to the spending allowances (but still subject to the Government’s net debt target), and places higher expectations on the level of evidence supporting an initiative, the expected returns and the ability to track and deliver these returns over time.

### Assessment Stage

The Treasury will provide the primary assessment of the Track 1 initiatives. It will also coordinate and include assessments by independent experts, such as feedback from the Social Investment Panel.

The assessment stage will run from February – April, during which time the Track 1 initiatives and the supporting material will be assessed by the Treasury and Social Investment Panel. Advice will be provided to Budget Ministers during this time ahead of decisions on the final Budget package in April.



### Investment Threshold

The investment threshold will be set in the week beginning 21 November and will help inform the advice that goes to Budget Ministers for Track 1 initiatives from the Social Investment Panel and the Treasury.

The investment threshold will be underpinned by an assessment framework, covered in section 2. The investment threshold and the supporting framework will be available to agencies to support their advice to Vote Ministers when selecting initiatives for Track 1 or Track 2.

### Key dates

Scoping documents for Track 1 initiatives are due with the Treasury on **Friday 4 November**.

Ministerial letters are due to the Minister of Finance on **Friday 2 December**. These letters should signal all Track 1 and Track 2 initiatives that will be submitted for Budget 2017. **There will not be an opportunity to change Track 1 initiatives into Track 2 after 2 December.**

The due date to submit Track 1 initiatives is **Tuesday 31 January 2017**. Agencies are to submit:

- Template 1: Track 1 initiative template (included in this guidance). Key aspects of the Cost Benefit Analysis template have been included here so agencies only have to fill out one template. The template will also require agencies to demonstrate a link to the initiative that was submitted in the November check-point.
- Additional and relevant supporting information such as an evaluation and implementation plan for each initiative.
- Template 2: 15-year forecast impacts of the initiative (see the Excel template available in CFISnet).

### **Social Investment Panel Assessment**

The Social Investment Panel will be convened in February to consider the material submitted by agencies, alongside the Treasury assessment. The Panel will meet with agency representatives at this time. These assessment sessions will build on the improvement conversations from the mid-November Checkpoint.

As part of the Treasury's assessment, the investment threshold assessment framework (outlined in section 2) will be applied to the Track 1 initiatives ahead of the Panel and it will be included in the Treasury's advice to the panel. This assessment may be updated following the Panel's report and provided as part of the Treasury's advice to Budget Ministers.

### **Budget Ministers**

Budget Ministers will receive the advice on Track 1 initiatives and through the application of the investment threshold and wider judgements, prioritise these initiatives for investment. Initiatives which meet the investment threshold will be considered favourably by Budget Ministers who hold final decision rights on which initiatives get funded.

# 1 Key requirements for initiatives in Track 1

## 1.1 Overview

Initiatives which go through Track 1 will be subject to higher expectations on the nature and type of information supporting the proposals.

The Budget guidance released on 3 October 2016 set early expectations on what initiatives will need to demonstrate to be successful in this track.

At a high level, the assessment criteria for initiatives in Track 1 will focus on the following:

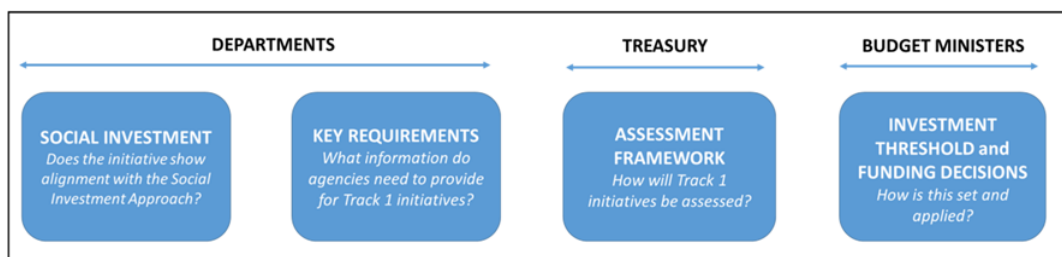
- A **high return on investment** on fiscal and social outcomes, and fiscals alone, as indicated in a CBAX analysis
- **Confidence that the outcomes** will be achieved for the target population based on evidence from academic research and/or a proven track record
- The relative ability to **measure the actual effectiveness** of an initiative, and **how quickly effectiveness can be understood**, and
- The ability to **scale-up** successful interventions and absorb proven new service delivery models into the base.

These criteria assess the overall confidence in the proposed initiative and its intended outcomes, and ability of the agency to implement and deliver the initiative. Judgement will be applied in the application of this criteria to account for initiatives such as pilots which are time-limited, focussed on a particular target group and intended to test the effectiveness of an idea. Further detail on pilots is provided throughout section 1 and 2.

As part of the confidence assessment, other important factors to be taken into account include whether the initiatives:

- Identify a target population
- Define clear intervention points, and
- Specify a price point for interventions.

The following diagram provides an overview of the approach for assessing Track 1 initiatives and the role of key stakeholders.





## 1.2 Alignment with the Social Investment Approach

A key focus for Budget 2017 and Track 1 initiatives is social investment. Any initiative going through Track 1 should be able to demonstrate how it aligns with the key principles of social investment.

Cabinet has defined social investment [CAB-15-MIN-0280 refers] as “putting the needs of people who rely on public services at the centre of decisions on planning, programmes and resourcing by:

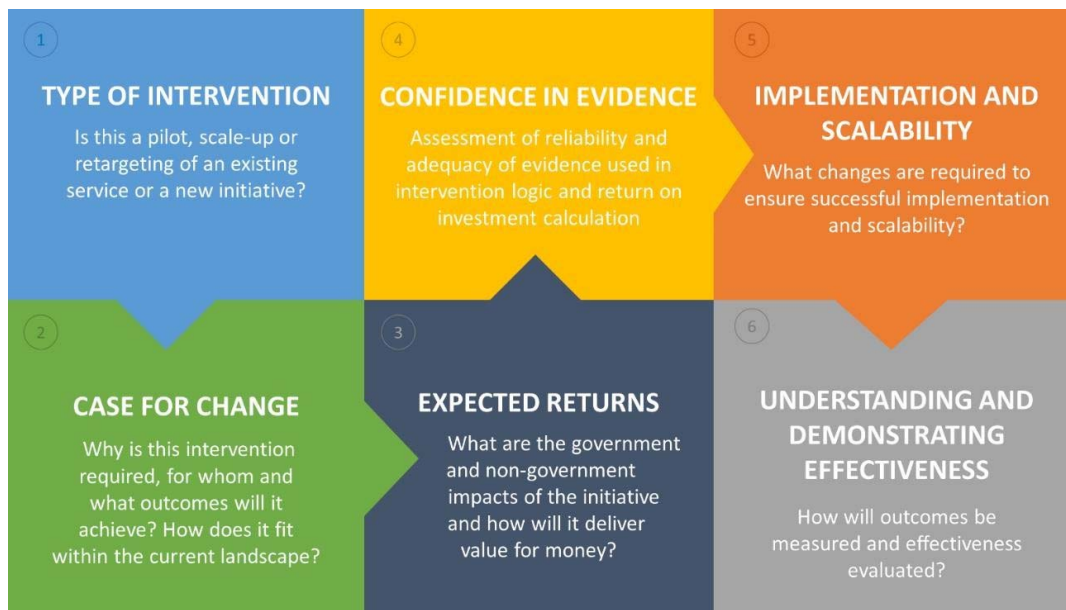
- Setting clear, measurable goals for helping those people.
- Using information and technology to better understand the needs of people who rely on social services and what services they are currently receiving.
- Systematically measuring the effectiveness of services, so we know what works well and for whom, and then feeding these learnings back into the decision-making process.
- Purchasing outcomes rather than specific inputs, and moving funding to the most effective services irrespective of whether they are provided by government or non-government organisations (NGOs).”

**Please get in touch with your Treasury Vote Analyst or the Social Investment Unit ([siu@ssc.govt.nz](mailto:siu@ssc.govt.nz)) if you have any questions on a specific type of initiative and whether it is appropriate for Track 1.**

## 1.3 What information do agencies need to provide for each initiative?

This section provides detail on the information requirements for Track 1 initiatives. It builds on the high level assessment criteria outlined in the previous Budget guidance. The below material is reflected in the initiative template (Template 1) and supporting information requirements for agencies and will need to be submitted in CFISnet by 31 January 2017.

Initiatives in Track 1 should present a complete narrative covering the key elements listed in the diagram below. These elements provide information on the what, why and how of the initiative and will help in presenting a convincing case for investment.



## 131 1 Type of intervention



There is an expectation that initiatives in track 1 will reflect work that agencies currently have in the pipeline for certain target populations.

This means that there is already an unmet need or opportunity that has been identified (through an established evidence base or data) which can be progressed through this track in Budget 2017.

The following initiatives among others, are supported by the Track 1 process:

- Introducing a programme with strong evidence of effectiveness including an empirically-supported track record for effectiveness across a number of jurisdictions
- Retargeting an existing programme that has not established its effectiveness but where there is evidence to show that retargeting will be effective
- Scaling up a pilot or programme with an established empirical record of effectiveness
- Piloting of potentially very high-return initiatives but for which there is only limited available evidence on effectiveness, and
- Cross agency initiatives which recognise the need for agencies to work together to meet the needs of highly vulnerable populations where there is established effectiveness.

### What are pilots?

Pilots are defined as interventions which are targeted at a specified group or area, are time-limited and have appropriate monitoring, evaluation and decision points in place to allow for continuous review.

Pilots are likely to have limited evidence of effectiveness in the New Zealand context, which places a greater emphasis on having a strong rationale for why the pilot is expected to deliver successful outcomes.

## 132 2 Case for change

### CASE FOR CHANGE

Why is this intervention required, for whom and what outcomes will it achieve? How does it fit within the current landscape?

The case for change is important in presenting a strong and compelling case for investment. Initiatives should demonstrate why the particular intervention identified above is required and for whom.

The case for change should cover the following three areas:

#### Target Population

**Clearly identify the population that will be affected by the intervention.** Agencies should include the key characteristics and attributes of the target population, using data and analytics if available. Where possible, a comparison group should be identified.

If the target population cannot be described in detail, initiatives should provide a reason for this. This is likely to be the case for broader population groups where the cohort is randomised in which case a fit for purpose description and analysis should be provided (for example, description of the characteristics of the group of people or identification of time periods at which an intervention is required)

#### Problem Definition

**Justify why the intervention is required.** What issue or problem is the intervention addressing for the target population? What evidence is there that a problem exists? An important part of this is outlining the unmet need of the target population which this initiative aims to address.

Agencies need to clearly set out how the initiative aligns with existing services aimed at the same population including what services this population is currently receiving (where possible). For example, is this initiative filling a gap, complimenting other services and/or is there an intention for it to replace an existing service?

## Intervention Logic

The intervention logic should be described as a well-articulated story of how change will be affected for the target population in *practical terms*. The key focus should be on explaining how outcomes or results will be delivered rather than trying to fit a defined framework (the framework often used to explain an intervention logic is the link between inputs, outputs and outcomes).

Agencies should set out the assumptions and evidence underpinning the intervention logic. What evidence is there that 'X' intervention is likely to result in 'Y' (eg, academic studies, existing data, proven track record)? Are there intermediary short-term outcomes that can be specified? This should also explain any likely adverse impacts (social and fiscal) that may result from the initiative being implemented, including impacts on other government services.

For pilot initiatives where evidence supporting the success of the intervention may be limited, there will be a greater focus on how the intervention logic is presented and the assumptions used. The key question to consider here is *why* the agency expects the pilot to be successful in delivering the specified outcomes.

### Further guidance:

Superu has written a guide to evaluation planning for funding applicants, which provides an example of an approach to developing an intervention logic (refer section 3.1 of the guide). The guide is available at <http://www.superu.govt.nz/evaluation-planning-funding-applicants>

## 133 3 Expected returns



This section builds on the following high-level assessment criteria outlined in the guidance released on 3 October 2017:

**“A high return on investment on fiscal and social outcomes, and fiscals alone, as indicated in a CBAX analysis”**

Initiatives will need to demonstrate a high return on investment to be successful in Track 1. The CBAX requirement applies to all initiatives in Track 1. Please get in touch with the CBAX team at Treasury for support [CBAX@treasury.govt.nz](mailto:CBAX@treasury.govt.nz)

There are two aspects to this element that agencies will need to focus on:

<p><b>Identifying an established price point for intervention</b></p>	<p><b>This should focus on the aggregate cost of the intervention, based on the intervention logic and intervention points described earlier.</b> How much is this intervention going to cost the Government across financial years? Agencies are encouraged to provide detailed breakdowns of the cost (for example, cost per household, individual or cohort) where this information is available.</p> <p>The information provided should give confidence in the fiscal costs of delivering the intervention. To help with this, agencies should provide comparative information on the cost of delivering existing similar services or achieving similar outcomes for the specified target population, where this exists.</p>
<p><b>A high return on investment (ROI) on societal outcomes, NPV magnitude, and fiscals alone</b></p>	<p>All Track 1 initiatives are required to use the CBAX tool to calculate the ROI for the intervention. The CBAX model assists with the monetisation of impacts, provides transparency of the assumptions, and ensures consistent calculations of the Net Present Value (NPV) and ROI.</p> <p>The CBAX results will be used to form a judgement on the value-for-money aspect of the initiative. The value-for-money judgement is a combination of ROI, absolute NPV, and the confidence in the evidence and impacts being realised.</p> <p><b>Initiatives will need to demonstrate a Government ROI of at least 1 and a societal ROI of at least 2:</b></p> <ul style="list-style-type: none"> <li>• The Societal ROI is a combination of monetised impacts, un-monetised impacts and the assumptions underlying the impacts</li> <li>• The Government ROI calculates how much one dollar of government spending reduces fiscal cost ie, the fiscal return on investment.</li> </ul> <p>In this section, there should be a clear link with the assumptions and evidence set out as part of the intervention logic.</p> <p>As outlined in the earlier Budget guidance, there will be a requirement for all initiatives (including those in Track 1) to provide a 15 year forecast of fiscal and economic impacts. Initiatives which have completed a CBAX can use this information to populate the spreadsheet that is attached to this guidance and on CFISnet.</p>

### Further Guidance:

The CBAX tool, supporting information guide, and cost benefit analysis primer is available on Treasury's website:

<http://www.treasury.govt.nz/publications/guidance/planning/costbenefitanalysis/cbax>

## 134 4 Confidence in evidence



This section builds on the following high-level assessment criteria outlined in the guidance released on 3 October 2017:

**“Confidence that the outcomes** will be achieved for the target population based on evidence from academic research and/or a proven track record”

There are higher expectations around evidence for initiatives in Track 1. Evidence supporting the effectiveness of the intervention in delivering outcomes for the target population should be presented as part of the intervention logic. This section is about how much confidence agencies have on the evidence that is presented.

There are two key aspects to this which require consideration:

<p><b>Assessment on the adequacy, reliability and strength of evidence presented</b></p>	<p>How long has the intervention has been in operation for (if it is an existing service), has there has been any previous evaluations undertaken on the initiative or ‘lessons learnt’ which can be applied to the current intervention and support implementation in different contexts? Is there information on how successful previous (similar) interventions have been in realising benefits?</p> <p>An important factor to consider is applicability to the local and New Zealand context. For example, for initiatives that are imported from overseas, what evidence or information exists to suggest that it can be successfully delivered in New Zealand?</p> <p>Evidence on effectiveness will be limited for pilots. Agencies should look at other ways of showing confidence in the initiative; for example, through the views of independent experts and stakeholders or an explanation of how the pilot (or idea) was developed (for example, design thinking). There should also be a commitment to collect sufficient evidence of impact in the future (as should be the case for non-pilot initiatives).</p>
<p><b>Sensitivity analysis and confidence intervals</b></p>	<p>Agencies are encouraged to present sensitivity analysis or confidence intervals around the effectiveness of the intervention. This relates to the strength of the evidence as discussed above. For example, there is likely to be a wider confidence interval around pilots in which case the implementation and evaluation plan should build in appropriate stage gates to allow for ‘live’ monitoring and review. This is discussed further in the sections below.</p>

### Further guidance:

The following evidence checklist from Superu provides useful prompts when considering evidence and impact. Superu will also be developing further guidance on a framework to assess the strength and quality of evidence which will be released by the end of December.

<http://www.superu.govt.nz/evidence-checklist-assess-funding-applications-using-evidence-impact>

### 1.3.6 Implementation and Scalability



This section builds on the following high-level assessment criteria outlined in the guidance released on 3 October 2017:

“The relative ability to **measure the actual effectiveness** of an initiative, and **how quickly effectiveness can be understood**”

How the initiative is delivered is a crucial element in achieving the expected outcomes. This element includes a focus on the agency’s capability and capacity to successfully implement the initiative.

**Initiatives in Track 1 will be expected to set a clear implementation plan for initiatives.** There are two key aspects to this:

<b>Implementation capability</b>	If the initiative is imported from overseas, the implementation plan is important in signalling what changes are required to ensure it is fit-for-purpose under New Zealand settings. What resources (if any) are available to help with implementation?
<b>Scaling of initiative</b>	<p>This relates to both the implementation and evaluation plans and whether this allows for scaling up or down? Is there an intention to scale-up the initiative and does the agency have the required resources to do so?</p> <p>It is important to consider whether there are continuous review processes and feedback loops in place (particularly for pilots) in order to:</p> <ul style="list-style-type: none"> <li>• allow for early shut down (ie, off-ramps) if the initiative is not delivering intended outcomes or there are unintended consequences/impacts.</li> <li>• reflect any learnings and adapt to improve the implementation of the initiative</li> </ul>

### 1.3.5 Understanding and demonstrating effectiveness



This section builds on the following high-level assessment criteria outlined in the guidance released on 3 October 2017:

“The ability to **scale-up** successful interventions and absorb proven new service delivery models into the base”

Initiatives need to provide a plan for how the benefits and impacts outlined in the CBA will be evaluated and monitored to understand whether the impacts and assumptions discussed as part of the cost benefit analysis are realised. The focus should be on continuous evaluation (i.e., not just after the programme/intervention has been rolled out).

Agencies should consider continuous monitoring and evaluation as part of the development of the initiative to ensure that the information captured at various intervention points is meaningful, can be used to inform further development of the initiative or pick up any problems early on.

The key components of an evaluation include:

- Identifying measures which can demonstrate progress against outcomes.
- Setting up data collection to ensure relevant information can be collected at defined points of the intervention.
- Monitoring performance as the initiative is developed and delivered. This includes monitoring against implementation, outputs and outcomes.
- Planning for evaluation of the intervention.

**Pilots** aim to establish the nature and extent of the effectiveness of new initiatives. This requires a greater emphasis on evaluation and building continuous feedback loops into how the initiative is delivered. Agencies should consider whether the initiative has clear decision points to inform changes and adaptive learning and how this can be incorporated early on at the initiative development stage.

Evaluation should be fit-for-purpose and be appropriate for the type of initiative. The nature of evaluation will also depend on the evidence supporting the initiative. If there is strong evidence around effectiveness, the evaluation can focus more on how the intervention is implemented (as discussed above this may not be the case for pilots where evidence on effectiveness is likely to be limited). It is expected that evaluation of implementation will be undertaken for projects at all levels of maturity (pilot, trial/scale up, full roll-out).

**There is an expectation that all initiatives (including pilots) are supported with a practical and fit-for-purpose evaluation plan.** Evaluation methods will be tested with a range of experts to support consistency and transfer good practice, as well as provide assurance that evaluation plans are achievable and will be implemented.

#### **Further Guidance:**

- Evaluation Planning for funding applicants  
<http://www.superu.govt.nz/evaluation-planning-funding-applicants>



- Showing what works  
<http://whatworks.org.nz/>
- Better evaluation: sharing information to improve evaluation (rainbow framework)  
<http://betterevaluation.org/>
- Resources from the independent evaluation group of the World Bank  
<http://ieg.worldbankgroup.org/>

Aspects to consider as part of the evaluation of an initiative include:

<p><b>Data collection</b></p>	<p>What outcomes will be measured (ideally all outcomes will be measured), and how will they be measured? This should link in with the outcomes presented in the intervention logic but may go into more detail. If it is not possible or cost-effective to measure some of the outcomes in the impact summary, please state what outcomes these are and explain why they won't be measured.</p> <p>How will the data be collected (eg, legal name, date of birth, and address)<sup>1</sup> on the participants (and, if appropriate, the comparison group) of the programme? Will it be possible to link these data to the Integrated Data Infrastructure (IDI),<sup>2</sup> and if so when will these data be available? Will this process be updated (and at what frequency) as more people undertake the programme?</p>
<p><b>Impact evaluation method</b></p>	<p>How will a plausible comparison group of 'untreated' people (households/businesses/rivers or whatever the target group is) be formed, so that changes can be attributed as causal effects of the programme or policy (ie, above and beyond a counterfactual of no intervention)?</p> <p>Are there any important caveats/weaknesses in the methodology, and how will they be dealt with?</p> <p>Are there any ethical issues with how this programme will be evaluated, and how will these be addressed?</p>
<p><b>Other forms of evaluation and monitoring</b></p>	<p>Will there be any qualitative or process evaluation (how and how well the initiative is delivered) and what will this involve?</p>

<sup>1</sup> Legal name and date of birth are a minimum requirement for linking to the IDI. Address information can also help increase link rates. You may also be able to use internal agency IDs if these are already linked to legal name and date of birth.

<sup>2</sup> The IDI is a large research database containing longitudinal microdata about people, households, and businesses from a wide range of government agencies including: Health, Education, Justice, IRD, MSD, DIA, and Statistics. For more information see [http://www.stats.govt.nz/browse\\_for\\_stats/snapshots-of-nz/integrated-data-infrastructure.aspx](http://www.stats.govt.nz/browse_for_stats/snapshots-of-nz/integrated-data-infrastructure.aspx).

<b>Funding for evaluation</b>	How will the evaluation of the initiative be funded and how much is it expected to cost? (including design of evaluation, collection of data, analysing the results, writing up findings and publishing results?)
<b>Dissemination of information and how it will be used</b>	At what points will the evaluation results be available by? When will these be released publically? How will the results of the evaluation be used to improve services or inform other new initiatives?

## 2 The Investment Threshold Assessment Framework

### 2.1 Overview

This section sets out the details of the investment threshold and the supporting assessment framework for Track 1 initiatives and how this will be applied to each of the elements set out in Section 1 (set out in section 2.2.2 below).

The assessment framework will be used by Treasury and your Vote Analyst to assess the initiatives and provide advice to Budget Ministers. The investment threshold will be set and the assessment framework will be available in the week beginning 21 November.

The purpose of including this in the guidance is to provide visibility of how initiatives will be assessed so it may help shape agencies their proposals.

Agencies should focus on the key requirements outlined in section 1 above, which sets out the expectations for the information to be provided in support of each Track 1 initiative (this is also reflected in Template 1 which agencies need to fill out).

### 2.2 The Investment Threshold

The purpose of the investment threshold is to assess overall confidence in the initiatives ability to deliver against multiple criteria so that the well-rounded, high quality initiatives are identified and supported.

It will be an accumulation of **minimum requirements** for each of the criteria set out in the framework below.

Whether an initiative meets the investment threshold and a summary of the assessors' judgements will be reported to Budget Ministers. Initiatives which meet the investment threshold will be weighted favourably by the Minister of Finance in discussions between Budget Ministers and Cabinet.

The investment threshold will be set in **the week beginning 21 November** and will be available to agencies, along with the underpinning assessment framework so that this and the feedback from the November Checkpoint can be considered to make a choice on which track initiatives will go through in the Budget process.

Ministers are required to make a decision about whether an initiative will be submitted in Track 1 or Track 2 by **2 December**.

### 2.3 What will an initiative be assessed against (after January 31 submission)?

#### 231 1 Alignment with Social Investment Principles

The first consideration for the Treasury and the Social Investment panel is that the initiative must align with the Social investment Principles. The key principles (as defined by Cabinet) are set out in section 1.2.

The final initiative should also provide a link to the initiative that was submitted at the November Checkpoint (ie. it has been developed in a way that is consistent with the feedback received). If the initiative is significantly different or something has changed this should be signalled at 31 January in the 'supporting information' section of the initiative template (Template 1).


#### 232 2 Multi-Criteria Assessment


Assessment will be based on the overall confidence in the proposed initiative to deliver intended outcomes, ability of the agency to implement and deliver the initiative, based on the supporting material.

The three criteria are set out below and will assess the specific elements introduced in section 2 above:

1. **Case for change:** Considers material provided in the *Type of Intervention* and *Case for Change* elements above.
2. **Value-for-money:** Considers material provided in the *Confidence in Evidence* and *Expected Returns* elements above.
3. **Implementation and effectiveness:** Considers material provided in the *Implementation and Scaleability* and *Understanding and Demonstrating Effectiveness* elements above.

The supporting material will be subject to the following criteria:

Case for Change		
<p><b>Criteria:</b></p> <p>Intervention logic is an evidence-based, systematic and reasoned description of the causal links between the intervention and the outcomes to be achieved.</p> <p>An intervention logic identifies the activities required to achieve outcomes, risk factors within and beyond control.</p>	<p><b>Key features:</b></p> <ul style="list-style-type: none"> <li>• Definition of the problem or opportunity.</li> <li>• Description of the target population.</li> <li>• Description of intervention logic</li> <li>• Fit of the intervention with existing services.</li> <li>• Basis for the proposal (evidence)</li> <li>• Description of what can be achieved</li> </ul>	<p><b>Considers material provided for elements:</b></p>  <p>The diagram consists of two overlapping arrow-shaped boxes. The top box is blue and points downwards, containing the text 'TYPE OF INTERVENTION' and the question 'Is this a pilot, scale-up or retargeting of an existing service or a new initiative?'. The bottom box is green and points to the right, containing the text 'CASE FOR CHANGE' and the question 'Why is this intervention required, for whom and what outcomes will it achieve? How does it fit within the current landscape?'.</p>
Value-for-money		
<p><b>Criteria:</b></p> <p>Value-for-money is based on the marginal impacts on and benefits to New Zealanders (ie, an economic welfare perspective, rather than just the Crown or an agency).</p> <p>The value-for-money judgement is a combination of RoI, absolute NPV, and the confidence in the evidence and impacts being realised.</p>	<p><b>Key features:</b></p> <ul style="list-style-type: none"> <li>• The VFM, alongside the assumptions explained in the CBA template.</li> <li>• The Societal RoI is a combination of monetised impacts, un-monetised impacts and the assumptions underlying the impacts.</li> <li>• The Government RoI calculates how much one dollar of government spending reduces fiscal cost ie, the fiscal return on investment.</li> </ul>	<p><b>Considers material provided for elements:</b></p>

Implementation and Effectiveness		
<p><b>Criteria:</b></p> <p>Impact evaluation is required for capturing whether the impacts and assumptions discussed in the CBA are realised.</p> <p>Impact evaluations build the long term evidence base for what works for whom in what contexts.</p> <p>Implementation and evaluation plans provide confidence that the returns articulated in the intervention logic and CBA will be realised.</p>	<p><b>Key features:</b></p> <ul style="list-style-type: none"> <li>• Fit-for-purpose evaluation plan (including impact)</li> <li>• Capability and capacity of the agency to deliver the initiative (implementation, procurement and project management)</li> <li>• Reporting and evaluation points</li> </ul>	<p><b>Considers material provided for elements:</b></p> 

### 233 3 Importance of assumptions and judgement

Assessors will be considering the explicit assumptions, judgements and evidence supporting initiatives in their advice to Budget Ministers. They will form the basis for the confidence assessment which underpins whether that the initiative will achieve its intended outcomes.

The assumptions and judgements will depend on the characteristics and proposed approach for the intervention. We recommend engaging with your Vote Analyst and SIU to discuss these key assumptions and judgements ahead of submitting the initiative.

### 234 4 Application to Pilots

The assessment of pilot-based initiatives will be scoped to the specifics of the initiative. As outlined in section 1, pilot initiatives may be unlikely to have an established evidence base (in the specific context where it is proposed) and their main purpose is to test ideas and apply learnings to introduce new programmes or improve existing services.

The intervention logic will be a critical criteria for these initiatives and the monitoring and response will need to be feasible and appropriate. A key focus will also be on how the initiative or idea was developed (for example through design thinking or the accelerator model).

The relative weighting of the assessment criteria will take into consideration whether it is importing a programme from an overseas jurisdiction or is the application of an outright trial of a new idea in a local setting.

Additional requirements will be recommended by the Treasury if the initiative is funded to provide for adequate accountability, governance and reporting arrangements for these types of initiatives, which are likely to be captured in the Budget Cabinet paper in April.

## **2.4 How an initiative will be assessed (after January 31 submission)?**

### **241 1 Judgement based assessment**

The Treasury will be completing an assessment on the initiatives against the criteria outlined in section 2.2.2 above and independent expert judgements will be applied based on the information submitted.

The criteria will be used to determine an overall score for the initiative which will be supported by qualitative advice. Budget Ministers have the ultimate decision rights and will make a judgement on whether the initiative meets the Investment Threshold and will be given priority consideration. A key consideration as part of this decision making is how all the Track 1 initiatives impact on the debt target or reducing net debt to around 20% by 2020.

### **242 2 Moderation**

As the assessment includes a level of qualitative supporting material, assumptions and judgements, the Treasury will run a moderation process to ensure consistency ahead of the final advice being provided to Budget Ministers.

This moderation process will include subject matter experts across the multi-criteria to support high quality and consistent advice across the Track 1 initiatives.

## Track 1 Initiative Submission Template

This template seeks a summary of Track 1 initiatives going through Budget 2017. The template is structured based on the following:

- **Blue Fields:** Should be completed by agencies and are aligned with the six key elements introduced in Section 1 (type of intervention, case for change, expected returns, confidence in evidence, implementation and scalability, and understanding and demonstrating effectiveness).
- **Grey Fields:** Will be completed by Vote Analysts and align with the multi-criteria assessment framework outlined in Section 2.

Track 1 initiatives are due on 31 January 2017. Contact your Vote Analyst in the first instance with any queries.

<b>Vote</b>	[Must match CFISnet entry. If it is a cross agency initiative, please list all the Votes impacted]
<b>Responsible Minister</b>	[Must match CFISnet entry. If it is a cross agency initiative, please list all the responsible Ministers and identify if there is a lead Minister]
<b>Initiative title</b>	[Must match CFISnet entry. The title should be concise and provide a clear direction of what the initiative is about.
<b>Initiative description</b>	[Must match CFISnet entry. The description should outline what the additional funding will achieve in terms of outcomes/impacts/ results and start with "This funding will..."]
<b>Responsible Vote Analyst</b>	[Please provide your name and extension number]

Funding Sought (\$m)	2017/18	2018/19	2019/20	2020/21	2021/22 & outyears	TOTAL
Operating	-	-	-	-	-	-
Capital	-	-	-	-	-	-

### SUPPORTING INFORMATION AND CONTEXT

Please provide any useful contextual information about the initiative (for example, whether Cabinet has previously considered the initiative or funded a similar initiative through previous Budgets) and list of the supporting information provided to the Vote Analyst in addition to this initiative template (eg, evaluation and implementation plan).

How does this initiative align with the social investment approach and has this been used and applied with other previous interventions?

Is the initiative significantly different to what was submitted in the November check-point? How has the feedback from the Social Investment Panel been taken into consideration and used in the further development of the initiative?

[Agency to complete]

## VOTE ANALYST OVERVIEW

Please provide a description of how well the initiative aligns with social investment principles (refer to section 1.2 of the guidance for a definition), whether the initiative has significantly changed from the November check-point and an overall view of how well the initiative has reflected feedback from the Social Investment Panel. Does the initiative have all the relevant supporting information?

[Vote Analyst to complete]

## 1. TYPE OF INTERVENTION

*Refer to section 1.3.1 for guidance and explanation on requirements*

[Agency to complete]

## 2. CASE FOR CHANGE

*Refer to section 1.3.2 for guidance and explanation on requirements*

[Agency to complete]

## CASE FOR CHANGE ASSESSMENT

Please provide comments on how well the initiative and supporting information addresses the following:

- Definition of the problem or opportunity
- Description of the target population.
- Outline of the existing services provided to the identified target population and what need/gap this initiative helps to address. Have other alternative options been considered?
- Explanation of the outcomes expected as a result of the intervention (intervention logic) and robustness of evidence and assumptions underpinning this.

[Vote Analyst to complete]

## 3. EXPECTED RETURNS

Agencies will need to complete a CBAX assessment for all Track 1 initiatives and fill out the sections below on impact analysis.

*Refer to section 1.3.3 for further guidance and explanation on requirements*

[Agency to complete]



## Impact Analysis

*An explanation of who is impacted (winners and losers), what the impacts are (costs and benefits), and when the impacts will be realised and for how long. The impacts should be quantified and monetised if possible.*

*Discuss all of the impacts (costs and benefits) that the proposal will have on New Zealanders and the government.*

- *Describe the impacts (including **financial**, **social** and **environmental** impacts) that you can identify, whether or not they can be quantified. Be specific about which individuals or groups will be affected, how and when.*
- *Include primary and flow-on (secondary) impacts. For instance, a proposal to train individuals to get employment may increase their income, and also have a secondary impact on their use of health services. This should also make reference to the intervention logic outlined earlier in the template.*
- ***Quantify** these impacts if possible. For instance, ‘number of emergency visits avoided’, or ‘client waiting times reduced by x hours’. If you can, also **monetise** the impacts by converting them into a dollar value, eg, ‘money saved from reduced emergency visits’. Ranges may also be used, with wider ranges indicating more uncertainty.*
- *The **CBax** spreadsheet tool can help you estimate the dollar value impacts of policy changes, drawing from a common database of impact values. The impacts presented should be the additional positive and negative impact of the proposal, compared to what would happen if the proposal doesn’t go ahead (the **counterfactual**).*
- *Discuss the assumptions and evidence informing your analysis of these impacts. This should draw on the information provided as part of the intervention logic. Assess how strong the evidence is, and how well the results can be applied to this proposal. Be specific about how effective the policy is assumed to be across different groups (eg, is there a positive impact for all students on a training programme, or only the ones who complete the course?). Discuss which assumptions have the greatest impact on the results of your analysis.*
- ***Discount Rates.** For comparative purposes, all initiatives should use the 6% real discount rate as a default, and do a sensitivity analysis with a 3% real discount rate (the rounded risk free rate). A project-specific rate can also be added where this is warranted (talk to your Vote Analyst if you want to add another [discount rate](#)).*

## Impact Summary Table

*All monetised and non-monetised impacts should be listed.*

*Fill out the table below to summarise the costs and benefits of the proposal. Delete the illustrative example. The impacts might differ, so consider other impacts than those in the illustration. Summarise the **assumptions and evidence** that inform your assessment of each impact.*

*Start by including the estimated impact on **key outcomes**. This should be the biggest, most immediate impact. If this impact can be converted into monetary values, include these values in the next part of the table (government/wider society benefits and costs). Also include unquantified impacts on people or the government, and the fiscal cost of the initiative. In the example below, the key impact is on employment outcomes, which creates benefits for the government (reduced welfare spending) and individuals (higher income), as well as unquantified impacts on mental health and education.*

*Present any **monetary impacts** (including the fiscal cost) in present value (PV) terms using the discount rates above. This converts future cash flows into today's dollar terms and enables comparison between initiatives with different patterns of costs and benefits over time. Treasury's CBA guide explains PV and how to calculate it in more detail. The CBAX spreadsheet tool also has a simple calculator you can use to convert your initiative cost into a PV.*

*You can include an **additional option** or scenario to show how impacts change with different assumptions or policy settings.*

*Calculate the **net present value (NPV)** of your initiative using all the monetised benefits and costs set out in the Impact Summary Table below. This NPV calculation won't include unquantified benefits and costs. You can discuss how unquantified impacts affect your assessment. Agencies should use a 50-year time period for their NPV calculation.*

**Impact Summary Table (Please add and delete rows for impacts as appropriate, and colour code**

Impacts - Identify and list	Option/ scenario	Assumptions and evidence (quantify if possible, and use ranges where appropriate)	Evidence certainty <sup>3</sup>
\$m present value, for monetised impacts	1	2	
<b>Estimated impact on key outcomes</b>			
			Low
<b>Cost of the Initiative</b>			
			Low
<b>Government Benefits/(Costs)</b>			
			Low
			Low
			Low
<b>Total Quantified Government Impact</b>			Low
<b>Wider Societal Benefits/(Costs)</b>			
			Low
			Low
			Low
			Low
<b>Total Quantified Wider Societal Impact</b>			Low
<b>Net Present Value of Total Quantified Societal Impacts</b>			Low
			-

<sup>3</sup> Rate your level of confidence in the assumptions and evidence as high (green) if based on significant research and evaluations that is applicable, medium (amber) if based on reasonable evidence and data, or low (red) if there is little relevant evidence. Colour the rating box for each impact.

**DELETE this illustrative fictional example Impact Summary Table (using the CBAX tool and database for NPVs)**

Impacts - Identify and list \$m present value, for monetised impacts	Option/scenario 1	2	Assumptions and evidence (quantify if possible, and use ranges where appropriate)	Certainty <sup>4</sup>
<b>Estimated impact on key outcomes</b>				
Increased employment outcomes	72 percent points	-	Expect 18% of participants to get into work after one year and another 18% of participants to get into work after two years. This is relative to counterfactual of no employment for the individuals. The success rate is based on experiences in several overseas countries, with New Zealand context to be assessed. Assumes only 25% of income for displacement etc effects. Assumes ongoing employment.	Medium
<b>Cost of the Initiative</b>				
Fiscal operating and capital costs of the initiative <sup>5</sup>	(11.0)	-	40 participants per year for 5 year pilot. Annual operating expenditure of \$1.2 million for 5 years, and \$6 million one-off.	High
<b>Government Benefits/(Costs)</b>				
Additional tax revenue (adjusted to 25%)	1.0	-	Assumes 18% of participants move from benefit to earning the minimum weekly wage and another 18% earn an average wage for someone with a level 4-6 trade, with 25% adjustment. Marginal tax impact relative to tax on the Jobseeker Support benefit.	Medium
Reduction in Jobseeker Support benefit	9.4	-	Assumes an on-going reduction in benefit payments for 36% of the participants.	Medium
Reduction in health and justice sector costs	1.2	-	Provides proxy for flow-on reduction in health and justice sector costs. Assumes for all participants: emergency department visits are reduced from 3 to 2 visits annually for 25 years, and police hours are reduced from 5 to 3 hours annually for 10 years.	Low
<b>Total Quantified Government Impact</b>	<b>11.6</b>	-	The main assumptions relate to employment outcomes, and the length of these.	Medium
<b>Wider Societal Benefits/(Costs)</b>				
Extra personal income generated (after tax, and adjusted to 25%)	4.4	-	Assumes 18% of participants move from benefit to earning the minimum weekly wage and another 18% earn an average wage for someone with a level 4-6 trade, with 25% adjustment.	Low
Costs of attending	(Small)	-	There are short term costs to individuals of attending.	Low
Mental health improvements	Large	-	International evidence finds that moving into work can improve mental health outcomes. Limited New Zealand evidence.	Low
Improved education outcomes for children	Modest	-	Having parents who are unemployed for more than 2 years makes children 30% less likely to pass NCEA 2. Intergenerational impacts.	Medium

<sup>4</sup> Rate your level of confidence in the assumptions and evidence as high (green) if based on significant research and evaluations that is applicable, medium (amber) if based on reasonable evidence and data, or low (red) if there is little relevant evidence. Colour the rating box for each impact.

<sup>5</sup> This present value of the initiative costs, including both operating and where relevant capital spending, should be included for all initiatives. Other fiscal flow-on costs and benefits that are not included in the initiative costs are to be set out in a separate row.

<b>Total Quantified Wider Societal Impact</b>	<b>4.4</b>	-	Wider societal impacts arise mainly from employment assumptions: income/mental health and impacts for participants' children.	Low
<b>Net Present Value of Total Quantified Societal Impacts</b>	<b>5</b>	-		Medium

**Summary of monetised results** [only fill this out if you have monetised costs and benefits]

Fill this table out with the NPV, benefit cost ratio and return on investment for your initiative. These can all be calculated with the information you included in the summary table above, and is available in the CBAX Output Summary (NB totals can vary due to rounding). We ask you to present all these measures, because they each provide a different perspective.

Use ranges for values where appropriate	Discount Rate	
	6% real (default)	3% real (sensitivity)
Net Present Value (NPV) <sup>6</sup>	\$5m	\$m
Benefit Cost Ratio (BCR) <sup>7</sup>	1.45 (1.45 = \$16m / \$11.0m)	x.x (x.x = \$x.xm / \$x.xm)
Return on Investment (ROI) – Societal Total <sup>8</sup>	1.45 (1.45 = \$16m / \$11.0m)	x.x (x.x = \$x.xm / \$x.xm)
Return on Investment (ROI) – Government <sup>9</sup>	1.05 (0.8 = \$11.6m / \$11.0m)	x.x (x.x = \$x.xm / \$x.xm)

**Supporting Evidence**

*ie, the bibliography*

To substantiate assumptions and certainty ratings, please include links to supporting analysis or evidence here with reference to the analysis presented in the intervention logic. This should include references to the research, evaluation and data sources that informed your assumptions, for instance about the effectiveness rate and the counterfactual. Set out the New Zealand and international evidence for the assumptions. This could set out the evaluation options linked to the initiative assumptions, especially if the evidence is limited.

- <sup>6</sup> **Net Present Value (NPV)** - The NPV is the sum of the discounted benefits, less the sum of the discounted costs (relative to the counterfactual). This gives a dollar value representing the marginal impact on the collective living standards of all New Zealanders of the initiative, in today's dollar terms.
- <sup>7</sup> **Benefit Cost Ratio (BCR)** - The BCR is the ratio of total discounted benefits to the total discounted costs. A proposal with a BCR greater than 1.0 has a positive impact, because the benefits exceed the costs. The BCR is the same as the Return on Investment Societal Total, unless there are negative impacts in addition to the fiscal cost of the initiative. All negative impacts are included in the denominator for the BCR measure.
- <sup>8</sup> **Return on Investment (ROI) - Societal Total** - Calculate the ROI by dividing the discounted net change in wider societal impact, including benefits to government, by the discounted cost of the initiative. This can be interpreted as the impact for New Zealanders per dollar the government spends on the initiative, eg, for every \$1 the government spends on this programme, New Zealanders receive benefits of \$3.
- <sup>9</sup> **Return on Investment (ROI) – Government** – Calculate the ROI by dividing the discounted net change in impact for the government by the discounted cost of the initiative. This measures the discounted net marginal (fiscal) benefits to the government.

#### 4. CONFIDENCE IN EVIDENCE

This should reflect the quality and strength of evidence presented to support the effectiveness of the intervention and implementation in the New Zealand context.

*Refer to section 1.3.4 for further guidance and explanation on requirements*

[Agency to complete]

#### VALUE-FOR-MONEY ASSESSMENT

Please provide a comment on how well the initiative and supporting information addresses the following:

- What is the RoI and NPV score, and are the assumptions and judgements around expected outcomes reasonable/clearly explained in the impact summary tables?
- The Societal RoI is a combination of monetised impacts, un-monetised impacts and the assumptions underlying the impacts. Initiatives will need to demonstrate a societal ROI of at least 2.
- The Government RoI calculates how much one dollar of government spending reduces fiscal cost ie, the fiscal return on investment. Initiatives will need to demonstrate a Government ROI of at least 1.

[Vote Analyst to complete]

#### 5. IMPLEMENTATION AND SCALABILITY

This section should detail what is required to implement the initiative and the critical success factors to ensure successful implementation in the New Zealand context. It should also consider how decisions around scaling up (or down) will be made and what the key decision points are. **Please attach an implementation/procurement plan as supporting information to this template if available.**

*Refer to section 1.3.6 for further guidance and explanation on requirements*

[Agency to complete]

#### 6. UNDERSTANDING AND DEMONSTRATING EFFECTIVENESS

This section should detail how the outcomes of the intervention will be measured and how performance will be monitored and evaluated. **Please attach an evaluation plan as supporting information to this template if available.**

*Refer to section 1.3.5 for further guidance and explanation on requirements*

[Agency to complete]

### IMPLEMENTATION AND EFFECTIVENESS ASSESSMENT

Please provide a comment on how well the initiative and supporting information addresses the following:

- Fit-for-purpose impact evaluation plan with consideration of how the initiative will be evaluated as it is implemented rather than just ex-post.
- Capability and capacity of the agency to deliver the initiative (implementation, project management and procurement). This should also take into consideration the agency's Four Year Plan and previous track record.
- Does the implementation and evaluation plan allow enough flexibility for scalability?

[Vote Analyst to complete]



## Template 2: 15-year initiative impact excel spreadsheet

This template can be found in CFISnet  
**15 year impacts (nominal) table**

Vote: \_\_\_\_\_

			Year ending June 30th. E.g. 2017 = July 2017 - June 2018														
Initiative	Net Impact	Total (\$m)	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
Initiative Name:	Government	0															
Initiative ID:	Non-Government	0															
			Year ending June 30th														
Initiative	Net Impact	Total (\$m)	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
Initiative Name:	Government	0															
Initiative ID:	Non-Government	0															
			Year ending June 30th														
Initiative	Net Impact	Total (\$m)	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
Initiative Name:	Government	0															
Initiative ID:	Non-Government	0															
			Year ending June 30th														
Initiative	Net Impact	Total (\$m)	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
Initiative Name:	Government	0															
Initiative ID:	Non-Government	0															

BM-2-1-2017

20 December 2016

Treasury Circular 2016/15

Restricted Distribution

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Directors of Finance/Chief Financial Officers

**Contact for Enquiries:**

Budget process queries: Your Treasury Vote Analyst

CFISnet entry queries: CFISnet Helpdesk (04) 917 6198  
[CFISnet@treasury.govt.nz](mailto:CFISnet@treasury.govt.nz)

**BUDGET 2017: TIMETABLE AND TECHNICAL REQUIREMENTS FOR AGENCIES**

**Introduction**

1. This circular outlines the indicative timetable for the production of Budget 2017, and includes reminders about key items in the production process.
2. The “Budget 2017 Process and Technical Guide for Agencies” outlining technical requirements for Budget 2017, is now available on CFISnet. The template annexes in this Guide are also available in Word format on CFISnet as a related file to this Circular.
3. The Treasury will be issuing a circular early in the new year covering the five-year fiscal forecasts. This circular will confirm the timetable and reporting requirements for the five-year forecasts through Budget 2017.
4. Please note that Budget Day for 2017 has not yet been finalised or publically communicated. As such, the production timetable should be considered indicative and sensitive. There is a risk that timeframes may need to be brought forward. The Treasury will release a final timetable for Budget 2017 in February once deadlines have been finalised.

**Investment Panels**

5. The Treasury will be drawing on the expertise of three advisory panels:
  - a. **Business Growth Agenda (BGA) Peer Review Process** – this advisory process will review selected BGA initiatives on 25 January.
  - b. **Capital Investment Panel** – this Panel will consider all capital and near-capital initiatives on 27 February – 3 March. A sub-Investment Panel will

take place a week earlier for selected smaller capital and near-capital initiatives.

- c. **Social Investment Panel** – this Panel will consider all Track 1 initiatives and selected Track 2 initiatives on 27 February – 1 March.
6. These panels will be informed by the initiative templates, supporting material (including CBA templates and CBAX assessments) submitted on 14 December for Track 2 initiatives (which can be refined over early January with your Vote Analyst), and 31 January for Track 1 initiatives.

### **Late Budget Initiatives**

7. Cabinet agreed that late Budget initiatives (any initiative received or substantially changed after 31 January) must be submitted through a letter from the Responsible Minister to Budget Ministers seeking approval to be included in the Budget 2017 process. Any initiative that is loaded after 31 January will be flagged by the Budget team and raised with the Minister of Finance's Office.

### **Budget Decisions**

8. We expect that Budget Ministers will make decisions over late March and early April. Your Vote Analyst will communicate these to you. We expect that all Budget decisions will be made in time for you to meet the 6 April significant recommendations deadline. If you come across any issues please discuss with your Vote Analyst.

### **Budget Moratorium**

9. There will be a moratorium on Cabinet, Cabinet Committees and joint Ministers approving any financial recommendations after Cabinet agrees the Budget package (expected to be **Monday 24 April**) until Budget Day. Departments must not submit any papers to Cabinet with financial implications during this period. The moratorium exists so that the Budget documents and legislation accurately reflect the fiscal implications of all Government decisions.

### **Summary of Initiatives in Budget 2017 Document**

10. As introduced in Budget 2016, the Treasury will publish a document titled *Summary of Budget Initiatives in Budget 2017*. The purpose of this document is to provide in one place a reconciliation of all Budget decisions against the operating and capital allowances.
11. For each agreed Budget initiative (except those provided for in contingency) the document will contain the title of the initiative, the agreed funding, and a description of what this funding is for. This information will be drawn from the Budget initiatives module in CFISnet. Therefore, it is very important that agencies provide high quality titles and descriptions.
12. To improve the process and reduce the number of changes at critical points late in the Budget process, the due date for finalised initiative title and descriptions has been brought forward in Budget 2017; these will be due on **Monday 20 February**. This will allow initiative titles and descriptions to be finalised in the CFISnet Budget

initiatives module (CFISnet > Baselines > Budget Initiatives > Initiatives Entry) before agencies complete their financial recommendations<sup>1</sup>.

13. Note that agencies are not required to update the Budget initiative templates or supporting information submitted to the Treasury to match any changes made to titles and descriptions in CFISnet.
14. We recommend agencies work with their communications teams to ensure the titles and descriptions are appropriate and can be understood by a member of the public.
15. Ministerial press secretaries will be provided the list of initiatives titles and descriptions at the same time they are provided information to write press releases. We recommend that you test the titles and descriptions with your Minister's Office to ensure they are comfortable with the wording.
16. If there are any disputes about wording the Treasury, in conjunction with the Minister of Finance's Office, has the final call.

Kamlesh Patel  
Fiscal and State Sector Management  
for the Secretary to the Treasury

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<sup>1</sup> The titles and descriptions input into the Budget initiative module in CFISnet automatically flow through to the financial recommendations module.

**BUDGET-SENSITIVE**

**Production Timetable for Budget 2017**

Unless advised otherwise all requirements are due by 1pm.

Requirement	Deadline				More detail
	Budget 2017 Decisions	Budget Economic and Fiscal Update 2017 <sup>2</sup>	Budget 2017 Document Production	March Baseline Update	
Business Growth Agenda Expert Review Process	Wednesday 25 January				Treasury Circular 2016/12
Late Budget initiatives	Tuesday 31 January				Treasury Circular 2016/12
Last date for coredata changes to be submitted to CFISnet for the March Baseline Update (MBU)				Friday 10 February	Treasury Circular 2016/14
Capital Investment Panel convened	Week of 27 February				Treasury Circular 2016/12
Social Investment Panel convened	27 February – 1 March				Treasury Circular 2016/12
Final date for all departments to update and lock CFISnet for MBU changes	-	-	-	Monday 20 February	Treasury Circular 2016/14
Preliminary five-year fiscal forecasts due from all departments (including forecasting departments) <sup>3</sup> to be submitted with the MBU exercise	-	Monday 20 February	-	-	-
Finalise all initiative titles and descriptions in CFISnet	Monday 20 February	-	-	-	See para 10-17 above Treasury Circular 2016/15
<b>Two copies</b> of Minister's MBU submissions for each Vote delivered to the Minister of Finance	-	-	-	Tuesday 21 February	Treasury Circular 2016/14
Final date for Treasury Vote teams to advise departments of status of MBU updates.	-	-	-	Friday 24 February	Treasury Circular 2016/14

<sup>2</sup> A circular will be issued early in the new year confirming these dates and reporting requirements.

<sup>3</sup> Forecasting departments are IRD Crown, Customs tax, MSD, Transport, Treasury and NZDF.

**BUDGET-SENSITIVE**

Requirement	Deadline				More detail
	Budget 2017 Decisions	Budget Economic and Fiscal Update 2017 <sup>2</sup>	Budget 2017 Document Production	March Baseline Update	
Departments update CFISnet to reflect any required changes from MBU	-	-	-	Friday 24 February	Treasury Circular 2016/14
Updated five-year fiscal forecasts due from forecasting departments (updated for economic forecasts)	-	Friday 3 March	-	-	-
Last date for coredata changes: (For outstanding Budget initiatives requiring coredata changes, contact your vote analyst)	-	-	Thursday 9 March	-	-
Departments advise Treasury Vote Teams of any changes to the Fiscal Risks published in HYEPU 2016 and any new matters that may have a material effect on the economic and fiscal outlook	-	Friday 10 March	-	-	Technical Guide
Minister of Finance notifies Ministers of the outcome of the MBU	-	-	-	Week of 13 March	Treasury Circular 2016/14
Last date to enter "Technical" initiatives into CFISnet for Budget 2017	Friday 17 March	-	-	-	Technical Guide
All "Technical" initiatives financial recommendations due	Wednesday 22 March	-	-	-	Technical Guide
Departments provide relevant Ministers' Offices with near-final Estimates documents (which are also reviewed by Treasury)	-	-	Thursday 23 March	-	Technical Guide
"Significant" initiatives financial recommendations for Votes with no outstanding decisions due	Thursday 30 March	-	-	-	Technical Guide
Final date for all departments (including forecasting departments) to complete five-year fiscal forecasts in CFISnet and lock the BEFU	-	Thursday 6 April	-	-	-
<b>Tranche 1</b> (Votes with no Budget initiatives) Estimates documents to be submitted to Appropriations Minister	-	-	Wednesday 5 April	-	Technical Guide
<b>Tranche 1</b> (Votes with no Budget initiatives) Estimates documents to be submitted to the Minister of Finance	-	-	Thursday 6 April	-	Technical Guide

**BUDGET-SENSITIVE**

Requirement	Deadline				More detail
	Budget 2017 Decisions	Budget Economic and Fiscal Update 2017 <sup>2</sup>	Budget 2017 Document Production	March Baseline Update	
"Significant" initiatives financial recommendations for all Votes with outstanding decisions at 30 March due	Thursday 6 April	-	-	-	Technical Guide
Departments with output expenses affected by section 21 submit templates to Treasury for all appropriations affected	-	-	Friday 7 April	-	Technical Guide
Cabinet considers "technical" initiatives Budget package	Monday 10 April	-	-	-	Technical Guide
<b>Tranche 2</b> (Votes with Budget initiatives) Estimates documents to be submitted to Appropriations Minister	-	-	Tuesday 11 April	-	Technical Guide
<b>Tranche 2</b> (Votes with Budget initiatives) Estimates documents to be submitted to the Minister of Finance	-	-	Wednesday 12 April	-	Technical Guide
Cabinet considers "significant" initiatives Budget package	Monday 24 April	-	-	-	Technical Guide
Budget Moratorium begins	Monday 24 April	-	-	-	Technical Guide
Forecasting departments to update their final five-year fiscal forecasts in CFISnet	-	Monday 24 April	-	-	-
Last date for departments to provide Treasury with the Statement of Representation.	-	Wednesday 26 April	-	-	-
<b>Tranche 3</b> (Forecasting departments or Votes requiring changes following Cabinet's consideration of the Budget package) Estimates documents to be submitted to Appropriations Minister	-	-	Friday 28 April	-	Technical Guide
<b>Tranche 3</b> (Forecasting departments or Votes requiring changes following Cabinet's consideration of the Budget package) Estimates documents to be submitted to the Minister of Finance	-	-	Tuesday 2 May	-	Technical Guide

# Cost Benefit Analysis Template

**PLEASE DELETE TEXT IN ITALICS AND GREY – THIS TEXT IS EXPLANATORY, ILLUSTRATIVE AND FOR GUIDANCE.**

*There is a clean template without guidance at page 10. This template is a way of organising whatever information you have in a consistent and systematic way. It should be relevant for all initiatives. The level of detail required depends on the size of the initiative and the information available. Impacts should be quantified where possible, but the template can also be used to analyse descriptive, unquantified impacts.*

*The CBAx tool and database can help you estimate a dollar value for quantified impacts. The CBAx tool and supporting information is available on <http://www.treasury.govt.nz/publications/guidance/planning/costbenefitanalysis/CBAx>. Contact [CBAx@treasury.govt.nz](mailto:CBAx@treasury.govt.nz) for support.*

*The Treasury's [Cost Benefit Analysis Guidance](#) has more information on how to do cost benefit analysis (CBA).*

*Agencies should use this CBA Template to meet the CBA requirements. Please refer to the Budget guidance and contact your Treasury Vote Analyst if you have questions about the template or how much detail to include. This template has been updated to provide evidence focus, including evaluation plan, intervention logic and CBAx output.*

## Section A Descriptive Information

<b>Vote</b>	<i>[Must match CFISnet entry, if a Budget initiative]</i>
<b>Responsible Minister</b>	<i>[Must match CFISnet entry, if a Budget initiative]</i>
<b>Initiative title</b>	<i>[Must match CFISnet entry, if a Budget initiative]</i>

Funding Sought (\$m)	2016/17	2017/18	2018/19	2019/20	2020/21 & outyears	TOTAL
Operating	-	-	-	-	-	-
Capital	-	-	-	-	-	-

### Problem Definition

*A description of the problem or opportunity that this proposal seeks to address, and the counterfactual.*

*Please describe the problem or opportunity that this proposal seeks to address and the counterfactual (what would happen if the proposal doesn't go ahead). Be specific about who the problem affects and how it affects them.*

### Initiative Description

*A description of what the initiative will provide or produce and how this will address the problem or opportunity.*

*Please describe what the initiative will provide or produce, and how this will address the problem or opportunity identified. This description can be more detailed than the description provided in Budget documentation.*

### Alternative Options Considered

*What alternative options did you consider and why did you choose your preferred option?*



## Section B Impact Analysis

### Impact Analysis

*An explanation of who is impacted (winners and losers), what the impacts are (costs and benefits), and when the impacts will be realised and for how long. The impacts should be quantified and monetised if possible.*

*Discuss all of the impacts (costs and benefits) that the proposal will have on New Zealanders and the government.*

- *Describe the impacts (including **financial**, **social** and **environmental** impacts) that you can identify, whether or not they can be quantified. Be specific about which individuals or groups will be affected, how and when.*
- *Include primary and flow-on (secondary) impacts. For instance, a proposal to train individuals to get employment may increase their income, and also have a secondary impact on their use of health services.*
- *Attach an **intervention logic map** – intervention, outputs, outcomes and impacts, and the key assumptions.*
- ***Quantify** these impacts if possible. For instance, ‘number of emergency visits avoided’, or ‘client waiting times reduced by x hours’. If you can, also **monetise** the impacts by converting them into a dollar value, eg, ‘money saved from reduced emergency visits’. Ranges may also be used, with wider ranges indicating more uncertainty.*
- *The **CBAX** spreadsheet tool can help you estimate the dollar value impacts of policy changes, drawing from a common database of impact values.*
- *The impacts presented should be the additional positive and negative impact of the proposal, compared to what would happen if the proposal doesn’t go ahead (the **counterfactual**).*
- *Discuss the assumptions and evidence informing your analysis of these impacts. Assess how strong the evidence is, and how well the results can be applied to this proposal. Be specific about how effective the policy is assumed to be across different groups (eg, is there a positive impact for all students on a training programme, or only the ones who complete the course?). Discuss which assumptions have the greatest impact on the results of your analysis.*
- ***Discount Rates.** For comparative purposes, all initiatives should use the 6% real discount rate as a default, and do a sensitivity analysis with a 3% real discount rate (the rounded risk free rate). A project-specific rate can also be added where this is warranted (talk to your Vote Analyst if you want to add another [discount rate](#)).*

### Impact Summary Table

*All monetised and non-monetised impacts should be listed.*

*Fill out the table below to summarise the costs and benefits of the proposal. Delete the illustrative example. The impacts might differ, so consider other impacts than those in the illustration. Summarise the **assumptions and evidence** that inform your assessment of each impact.*

*Start by including the estimated impact on **key outcomes**. This should be the biggest, most immediate impact. If this impact can be converted into monetary values, include these values in the next part of the table (government/wider society benefits and costs). Also include unquantified impacts on people or the government, and the fiscal cost of the initiative. In the example below, the key impact is on employment outcomes, which creates benefits for the government (reduced welfare spending) and individuals (higher income), as well as unquantified impacts on mental health and education.*

*Present any **monetary impacts** (including the fiscal cost) in present value (PV) terms using the discount rates above. This converts future cash flows into today’s dollar terms and enables comparison between initiatives with different patterns of costs and benefits over time. Treasury’s CBA guide explains PV and how to calculate it in more detail. The CBAX spreadsheet tool also has a simple calculator you can use to convert your initiative cost into a PV.*

You can include an **additional option** or scenario to show how impacts change with different assumptions or policy settings.

Calculate the **net present value (NPV)** of your initiative using all the monetised benefits and costs set out in the Impact Summary Table below. This NPV calculation won't include unquantified benefits and costs. You can discuss how unquantified impacts affect your assessment. Agencies should use a 50-year time period for their NPV calculation.

**Impact Summary Table (Please add and delete rows for impacts as appropriate, and colour code evidence base)**

Impacts - Identify and list \$m present value, for monetised impacts	Option/scenario		Assumptions and evidence (quantify if possible, and use ranges where appropriate)	Evidence certainty <sup>1</sup>
	1	2		
<b>Estimated impact on key outcomes</b>				
				Low
<b>Cost of the Initiative</b>				
				Low
<b>Government Benefits/(Costs)</b>				
				Low
				Low
				Low
<b>Total Quantified Government Impact</b>				Low
<b>Wider Societal Benefits/(Costs)</b>				
				Low
				Low
				Low
				Low
<b>Total Quantified Wider Societal Impact</b>				Low
<b>Net Present Value of Total Quantified Societal Impacts</b>		-		Low

<sup>1</sup> Rate your level of confidence in the assumptions and evidence as high (green) if based on significant research and evaluations that is applicable, medium (amber) if based on reasonable evidence and data, or low (red) if there is little relevant evidence. Colour the rating box for each impact.

**DELETE this illustrative fictional example** *Impact Summary Table (using the CBAX tool and database for NPVs)*

Impacts - Identify and list \$m present value, for monetised impacts	Option/scenario		Assumptions and evidence (quantify if possible, and use ranges where appropriate)	Certainty <sup>2</sup>
	1	2		
<b>Estimated impact on key outcomes</b>				
Increased employment outcomes	72 percent points	-	Expect 18% of participants to get into work after one year and another 18% of participants to get into work after two years. This is relative to counterfactual of no employment for the individuals. The success rate is based on experiences in several overseas countries, with New Zealand context to be assessed. Assumes only 25% of income for displacement etc effects. Assumes ongoing employment.	Medium
<b>Cost of the Initiative</b>				
Fiscal operating and capital costs of the initiative <sup>3</sup>	(10.9)	-	40 participants per year for 5 year pilot. Annual operating expenditure of \$1.2 million for 5 years, and \$6 million one-off.	High
<b>Government Benefits/(Costs)</b>				
Additional tax revenue (adjusted to 25%)	0.9	-	Assumes 18% of participants move from benefit to earning the minimum weekly wage and another 18% earn an average wage for someone with a level 4-6 trade, with 25% adjustment. Marginal tax impact relative to tax on the Jobseeker Support benefit.	Medium
Reduction in Jobseeker Support benefit	6.1	-	Assumes an on-going reduction in benefit payments for 36% of the participants.	Medium
Reduction in health and justice sector costs	1.1	-	Provides proxy for flow-on reduction in health and justice sector costs. Assumes for all participants: emergency department visits are reduced from 3 to 2 visits annually for 25 years, and police hours are reduced from 5 to 3 hours annually for 10 years.	Low
<b>Total Quantified Government Impact</b>	<b>8.1</b>	-	The main assumptions relate to employment outcomes, and the length of these.	Medium
<b>Wider Societal Benefits/(Costs)</b>				
Extra personal income generated (after tax, and adjusted to 25%)	3.9	-	Assumes 18% of participants move from benefit to earning the minimum weekly wage and another 18% earn an average wage for someone with a level 4-6 trade, with 25% adjustment.	Low
Costs of attending	(Small)	-	There are short term costs to individuals of attending.	Low
Mental health improvements	Large	-	International evidence finds that moving into work can improve mental health outcomes. Limited New Zealand evidence.	Low
Improved education outcomes for children	Modest	-	Having parents who are unemployed for more than 2 years makes children 30% less likely to pass NCEA 2. Intergenerational impacts.	Medium
<b>Total Quantified Wider Societal Impact</b>	<b>3.9</b>	-	Wider societal impacts arise mainly from employment assumptions: income/mental health and impacts for participants' children.	Low
<b>Net Present Value of Total Quantified Societal Impacts</b>	<b>1.2</b>	-		Medium

<sup>2</sup> Rate your level of confidence in the assumptions and evidence as high (green) if based on significant research and evaluations that is applicable, medium (amber) if based on reasonable evidence and data, or low (red) if there is little relevant evidence. Colour the rating box for each impact.

<sup>3</sup> This present value of the initiative costs, including both operating and where relevant capital spending, should be included for all initiatives. Other fiscal flow-on costs and benefits that are not included in the initiative costs are to be set out in a separate row.

## Section C Conclusions

### Conclusions

#### *What is being recommended and why?*

*Considering quantified and unquantified impacts, does the analysis suggest that the benefits of the proposal exceed the costs, and to what extent? What is your level of confidence about this result? What sensitivities and assumptions could change your conclusion?*

*If the impacts are predominantly unquantified and unmonetised, or based on little evidence, another way to approach the impact conclusion and make an overall judgement is to base this judgement on the known fiscal initiative costs and assess how effective the policy would need to be for the benefits to exceed the initiative's costs, and to assess how likely that success rate is. In the illustrative example, this judgement could consider what proportion of participants would need to find employment and not receive benefit payments for the initiative's overall benefits to outweigh the \$10.9 million initiative costs.*

### Overall Ratings

#### Value for Money<sup>4</sup>

*Rating from 0-5. Consider monetised and unquantified impacts and evidence base.*

*5 High value / return confident, 4 High/medium return likely, 3 medium/break even confident, 2 medium/break even likely, 1 low/break even unclear, 0 no returns / value loss*

#### Strategic Alignment<sup>5</sup>

*Rating from 0-5. Consider alignment with government strategic direction and priorities, and cross-government action.*

*5 Strong alignment, 4 High alignment, 3 Some alignment, 2 Limited alignment, 1 Low alignment, 0 No alignment*

<sup>4</sup> For guidance on Value for Money ratings see Budget 2017 guidance section 3.2.2

<sup>5</sup> For guidance on Strategic alignment ratings see Budget 2017 guidance section 3.1.5

**Summary of monetised results** [only fill this out if you have monetised costs and benefits]

Fill this table out with the NPV, benefit cost ratio and return on investment for your initiative. These can all be calculated with the information you included in the summary table above, and is available in the CBAx Output Summary (NB totals can vary due to rounding). We ask you to present all these measures, because they each provide a different perspective.

Use ranges for values where appropriate	Discount Rate	
	6% real (default)	3% real (sensitivity)
Net Present Value (NPV) <sup>6</sup>	\$1.2m	\$m
Benefit Cost Ratio (BCR) <sup>7</sup>	1.1 (1.1 = \$12m / \$10.9m)	x.x (x.x = \$x.xm / \$x.xm)
Return on Investment (ROI) – Societal Total <sup>8</sup>	1.1 (1.1 = \$12m / \$10.9m)	x.x (x.x = \$x.xm / \$x.xm)
Return on Investment (ROI) – Government <sup>9</sup>	0.74 (0.74 = \$8.1m / \$10.9m)	x.x (x.x = \$x.xm / \$x.xm)

**Supporting Evidence**

ie, the bibliography

To substantiate assumptions and certainty ratings, please include links to supporting analysis or evidence here. This should include references to the research, evaluation and data sources that informed your assumptions, for instance about the effectiveness rate and the counterfactual. Set out the New Zealand and international evidence for the assumptions.

This could set out the evaluation options linked to the initiative assumptions, especially if the evidence is limited.

**Ex-post Impact Evaluation Plan**

How will you evaluate (after the programme has been rolled out) what the effect of the programme was, particularly on the impacts listed in Section B?<sup>10</sup>

Data collection and impact evaluation method

Funding of evaluation

Completion dates, publication, and dissemination of findings to key stakeholders

Impact evaluation is important for understanding whether the impacts and assumptions discussed in the CBA are realised. Impact evaluations build the long term evidence base for what works for whom in what contexts. Planning the evaluation in advance ensures a robust ex post evaluation is possible. Below are issues to address.

<sup>6</sup> **Net Present Value (NPV)** - The NPV is the sum of the discounted benefits, less the sum of the discounted costs (relative to the counterfactual). This gives a dollar value representing the marginal impact on the collective living standards of all New Zealanders of the initiative, in today's dollar terms.

<sup>7</sup> **Benefit Cost Ratio (BCR)** - The BCR is the ratio of total discounted benefits to the total discounted costs. A proposal with a BCR greater than 1.0 has a positive impact, because the benefits exceed the costs. The BCR is the same as the Return on Investment Societal Total, unless there are negative impacts in addition to the fiscal cost of the initiative. All negative impacts are included in the denominator for the BCR measure.

<sup>8</sup> **Return on Investment (ROI) - Societal Total** - Calculate the ROI by dividing the discounted net change in wider societal impact, including benefits to government, by the discounted cost of the initiative. This can be interpreted as the impact for New Zealanders per dollar the government spends on the initiative, eg, for every \$1 the government spends on this programme, New Zealanders receive benefits of \$3.

<sup>9</sup> **Return on Investment (ROI) – Government** – Calculate the ROI by dividing the discounted net change in impact for the government by the discounted cost of the initiative. This measures the discounted net marginal (fiscal) benefits to the government.

<sup>10</sup> More information on this impact evaluation plan is available in the Budget 2017 guidance Section 4

**Data collection:**

- What outcomes will you measure, and how will you measure them? You should reference the key outcomes discussed in the impact summary table in Section B and your intervention logic, but you can discuss additional outcomes and intermediate outcomes/outputs here if you wish. If it is not possible or cost-effective to measure some of the outcomes in the impact summary, please state what outcomes these are and explain why you won't be measuring them.
- How will you collect data (eg, legal name, date of birth, and address)<sup>11</sup> on the participants (and, if appropriate, untreated comparison group) of your programme? Will it be possible to link these data to the Integrated Data Infrastructure (IDI),<sup>12</sup> and if so when will these data be available? Will this process be updated (and at what frequency) as more people undertake the programme?

**Impact evaluation method:**

- How will you form a plausible comparison group of 'untreated' people (households/businesses/regions or whatever the target group is) so that you can attribute changes in outcomes as causal effects of your programme or policy (ie, above and beyond a counterfactual of no intervention)?
- Are there any important caveats/weaknesses of your methodology, and how will you deal with these.
- Are there any ethical issues with how you will evaluate this programme, and how will you address these?

**Other forms of evaluation and monitoring:**

- Will you be undertaking any qualitative or process evaluation (how and how well the initiative is delivered) and what will this involve?

**Funding of evaluation:**

- How will you fund the evaluation and how much do you expect it to cost (including design of evaluation, collection of data, analysing the results, writing up findings and publishing results?)

**Completion dates, publication, and dissemination of findings to key stakeholders:**

- When will you complete your evaluation by? When will you release your results publicly? Will you update this process, eg, initial evaluation, long term follow-up, replication etc.?

**Other:**

- Have you contacted your research, evaluation, or analytics team for comment on this evaluation plan and do they support, 'sign-off', the approach?

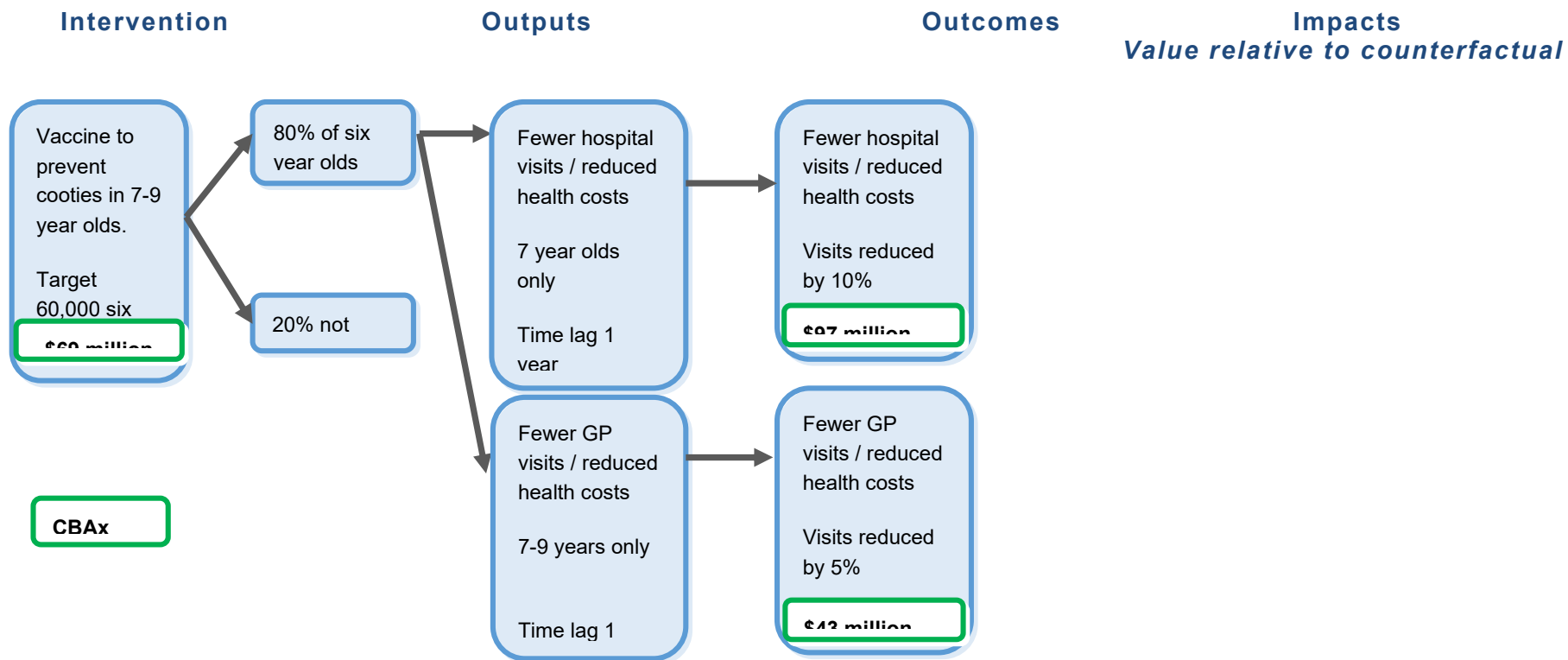
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<sup>11</sup> Legal name and date of birth are a minimum requirement for linking to the IDI. Address information can also help increase link rates. You may also be able to use internal agency IDs if these are already linked to legal name and date of birth.

<sup>12</sup> The IDI is a large research database containing longitudinal microdata about people, households, and businesses from a wide range of government agencies including: Health, Education, Justice, IRD, MSD, DIA, and Statistics. For more information see [http://www.stats.govt.nz/browse\\_for\\_stats/snapshots-of-nz/integrated-data-infrastructure.aspx](http://www.stats.govt.nz/browse_for_stats/snapshots-of-nz/integrated-data-infrastructure.aspx).

Appendix 1 One-page Intervention Logic

*Delete fictional illustrative example*



Appendix 2 Attach CBAx Outputs Summary  
**Outputs Summary**

Delete fictional illustrative example. Highlight cells in CBAx Outputs Summary tab and copy, paste below

Proposal details			
Respondent name	Cooties vaccine		
Intervention details	Vaccine for children affected by cooties		
Start year	2017	Total population over 50 Years	#####
Period for analysis	50 Years	Discount rate	7%

Summary metrics			
Return on Investment, Societal Total (50y)	<input type="text" value="2.0"/>	Net economic benefit per cohort member (50y)	<input type="text" value="\$ 24"/>
Return on Investment, Government only (50y)	<input type="text" value="2.0"/>	Initiative NPV costs per cohort member (50y)	<input type="text" value="\$ 23"/>

Net benefit summary									
Category	5-Year NPV \$m	10-Year NPV \$m	50-Year NPV \$m	Unit: 2017 (\$m)					
				2017	2018	2019	2020	2021	
Total marginal impact	32	64	139	-	8	10	11	11	
Total cost of initiative	(20)	(35)	(69)	(5)	(5)	(5)	(5)	(5)	
Net economic benefits	12	30	71	(5)	4	5	6	6	

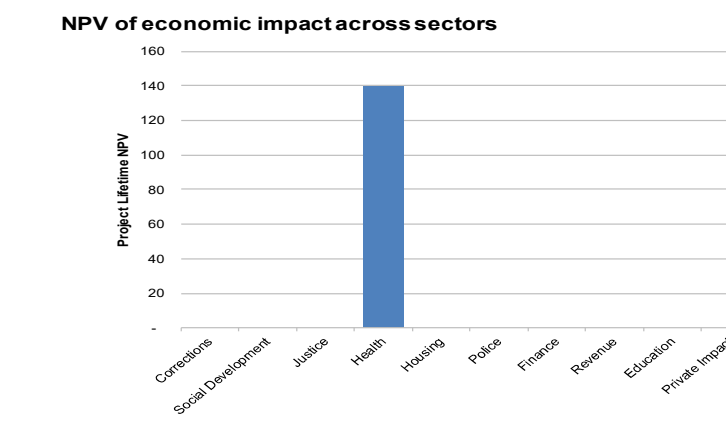
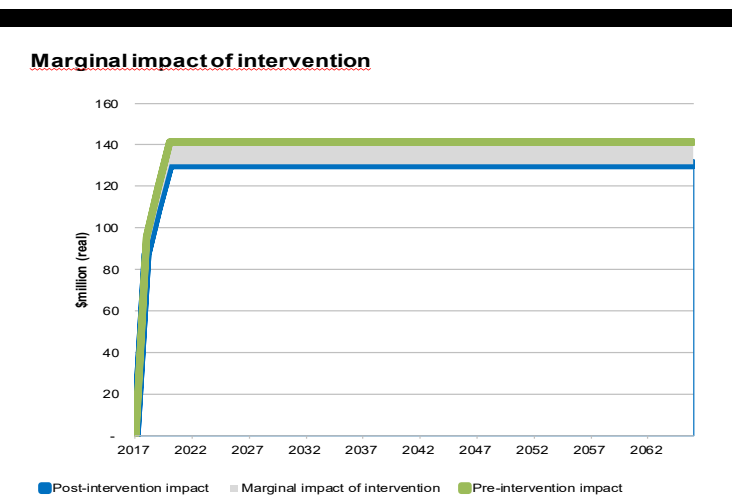
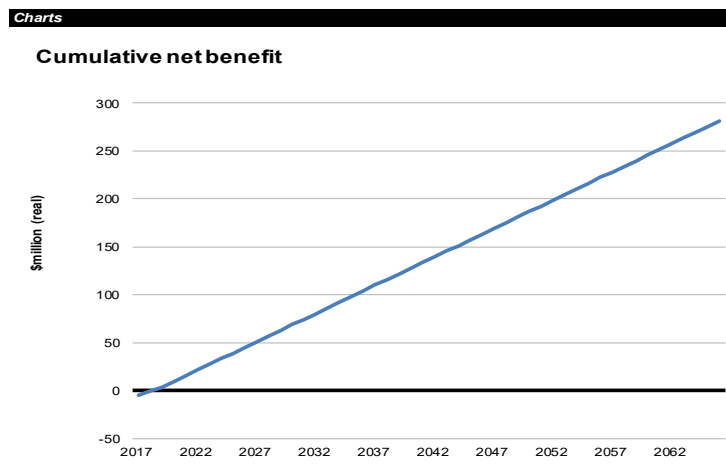
**Word summary/comment field**

This is an area to explain key modelling assumptions or anything important individuals looking at the model should know.

Text goes here:

Cost summary							
Cost category	50-Year NPV \$m	Unit: 2017 (\$m)					
		2017	2018	2019	2020	2021	
Fiscal cost of initiative							
Operating expenses	(69)	(5)	(5)	(5)	(5)	(5)	
Capital expenses	-	-	-	-	-	-	
Total fiscal cost of initiative	(69)	(5)	(5)	(5)	(5)	(5)	

Impact summary										
Evidence Quality	5-Year NPV \$m	10-Year NPV \$m	50-Year NPV \$m	Unit: 2017 (\$m)						
				2017	2018	2019	2020	2021		
Impact 1	Low	Inpatient hospital visit	24	46	97	-	7	7	7	7
Impact 2	Medium	GP visit (20 minutes) - Publicly funded	8	19	43	-	1	2	3	3
Impact 3	-	-	-	-	-	-	-	-	-	-
Impact 4	-	-	-	-	-	-	-	-	-	-
Impact 5	-	-	-	-	-	-	-	-	-	-
Impact 6	-	-	-	-	-	-	-	-	-	-
Impact 7	-	-	-	-	-	-	-	-	-	-
Impact 8	-	-	-	-	-	-	-	-	-	-
Impact 9	-	-	-	-	-	-	-	-	-	-
Impact 10	-	-	-	-	-	-	-	-	-	-
Impact 11	-	-	-	-	-	-	-	-	-	-
Impact 12	-	-	-	-	-	-	-	-	-	-
Impact 13	-	-	-	-	-	-	-	-	-	-
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Impact 48	-	-	-	-	-	-	-	-	-	-
Impact 49	-	-	-	-	-	-	-	-	-	-
Impact 50	-	-	-	-	-	-	-	-	-	-
<b>Total:</b>			<b>32</b>	<b>64</b>	<b>139</b>		<b>8</b>	<b>10</b>	<b>11</b>	<b>11</b>





# Cost Benefit Analysis Template

## Section A Descriptive Information

<b>Vote</b>	
<b>Responsible Minister</b>	
<b>Initiative title</b>	

<b>Funding Sought (\$m)</b>	<b>2016/17</b>	<b>2017/18</b>	<b>2018/19</b>	<b>2019/20</b>	<b>2020/21 &amp; outyears</b>	<b>TOTAL</b>
<b>Operating</b>	-	-	-	-	-	-
<b>Capital</b>	-	-	-	-	-	-

### Problem Definition

*A description of the problem or opportunity that this proposal seeks to address, and the counterfactual.*

### Initiative Description

*A description of what the initiative will provide or produce and how this will address the problem or opportunity.*

### Alternative Options Considered

## Section B Impact Analysis

### Impact Analysis

*An explanation of who is impacted (winners and losers), what the impacts are (costs and benefits), and when the impacts will be realised and for how long. The impacts should be quantified and monetised if possible.*

**Impact Summary Table**

*All monetised and non-monetised impacts should be listed.*

**Impact Summary Table**

Impacts - Identify and list \$m present value, for monetised impacts	Option/scenario		Assumptions and evidence (quantify if possible, and use ranges where appropriate)	Evidence certainty <sup>13</sup>
	1	2		
<b>Estimated impact on key outcomes</b>				
				Low
<b>Cost of the Initiative</b>				
				Low
<b>Government Benefits/(Costs)</b>				
				Low
				Low
				Low
<b>Total Quantified Government Impact</b>				Low
<b>Wider Societal Benefits/(Costs)</b>				
				Low
				Low
				Low
				Low
<b>Total Quantified Wider Societal Impact</b>				Low
<b>Net Present Value of Total Quantified Societal Impacts</b>		-		Low

<sup>13</sup> Rate your level of confidence in the assumptions and evidence as high (green) if based on significant research and evaluations that is applicable, medium (amber) if based on reasonable evidence and data, or low (red) if there is little relevant evidence. Colour the rating box for each impact.

## Section C Conclusions

Conclusions
<i>What is being recommended and why?</i>

Overall Ratings	
Value for Money	Strategic Alignment
Rating from 0-5. Consider monetised and unquantified impacts and evidence base.	Rating from 0-5. Consider alignment with government strategic direction and priorities, and cross-government action.
5 High value / return confident, 4 High/medium return likely, 3 medium/break even confident, 2 medium/break even likely, 1 low/break even unclear, 0 no returns / value loss	5 Strong alignment, 4 High alignment, 3 Some alignment, 2 Limited alignment, 1 Low alignment, 0 No alignment

Summary of monetised results		
Use ranges for values where appropriate	Discount Rate	
	6% real (default)	3% real (sensitivity)
Net Present Value (NPV) <sup>14</sup>	\$m	\$m
Benefit Cost Ratio (BCR) <sup>15</sup>	x.x (x.x = \$x.xm / \$x.xm)	x.x (x.x = \$x.xm / \$x.xm)
Return on Investment (ROI) – Societal Total <sup>16</sup>	x.x (x.x = \$x.xm / \$x.xm)	x.x (x.x = \$x.xm / \$x.xm)
Return on Investment (ROI) – Government <sup>17</sup>	x.x (x.x = \$x.xm / \$x.xm)	x.x (x.x = \$x.xm / \$x.xm)

<sup>14</sup> **Net Present Value (NPV)** - The NPV is the sum of the discounted benefits, less the sum of the discounted costs (relative to the counterfactual). This gives a dollar value representing the marginal impact on the collective living standards of all New Zealanders of the initiative, in today's dollar terms.

<sup>15</sup> **Benefit Cost Ratio (BCR)** - The BCR is the ratio of total discounted benefits to the total discounted costs. A proposal with a BCR greater than 1.0 has a positive impact, because the benefits exceed the costs. The BCR is the same as the Return on Investment Societal Total, unless there are negative impacts in addition to the fiscal cost of the initiative. All negative impacts are included in the denominator for the BCR measure.

<sup>16</sup> **Return on Investment (ROI) - Societal Total** - Calculate the ROI by dividing the discounted net change in wider societal impact, including benefits to government, by the discounted cost of the initiative. This can be interpreted as the impact for New Zealanders per dollar the government spends on the initiative, eg, for every \$1 the government spends on this programme, New Zealanders receive benefits of \$3.

<sup>17</sup> **Return on Investment (ROI) – Government** – Calculate the ROI by dividing the discounted net change in impact for the government by the discounted cost of the initiative. This measures the discounted net marginal (fiscal) benefits to the government.

**Supporting Evidence**

*ie, the bibliography*

**Ex-post Impact Evaluation Plan**

*How will you evaluate (after the programme has been rolled out) what the effect of the programme was, particularly on the impacts listed in Section B?*

Data collection and impact evaluation method

Funding of evaluation

Completion dates, publication, and dissemination of findings to key stakeholders

**Appendix 1 One-page Intervention Logic**

**Intervention**

**Outputs**

**Outcomes**

**Impacts**  
*Value relative to counterfactual*

**Appendix 2 Attach CBAX Outputs Summary**

# Budget 2017

## Process and Technical Guide for Agencies

20 December 2016



THE TREASURY  
Kaitohutohu Kaupapa Rawa

New Zealand Government

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**BUDGET SENSITIVE**

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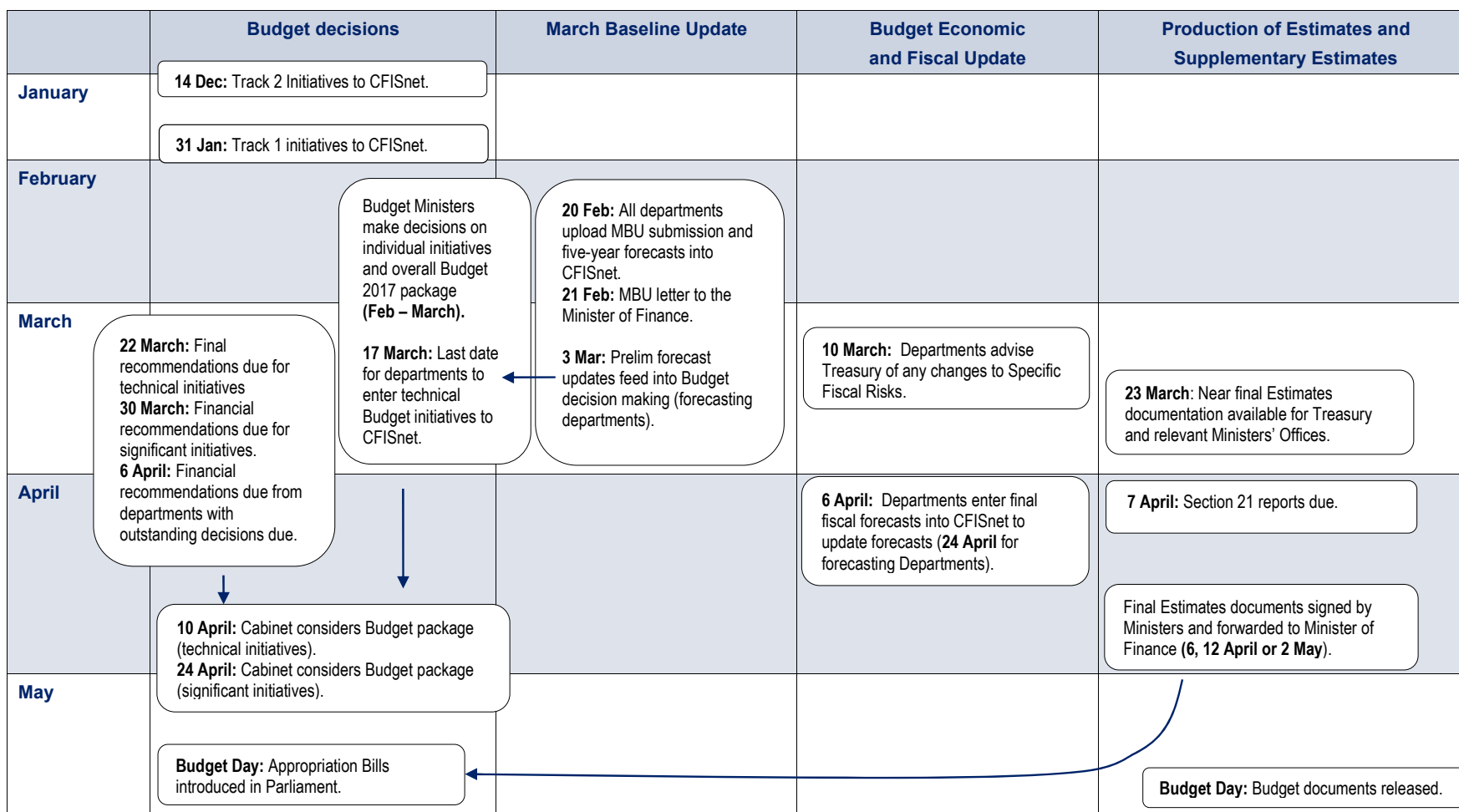
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BUDGET SENSITIVE

# The Budget Process



## BUDGET SENSITIVE

# About this Guidance

1. With Four Year Plans and Budget initiatives now submitted, this guidance document focuses on the technical and process steps required for the decisions and production phase of Budget 2017.
2. You should use this document as your first port of call for guidance on the process for Budget 2017. General enquiries about the information contained in this guidance can be directed to your Treasury Vote team.
3. You should also reference the guidance “Budget 2017: Budget Initiative Process and Timetable” as you look to submit initiatives to CFISnet. See Treasury Circular 2016/12. The Treasury Circular 2016/14 outlines the requirements for the 2017 March Baseline Update.
4. Please note that the deadlines in this guide are indicative and sensitive, as Budget Day for 2017 has not yet been finalised or publically communicated. There is a risk that timeframes may need to be changed. The Treasury will release a final timetable for Budget 2017 **in February** once Budget Day has been announced.
5. The Annex templates attached to this document can be downloaded from the Circulars section of CFISnet.
6. Any comments on how we could improve this guidance can be directed to [performanceinfo@treasury.govt.nz](mailto:performanceinfo@treasury.govt.nz).

## BUDGET SENSITIVE

# Budget 2017

## Economic and Fiscal Context

7. The New Zealand economy has continued to strengthen and the 2016 Half Year Economic and Fiscal Update (Half Year Update) shows economic growth is expected to average around 3 per cent over the next five years.
8. The recent Kaikōura earthquakes highlight the importance of the Government's fiscal strategy – it is important that the Government rebuilds fiscal buffers to absorb any future shocks. The Half Year Update forecasts include an initial assumption of \$1 billion of net costs to the Government as a result of the earthquakes.
9. The operating balance before gains and losses (OBEGAL) is expected to be \$473 million in surplus for 2016/17, before rising significantly over the forecast period. Net debt is expected to fall to 18.8 per cent of GDP in 2020/21, in line with the Government's target.
10. The Budget Policy Statement 2017 confirms that operating allowances remain at \$1.5 billion per year in each of the next four Budgets. The capital allowance has been increased from \$900 million to \$3 billion in Budget 2017 and to \$2 billion in future Budgets.
11. Despite the increase to the capital allowance and the size of the operating allowance, significant pre-commitments have already been made; Ministers will need to make difficult trade-offs. The early information on cost pressures provided by agencies, the greater use of cost-benefit analysis (including CBAX), and independent Panel advice will help Ministers make these decisions.
12. Four Year Plans are the backbone of the Budget process, providing information on the pressures being faced, choices and trade-offs, and whether Ministers can have confidence that an agency can deliver increased value within existing funding. These plans can be updated post-Budget decisions.

## Key Dates

13. The following table summarises the key (indicative) dates in Budget 2017 that are set out in the body of this guidance. All requirements are due at 1 pm on the date indicated, unless specified otherwise.

## BUDGET SENSITIVE

Overall Budget Process	
14 December	Track 2 Budget initiatives and supporting material submitted in CFISnet. Ministers submit Budget initiative letters outlining Track 1 and Track 2 initiatives to the Minister of Finance.
25 January	Business Growth Agenda Peer Review Process occurs.
31 January	Track 1 Budget initiatives and supporting material submitted in CFISnet. All Budget initiatives received after this point are considered late and require Budget Ministers' approval to be included in the process ( <i>see section 7 of the 2017 Budget Guidance</i> ).
27 February – 3 March	(Capital) Investment Panel convened.
27 February – 1 March	Social Investment Panel convened.
24 April – Budget Day	<b>Moratorium</b> on Cabinet, Cabinet Committees and joint Ministers approving any financial recommendations.
Budget Cabinet Papers	
<i>Technical Budget 2017 Package</i>	
17 March	Technical initiatives should be entered into CFISnet as soon as possible, but no later than 17 March.
22 March	Financial recommendations are due for all Votes.
<b>10 April</b>	<b>Cabinet considers the Technical Budget 2017 package.</b>
<i>Significant Budget 2017 Package</i>	
30 March	Financial recommendations are due for most Votes at 1pm on 30 March.
6 April	For Votes with decisions outstanding at 30 March, final financial recommendations are due at 1pm on 6 April.
<b>24 April</b>	<b>Cabinet considers the Significant Budget 2017 package.</b>
Summary of Budget 2017 Initiatives Document	
20 February	The finalised titles and descriptions are required from agencies.
Budget Day	Summary of Budget 2017 Initiatives Document released.
Specific Fiscal Risks	
10 March	Agencies must advise their Treasury Vote Team of all changes to the status of the fiscal risks (since 2016 HYEFU) <b>and</b> any new matters which may materially effect on the economic and fiscal outlook.
26 April	The Statement of Representation is due with the Treasury for Forecasting Departments
Estimates Documents	
23 March	Estimates and Supplementary Estimates documents on CFISnet on this date will receive an initial review by the Treasury.
<i>Tranche 1 – Votes which have no initiatives in Budget 2017</i>	
5 April	Deadline for submission to Appropriation Minister.
6 April	<b>Deadline for submission to the Minister of Finance.</b>
<i>Tranche 2 – Votes which have Budget initiatives</i>	
11 April	Deadline for submission to Appropriation Minister.
12 April	<b>Deadline for submission to the Minister of Finance.</b>
<i>Tranche 3 – Forecasting departments or Votes requiring change following Cabinet's consideration of the Budget package</i>	
28 April	Deadline for submission to Appropriation Minister.
2 May	<b>Deadline for submission to the Minister of Finance.</b>
Appropriation Bills	
7 April	Agencies with revenue-dependent appropriations approved by the Minister of Finance upload completed the template.

## BUDGET SENSITIVE

# Roles and Responsibilities

## Underlying Principles for Relationships between Key Players

14. A successful Budget is characterised by effective relationships and communications between the key players. Below are some important elements to achieve this:
- working through different perspectives
  - a 'no surprises' approach to the provision of advice, and
  - the provision of 'free and frank' advice to Ministers by officials.

## Minister of Finance

15. The Minister of Finance's role is to:
- develop and reach agreement on the Government's fiscal targets and the resulting Budget Strategy
  - manage competing priorities to ensure that the Budget package meets the Government's fiscal and wider policy goals agreed by Cabinet, and
  - help ensure the value for money of government expenditure.

## Ministers

16. Ministers play a key role in the Budget process. On an individual level, with assistance from their Chief Executives, they identify priorities for their departments to deliver on. From a collective perspective (ie, through Cabinet), they agree on the Budget Strategy, the priorities the Government seeks to achieve and the final Budget package.

## Agencies

17. Departments provide advice to Ministers on:
- the key outcomes that the Minister might want the department to pursue over the medium-term and their relative priority (consistent with the Budget Policy Statement)
  - whether the existing outputs and other expenses will be the most efficient and effective ones to achieve those outcomes and what alternatives could be considered
  - whether the entities in the Vote have the right capability to deliver the outputs, and
  - the main risks and how to manage these.

## BUDGET SENSITIVE

### The Treasury

18. The Treasury plays a number of different roles through the Budget process. Agencies will mainly interact with their Vote teams, the Fiscal Reporting team and CBAX team and their points of contact remain extant. The wider roles include co-ordinating the budget process, providing fiscal forecasts, publishing the Crown accounts, and producing the various Budget documents.
19. Vote teams will carry out two main roles:
  - an **“assist” role**, where they work alongside departments in the strategic phase of the Budget, and in updating baseline information. Vote teams provide the link between agencies, other Treasury teams and the Minister of Finance. Vote teams are an agency’s first point of contact at any stage in the process, and
  - an **“assess” role**, where they provide advice to the Minister of Finance on a range of topics, such as the value for money of initiatives and whether initiatives align with Government priorities as well as advice to Budget Ministers on Four Year Plans and individual Budget initiatives, among others.

## The Budget Process

20. Once Budget initiatives have been submitted, the following steps remain in the Budget 2017 process:
  - Budget Decisions on individual initiatives.
  - The March Baseline Update.
  - The Budget Economic and Fiscal Update.
  - Production of the Budget documents (Estimates and Supplementary Estimates, and their Supporting Information).
  - Preparation and introduction of the Appropriation Bills.
  - Preparation of media statements for Ministers.
  - Proactive Release

## Budget Decisions Phase

### Budget Ministers

21. A group of Budget Ministers, currently made up of the Prime Minister, Minister of Finance and the Associate Ministers of Finance, will meet over February and March to:
  - Take decisions on individual Budget initiative proposals; informed by the Four Year Plans which have been submitted and where appropriate CBAX assessments and various Panel advice.



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- Agree to a final consolidated Budget package. **This package is likely to be taken to Cabinet on 24 April for consideration.**
22. Changes that fall within the criteria set out in Cabinet Office Circular (15) 4 should be progressed through the March Baseline Update and not through the initiatives module. Treasury will remove any initiative from the module that should be progressed through the March Baseline Update.

### Budget Initiatives

23. Track 2 Budget initiatives should have been uploaded into CFISnet on **14 December**.
24. Track 1 Budget initiatives are to be uploaded into CFISnet by **31 January**.
25. The requirements outlined in this Treasury Circular apply to **both Track 1 and Track 2 initiatives**.
26. The *Budget 2017: Process and Strategy* Cabinet paper [CAB-16-MIN-0496 refers] introduced a new requirement for all late initiatives (received from 31 January 2017). Ministers with late initiatives must submit a request for approval to be included for consideration from Budget Ministers.
27. This requirement will allow for greater scrutiny of late initiatives and reduce the risk of low value proposals being supported with limited analysis and oversight. Further information is available at section 7 of the Budget 2017 Guidance.

### Summary of Initiatives in Budget 2017 Document

28. As introduced in Budget 2016, the Treasury will be publishing a document on Budget day, the *Summary of Initiatives in Budget 2017*, which provides the title and description of every approved initiative (with the exception of those provided for in contingency).
29. For each agreed Budget initiative (except those provided for in contingency) the document will contain the title of the initiative, the agreed funding, and a description of what this funding is for. This information will be drawn from the Budget initiatives module in CFISnet. Therefore, it is very important that agencies provide high quality titles and descriptions.
30. To improve the process and reduce the number of changes at critical points late in the Budget process, the due date for finalised initiative title and descriptions has been brought forward in Budget 2017; these will be due on **Monday 20 February**. This will allow initiative titles and descriptions to be finalised in the CFISnet Budget initiatives module (CFISnet > Baselines > Budget Initiatives > Initiatives Entry) before agencies complete their financial recommendations.<sup>1</sup>
31. We recommend agencies review the *Summary of Initiatives in Budget 2016* document (<http://www.treasury.govt.nz/budget/2016/summary-initiatives>), released in Budget 2016 for examples of good titles and descriptions.
32. High quality means:

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<sup>1</sup> The titles and descriptions input into the Budget initiative module in CFISnet automatically flow through to the financial recommendations module.

## BUDGET SENSITIVE

- Meaningful titles in plain English. (Good examples from previous Budgets include: “*Managing our borders: Screening departing passengers*”, “*Implementation of the Social Housing Reform Programme*” and “*Completion of the Twin Coasts Cycle Trail*”.)
- Meaningful first word/beginning for titles. Initiatives are listed alphabetically in the *Summary of Initiatives in Budget 2017* document and it is important that the first word in the title distinguishes it from other initiatives. (For example, the use of words such as “*increasing*”, “*additional*” and “*establishing*” should be avoided).

In Budget 2016, this was overcome in some instances by reordering the title to lead with the service/programme eg. “*Intensive Wraparound Service – Increasing Access*”.

- No jargon, abbreviations or acronyms. (Commonly used acronyms understood by the general public, e.g. GST, are acceptable; public sector specific abbreviations, e.g. MBIE, CYF, DHB, TEC, EPA, MFAT etc, are not.)
  - Descriptions should provide explanation of the purpose of the funding and the outcome intended to be achieved. We have extended the character limit in CFISnet to ensure agencies have enough space to adequately describe initiatives.
  - The stem statement for the descriptions are to begin with “*This funding will...*” or “*This initiative will...*”. Where the initiative is a business-as-usual pressure, the stem statement is to begin with “*This **additional** funding will...*”.
  - Descriptions should, where relevant, provide contextual information, e.g., ‘*this funding contributes to an existing programme that currently receives \$x million per annum*’.
  - For business-as-usual initiatives, the title and description is to provide context to the service, programme, agency that it is relevant to. This is necessary as the initiatives *with the description* are listed in alphabetic order rather than grouped by Vote or package. (For example, in Budget 2016, see the *Crown Prosecution Services – Sustainable Funding*).
33. Note that agencies are not required to update the Budget initiative templates or supporting information submitted to Treasury to match any changes made to titles and descriptions in CFISnet.
34. We recommend agencies work with their communications teams to ensure the titles and descriptions are appropriate and can be understood by a member of the public.
35. Ministerial press secretaries will be provided the list of initiatives titles and descriptions at the same time they are provided information to write press releases. We recommend that you test the titles and descriptions with your Minister’s Office **ahead of time** to ensure they are comfortable with the wording.
36. If there are any disputes about wording the Treasury, in conjunction with the Minister of Finance’s Office, has the final call.

## BUDGET SENSITIVE

### Uploading initiatives for Budget 2017

37. Initiatives are entered into CFISnet via the Baselines / Budget Initiatives / Initiatives Entry module.
- Initiatives are assessed by Vote Analysts, independent expert Panels, supporting ministerial groups and then by Budget Ministers.
  - More substantive and supporting information should be provided to Vote Analysts and should be uploaded into CFISnet through the relevant initiative. All initiatives require a supporting Budget Initiative Summary Template. In most instances a CBA template and a CBAX assessment will be required for all initiatives, unless exempt. BGA initiatives can provide a CBAX assessment where feasible and appropriate.
  - Agencies should enter numbers into the initiatives module based on the Operating Balance and/or Debt Impact of the initiative for each year, which could be different to the changes to appropriations.
  - Where appropriate, agencies that seek to reprioritise funding across appropriations and years (and are fiscally-neutral) should be aggregated into a single “reprioritisation” initiative.
  - Ensure that any offsetting savings for each initiative is entered into the “savings/revenue” line in the initiatives module. Fiscally-neutral items (eg, reprioritisation) should have numbers entered into both the “gross” and “savings/revenue” line (which should net out to zero over the forecast period).
  - Agencies that are seeking new funding should enter the initiative – even if it is being sponsored by another Minister.
  - If the initiative is across Votes, all relevant Votes should enter an initiative for the funding required for their Vote (cross-Vote initiatives should have the same title).
  - More information on the initiatives module and definitions of the choices available under “Initiative Type” is available in CFISnet Help.

### Significant or Technical Budget Initiatives

38. As established in Budget 2015, we will continue to run two processes for Budget initiatives – a process for “significant” initiatives and a process for “technical” initiative.
39. **Technical initiatives** are those initiatives that:
- do not seek new funding from the centre over the five year forecast period, and,
  - do not carry significant policy implications.
40. **Significant initiatives** are those initiatives that do seek new funding from the centre over the five year forecast period, and/or do carry significant policy implications. This includes significant policy changes that are fiscally neutral (eg, funded through reprioritisation).

## BUDGET SENSITIVE

41. When entering Budget initiatives into CFISnet, significant Budget initiatives should be selected as “significant” in the Priority Area dropdown depending on whether net new funding is being requested, and its policy implications. By default, all initiatives are classified as “significant”.
42. Technical initiatives should be entered into CFISnet as soon as possible, but no later than **17 March** (following outcomes of the March Baseline Update).
43. **The technical initiative package is likely to be taken to Cabinet on 10 April for consideration.**

### Financial Recommendations

44. Departments should have already entered all Track 2 Budget initiatives to CFISnet, on **14 December**. Track 1 Budget initiatives are due on **31 January**. Initiatives will be considered by Budget Ministers during February and March.
45. Financial recommendations sign off sheets for Chief Financial Officers can be found in Annexes 1 and 2.

### Technical Budget Initiatives

46. The technical Budget initiative proposal Cabinet paper is prepared by Treasury, and includes a large number of financial recommendations for every agreed technical Budget Initiative proposal.
47. These recommendations are completed by departments in CFISnet. Financial recommendations are due for all Votes at **1pm on 22 March**.
48. As above, CFISnet will advise when the Recommendations module is ready for agencies to complete their financial recommendations. The financial recommendations in the final Budget Cabinet paper are generated automatically from the recommendations that agencies complete in CFISnet. Therefore, financial recommendations must be correctly drafted.
49. Because of the limited time available in the production schedule, the Treasury will **not** be proofing the financial recommendations prior to Cabinet. Agencies will need to QA their own recommendations to ensure they are of Cabinet minute quality.
50. Any specific questions about technical issues or the wording of financial recommendations should be directed to your Vote analyst. Further guidance on how to enter financial recommendations into CFISnet is available on the CFISnet Help page under ‘Baselines’ > ‘Recommendations’.

### Significant Budget Initiatives

51. The final Budget package Cabinet paper is prepared by Treasury, and includes financial recommendations for every agreed significant Budget Initiative proposal. These recommendations are completed by agencies in CFISnet.
52. Financial recommendations are due for most Votes at **1pm on 30 March**. For Votes with decisions outstanding at 30 March, final financial recommendations are due at **1pm on 6 April**.

## BUDGET SENSITIVE

53. CFISnet will advise when the Recommendations module is ready for agencies to complete their financial recommendations.
54. If Budget Ministers agree to an agency's Budget initiative either in full or scaled, the Treasury will enter the recommended funding into CFISnet. This will then allow agencies to generate financial recommendations that reconcile against the agreed funding.

### Budget Moratorium

55. There will be a moratorium on Cabinet, Cabinet Committees and joint Ministers approving any financial recommendations after Cabinet agrees the final Budget package (expected to be **Monday 24 April**) until Budget Day.
56. Departments must not submit any papers to Cabinet or Joint Ministers with financial implications during this period. The moratorium exists so that the Budget documents and legislation accurately reflect the fiscal implications of all Government decisions.

### March Baseline Update

57. The March Baseline Update (MBU) is a technical update, and allows agencies to update baselines to reflect Cabinet and joint Ministerial decisions that have taken place since the last baseline update in October. The MBU must not include proposals seeking new funding, or carrying significant policy implications. Any such proposals are to be considered in the Budget Decisions process described above.
58. The Treasury has released guidance on MBU 2017 alongside this guidance. Please refer to Treasury Circular 2016/14 for further details.

## Budget Economic and Fiscal Update (BEFU)

### Forecasts

59. The Minister of Finance is required by law to table an Economic and Fiscal Update on Budget Day. The BEFU includes the Treasury's overall economic forecasts and the forecast financial statements of the Government. These forecasts are important for helping Parliament and the public understand the state of the Government's finances and their likely future performance, as well as informing how much the Government needs to borrow.
60. It is imperative, therefore, that the forecast financial statements that agencies provide to the Treasury represent their best estimates. Appropriation amounts are not a suitable proxy for spending forecasts because appropriations represent upper spending limits, not best estimates of actual spending.
61. An indicative timetable for this Update is included in the covering Treasury Circular. Further guidance and instructions on completing the fiscal forecasts will be provided by the Treasury early in 2017.

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### Specific Fiscal Risks

62. Under the Public Finance Act 1989 (PFA), the BEFU must also incorporate to the fullest extent possible, all Government decisions and other circumstances that may have a material effect on the fiscal and economic outlook. These are known as fiscal risks – ie, items that could positively or negatively affect the economy or Government balance sheet, if they occur.
63. The Treasury compiles the list of fiscal risks, based on information that departments provide at each Economic and Fiscal Update (EFU). The most recent EFU was the Half Year Economic and Fiscal Update (HYEFU), published in December 2016.

### Deadlines for Specific Fiscal Risks

64. Agencies must advise their Treasury Vote Team by **10 March** of all changes to the status of the fiscal risks for their department published in the 2016 HYEUFU **and** any new matters of which they are aware that may have a material effect on the economic and fiscal outlook.
65. Agencies must also certify in their Statement of Representation that they have disclosed to the Treasury all matters in the Votes for which they are responsible that may have a material effect on the fiscal and economic outlook.

### Disclosure of Specific Fiscal Risks

66. Items should be disclosed to the Treasury where:
  - the matter will have an impact of more than \$10 million in any one year, and
  - it is **reasonably possible** that the matter will be approved or occurs. ‘Realistically possible’ is to be taken to mean that in the judgement of the department, the event has more than a 20% chance of being approved or occurring during the forecast period.
67. The fiscal impacts of decisions that have already been taken should be included in agencies’ forecast financial schedules. Only matters for which a decision has not yet been taken, or for which a decision is not required are to be disclosed through the Fiscal Risks reporting process.
68. If agencies are in doubt as to whether or not to disclose a matter to the Treasury, they should disclose it. Matters to be disclosed include (amongst others):
  - Matters relating to Crown entities for which the department has monitoring responsibilities.
  - Matters funded by 3rd party revenue for which the Crown may have a liability should the revenue collected be insufficient to maintain services.
  - Matters that were previously not disclosed as they failed to meet the “under active consideration” criteria.
  - Matters that were previously disclosed as Time Limited Funding.

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69. The following information should be provided to Treasury Vote Teams by departments for each new matter identified (not more than one page for each matter):
- A title that is concise but sufficiently informative to both uniquely identify the matter and provide an indication of its substance. The title should be of a standard that could be published in an Economic and Fiscal Update (EFU).
  - A description that provides a similar degree of information previously provided for Specific Fiscal Risks (SFRs). The description should concisely (in 5-10 lines) describe the nature of the matter, what actions the Government is taking or planning to address the matter, and the impact the matter would have on the operating balance and/or debt. The description is to be of a standard that could be published in an EFU. For unchanged risks that have previously been published, the description should match what has been published in previous EFUs.
  - Likely operating and capital costs across the forecast period (and beyond if appropriate) and where possible the specific years the costs would be assigned to.
  - For matters requiring decision:
    - How far advanced the policy work is.
    - How aligned the matter is to Government priorities.
    - What indications of support for the matter the Government has made (including public announcements).
    - Any lack of discretion around the matter.
  - For matters not requiring decision:
    - Any signals from the Government that the matter will occur (including public announcements).
    - The department's past experience and precedents in this area or with similar matters.
    - Any lack of discretion around the matter (eg, legislated entitlements).
  - Whether the matter should be considered for exclusion from the EFU on the basis of the grounds set out in section 26V of the PFA as disclosure is likely to:
    - Prejudice the substantial economic interests of New Zealand; or
    - Prejudice the security or defence of New Zealand or the international relations of the government; or
    - Compromise the Crown in a material way in negotiation, litigation, or commercial activity; or
    - Result in material loss of value to the Crown.

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- Whether or not the Minister of Finance (or his office) has been advised of the matter, and if he has, how this was done (Cabinet paper, discussion document, aide memoire, e-mail etc).
70. Once this information has been collected from departments, an internal Treasury Risks Committee assesses and recommends to the Secretary of the Treasury which matters should be disclosed in the BEFU. The following types of matters are generally not disclosed:
- Matters that fail to meet the materiality threshold (ie, are less than \$100 million over five years).
  - Matters that are unlikely to be approved or occur over the next five years.
  - Matters whose disclosure could:
    - Prejudice the substantial economic interests of New Zealand
    - Prejudice the security or defence of New Zealand or the international relations of the Government
    - Compromise the Crown in a material way in negotiation, litigation or commercial activity, or
    - Result in a material loss of value to the Crown.

# Production of 2017/18 Estimates and 2016/17 Supplementary Estimates

## Overview for Estimates and Supplementary Estimates

71. The *Estimates* and supporting information provide information to Parliament on the appropriations the Government is seeking for 2017/18 through the Budget and what those appropriations will be used for.
72. The *Supplementary Estimates* and supporting information reflect changes to 2016/17 appropriations since the 2016/17 Estimates were tabled in Parliament.
73. Departments should read and be familiar with the detailed information and instructions on the format and content changes to both the *Estimates* and *Supplementary Estimates* which are available in the following documents:



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Document	Content	Link
Estimates, Supplementary Estimates and their Supporting Information: Technical Guide for Departments	Sets out the purpose and content requirements for the Estimates, Supplementary Estimates and their Supporting Information for Budget 2017.	<a href="http://www.treasury.govt.nz/publications/guidance/planning/estimates/tech-est">http://www.treasury.govt.nz/publications/guidance/planning/estimates/tech-est</a>
Annotated mock-up of the 2017/18 Estimates template	Shows how information should be presented in the 2017/18 Estimates	<a href="http://www.treasury.govt.nz/publications/guidance/planning/estimates/">http://www.treasury.govt.nz/publications/guidance/planning/estimates/</a>
Annotated mock-up of the 2016/17 Supplementary Estimates template	Shows how information should be presented in the 2016/17 Supplementary Estimates	<a href="http://www.treasury.govt.nz/publications/guidance/planning/estimates/">http://www.treasury.govt.nz/publications/guidance/planning/estimates/</a>
Style Guide for Estimates and Supplementary Estimates of Appropriations and Supporting Information	Guidance on how to prepare accurate and consistent Estimates documents.	<a href="http://www.treasury.govt.nz/publications/guidance/planning/estimates/style">http://www.treasury.govt.nz/publications/guidance/planning/estimates/style</a>

### Review of Estimates Documents by the Treasury

74. Agencies are expected to be engaging with their Vote analysts and their Ministers' Office throughout the process to ensure all feedback is taken on board and issues resolved promptly.
75. The Treasury will do an initial review of the Estimates and Supplementary Estimates documents based on what is in CFISnet as at **23 March**. These documents should be as 'near final' as possible, as this review provides opportunity for agencies to receive early feedback for improvement (or omissions) before their Minister formally signs-off the documents. The focus of this initial feedback is primarily on the statements, explanations and structure of these drafts and common problems; at this stage it is not a comprehensive proof-read or review of the numbers.

### Sign-off of Estimates Documents by Ministers

76. Agency Chief Executives are responsible to the Minister(s) for the quality and accuracy of the Budget documents prepared by their departments (ie, Estimates and Supplementary Estimates). This includes factual accuracy (eg, output classes are correctly specified) and technical accuracy (eg, the numbers include all the decisions made to date, and they reconcile).
77. Ministers responsible for appropriations in a Vote must provide a sign off to the Minister of Finance that the *Estimates* and *Supplementary Estimates* documents are accurate and ready for publishing. The Treasury can then compile them directly from CFISnet for printing, after Cabinet has taken decisions on the Budget. The relevant sign-off sheets are attached as **Annexes 3 – 6**.
78. Each Estimates and Supplementary Estimates sign-off sheet should be for one Vote. Where a Vote has more than one portfolio Minister responsible for different

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appropriations, the sign-off should be from one of those appropriation Ministers on behalf of all the Ministers responsible for these appropriations.

79. It is the agency's responsibility to ensure that their Minister, or another Minister with authority to approve the documents, is available to sign off all of the *Estimates* and *Supplementary Estimates* documents on or before the relevant deadlines. Please confirm to your Treasury Vote team when the Vote Minister has signed-off on the documents.
80. Please note that the version number of the *Estimates* and *Supplementary Estimates* that your Vote Minister signs off must be the same as the final version number of the *Estimates* and *Supplementary Estimates* submitted through CFISnet.
81. Ministers should also be seeking assurance from Chief Executives that the material being submitted is accurate and ready for forwarding to the Minister of Finance. Similarly, Chief Executives will be seeking similar assurances from the person within their agency responsible for preparing the agency's Estimates documents.

### Deadlines for submission to Ministers of Estimates Documents

82. Departments should submit all Estimates documents as soon as they are finalised to enable prompt processing. The production process will be split into three streams depending on whether the relevant Vote has Budget initiatives or is a forecasting department. These deadlines should be read as the final dates for submission – if your Estimates documentation is finalised earlier you should look to submit it earlier.

	Deadline for submission to Appropriation Minister	Deadline for submission to the Minister of Finance
<b>Tranche 1</b> – Votes which have no initiatives in Budget 2017	Wednesday 5 April	Thursday 6 April
<b>Tranche 2</b> – Votes which have Budget initiatives	Tuesday 11 April	Wednesday 12 April
<b>Tranche 3</b> – Forecasting departments or Votes requiring change following Cabinet's consideration of the Budget package	Friday 28 April	Tuesday 2 May

## Appropriation Bills (2017/18 Estimates and 2016/17 Supplementary Estimates)

83. All changes to appropriations agreed by Cabinet through the Budget must, by law, be agreed by Parliament in an Appropriation Act.
84. The Treasury, in conjunction with the Parliamentary Counsel Office, will compile the Appropriation (2017/18 Estimates) Bill and the Appropriation (2016/17 Supplementary Estimates) Bill after Cabinet has agreed to a final Budget package and after all agencies have loaded their Estimates documents into CFISnet.

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85. It is very important that all Estimates numbers loaded into CFISnet are correct as these are the numbers that will be used in compiling the legislation that will be introduced into Parliament. Once the legislation is finalised and introduced, changes are virtually impossible. It is important that the numbers receive adequate QA from departments, including checking actual outturns for the current financial year with the numbers for the current financial year in the Supplementary Estimates.
86. Agencies should also submit information for appropriations affected by Section 21 of the PFA.

### Revenue Dependent Appropriations (Section 21 of the PFA)

87. A Revenue Dependent Appropriation (RDA) is an output expense appropriation that allows an agency to incur expenses up to the amount of revenue earned by the agency from the supply of a specified class of outputs (as opposed to being funded by the Crown). Like all other appropriations, changes to RDAs – including the creation of new RDAs – must be reported to Parliament, so that they can be approved through the Appropriation Acts.
88. Agencies with revenue-dependent appropriations approved by the Minister of Finance should complete the template (available on CFISnet, under the 'Treasury Circulars' menu and as **Annex 7**) and upload to CFISnet so they can be listed in a schedule to the relevant Appropriation Bill. These completed templates must be uploaded by **7 April**.
89. When submitting the template, please include the document reference (eg, Cabinet Minute or letter) where the Minister of Finance approved the use of an RDA for each specified output class. Please email your Vote team once you have uploaded the template.
90. The completed templates can be uploaded through the Info > Document Sharing > Upload or Download a Document > "IFRS Info (FSG3, Elims, Stmt Reps, Contingent)" tabs. Please include 'section 21' in the comment field to allow the Treasury to identify the relevant documents. No response is considered a nil return. Vote teams will discuss the content of the submission with you in advance of the submission date.
91. The requirements and process for obtaining the Minister of Finance's approval for an RDA are set out in Treasury Circular 2007/05, available on CFISnet.

### Ministers Reporting Against Appropriations

92. Section 15C of the PFA now requires performance reporting for all departmental and non-departmental appropriations (excluding those for borrowing expenses and security and intelligence agencies) at year-end unless specifically exempted by the Minister of Finance.
93. The Estimates documents identify who reports against each appropriation and in which document.
94. For further information, refer the March Baseline Update circular for requesting exemptions from performance reporting and Treasury guidance for determining [Who Reports Performance Against Appropriations](#).

## BUDGET SENSITIVE

# Media Statements

95. The Minister of Finance's Office issues detailed guidance to Ministerial press secretaries on preparing media releases. This guidance is issued in April, soon after Cabinet signs off on the final Budget Package.
96. The main guidelines for presenting numbers in media releases are:
- **Show four-year totals:** For initiatives with ongoing costs, present the numbers as a four-year total (ie, showing the impact over 2017/18 to 2020/21). If there is a cost or saving in the current financial year (2016/17), then this should not be added to the four-year total, but referred to separately, for example:  
  
\$6.4 million over the next four years  
  
Or  
  
\$210,000 of funding in the 2016/17 financial year and \$6.4 million over the next four years.
  - **The only exception is if spending is time-limited:** For initiatives with funding that has a specific start and end date, present the numbers as a total for that specific period, for example:  
  
\$4.8 million over 2017/18 to 2019/20.
  - **For an initiative that has both ongoing operating and time-limited capital funding,** present the two separately, for example:  
  
\$6.4 million of operating funding over the next four years and \$3.9 million of capital funding in the next two years.
  - **Round to one decimal place:** Millions of dollars should be rounded to one decimal place:  
  
\$3.8 million, not \$3.760 million. The exception is when referring to amounts of less than \$1 million, where the figure should be presented in thousands, eg \$765,000.
97. The Budget Package Cabinet Papers and Minutes include an annex with the operating balance and/or debt impacts of all agreed initiatives. This document, and a template that will be completed by your Vote Analyst, should be used when drafting media releases to ensure consistency of numbers. A copy of the draft template can be found in **Annex 8**.
98. Contact your Treasury Vote team for further information about Budget information for the media, MPs and the public.

# Proactive Release

99. The Treasury proactively releases Budget-related documents every year about five weeks after Budget day. The purpose of the release is to cut down on the number of Official Information Act requests related to the Budget received by the

## BUDGET SENSITIVE

Minister of Finance, appropriation Ministers, the Treasury and departments. The release is also desirable for government transparency and public accountability.

100. The release includes all key documents that have been used in Budget decision-making, including:
- Budget reports
  - Budget Cabinet papers
  - Relevant Treasury Reports and Aide Memoires
  - Cabinet Minutes, including the main Budget paper and financial recommendations package, and
  - CBAx material.
101. It is expected that final Four Year Plans will be requested by Parliament select committees from departments shortly after Budget Day as part of their Estimates consideration. Agencies are responsible for liaising with their Minister in responding to this request and public release of their plans (with information withheld where applicable in accordance with the Official Information Act 1982).
102. The Treasury will provide further information on the process for the Budget 2017 proactive release in 2017.

## Guide to the Annexes

Annex No.	What	Due date	Who needs to use it
1	Budget 2017 Significant Financial Recommendations Chief Financial Officer Sign Off	<b>30 March or 6 April</b>	Departments with significant initiatives seeking Cabinet agreement to changes to appropriations in Budget 2017
2	Budget 2017 Technical Financial Recommendations Chief Financial Officer Sign Off	<b>22 March</b>	Departments with technical initiatives seeking Cabinet agreement to changes to appropriations in Budget 2017
3	2017/18 Estimates Chief Executive Sign Off	With Estimates documents	All departments
4	2016/17 Supplementary Estimates Chief Executive Sign Off	With Estimates documents	All departments
5	2017/18 Estimates Ministerial Sign Off	With Estimates documents	All departments
6	2016/17 Supplementary Estimates Ministerial Sign Off	With Estimates documents	All departments
7	Template for Section 21 Appropriations	<b>7 April</b>	Departments with output expense appropriations restricted by revenue (section 21)
8	Media Statements template	-	Departments whose Ministers wish to prepare media statements on Budget initiatives.

**BUDGET SENSITIVE**

**BUDGET SENSITIVE**

**ANNEX 1**

**BUDGET 2017 SIGNIFICANT INITIATIVES FINANCIAL RECOMMENDATIONS  
CHIEF FINANCIAL OFFICER SIGN OFF**

-----  
**Vote**

The Significant Financial Recommendations for the above Vote contain all decisions for Cabinet consideration as part of the 2017 Budget Package.

These have been completed in accordance with Financial Recommendations requirements as set out in Treasury Circulars and guides.

<b>Aspect</b>	<b>Check ( ✓ / ✗ )</b>
All applicable recommendations have been included and reflect decisions taken by Budget Ministers.	
For Votes that are receiving new funding, the initiative name and description clearly specifies what the money is allowed to be spent on.	
The new initiative is spelt correctly and has the appropriate capitals (use capitals for all words except for words such as of, it, to etc). <b>Note</b> that departments are able to change titles without changing the original budget initiative.	
The scope statement for any <b>new</b> appropriation/category begins with "This appropriation/category is limited to ....", and provides a clear legal boundary for the appropriation/category.	
Funding is going into the correct appropriations.	
Any implications for baselines outside the forecast period (ie, in outyears) are clearly documented in the recommendations.	
Where initiatives relate to more than one Vote, departments have coordinated their recommendations so that no information is missing or duplicated.	
Additional "non-standard" tables required by departments have been inserted.	
Revenue type is correct ('Revenue Other' for third parties; 'Revenue Department' where another department purchases the good/service; or 'Revenue Crown', and the <b>GST</b> implications are correct (ie, all financial recommendations should be GST exclusive).	
The impact statement is correct ("with a corresponding / no impact on the operating balance / debt").	

-----  
Name  
Chief Financial Officer

-----  
Signature

-----  
Date

Please forward this document to your Vote team no later than **1pm on 30 March**. If decisions are still outstanding on 5 April, please forward to your Vote team no later than **1pm on 6 April**. Your Vote team will advise you which deadline is relevant.

**BUDGET SENSITIVE**

**ANNEX 2**

**BUDGET 2017 TECHNICAL INITIATIVES FINANCIAL RECOMMENDATIONS  
CHIEF FINANCIAL OFFICER SIGN OFF**

-----  
**Vote**

The Technical Financial Recommendations for the above Vote contain all decisions for Cabinet consideration as part of the 2017 Budget Package.

These have been completed in accordance with Financial Recommendations requirements as set out in Treasury Circulars and guides.

<b>Aspect</b>	<b>Check ( ✓ / ✗ )</b>
All applicable recommendations have been included and reflect decisions taken by Budget Ministers.	
For Votes that are receiving new funding, the initiative name and description clearly specifies what the money is allowed to be spent on.	
The new initiative is spelt correctly and has the appropriate capitals (use capitals for all words except for words such as of, it, to etc). <b>Note</b> that departments are able to change titles without changing the original budget initiative.	
The scope statement for any <b>new</b> appropriation/category begins with "This appropriation/category is limited to ....", and provides a clear legal boundary for the appropriation/category.	
Funding is going into the correct appropriations.	
Any implications for baselines outside the forecast period (ie, in outyears) are clearly documented in the recommendations.	
Where initiatives relate to more than one Vote, departments have coordinated their recommendations so that no information is missing or duplicated.	
Additional "non-standard" tables required by departments have been inserted.	
Revenue type is correct ('Revenue Other' for third parties; 'Revenue Department' where another department purchases the good/service; or 'Revenue Crown', and the <b>GST</b> implications are correct (ie, all financial recommendations should be GST exclusive).	
The impact statement is correct ("with a corresponding / no impact on the operating balance / debt").	

-----  
Name  
Chief Financial Officer

-----  
Signature

-----  
Date

Please forward this document to your Vote team no later than **1pm on 22 March**.



## BUDGET SENSITIVE

### ANNEX 3

#### 2017/18 ESTIMATES CHIEF EXECUTIVE SIGN OFF

#### Template – Departmental certification letter to an appropriation Minister(s) for a Vote

[Date]

Hon [XXX]  
Minister of/for [XXX]  
BEEHIVE

Dear Minister

2017/18 Estimates Documents for Vote: [Vote name]

#### Action Required

Attached, for your approval are:

- the documentation for the 2017/18 Estimates and Supporting Information for [where there is more than one appropriation Minister, insert: “the appropriations that you are responsible for in”] [Vote name], and
- a draft letter to the Minister of Finance.

#### Background

The Budget 2017 process requires that:

- the Estimates documentation for [vote] is completed by [date], and

Either - when only one appropriation Minister is responsible for all of the appropriations in the vote, the following bullet should then be included:

- “as the appropriation Minister for all of the appropriations in the Vote, you confirm to the Minister of Finance that this material is correct and in a form suitable for publication.”

Or – when there is more than one appropriation Minister responsible for appropriations in the Vote, the following bullet should then be included:

- “one of the appropriation Ministers responsible for appropriations in the Vote, on behalf of all appropriation Ministers with appropriations in the Vote, confirm to the Minister of Finance that this material is correct and in a form suitable for publication.”

## BUDGET SENSITIVE

### The Estimates and Supporting Information Documents

I confirm that the information provided for your approval:

- is consistent with the policies and performance expectations of the government, and has been prepared in accordance with the Public Finance Act 1989
- is consistent with the proposed appropriations to be set out in the Appropriation (2017/18 Estimates) Bill, as entered by [department] into the Treasury's CFISnet system
- is consistent with existing appropriations, financial authorities, and Cabinet decisions up to [date]
- has been prepared in the required format, and in accordance with the guidance that has been issued by the Treasury
- has been appropriately reviewed by [department's] senior management team – with a particular focus on areas where new strategic information, such as statements about what an appropriation is intended to achieve, is now required, and
- has been through an appropriate quality assurance process and is free of material errors and omissions.

Either – when only one appropriation Minister is responsible for all of the appropriations in the vote, the following bullet should then be included:

*“The budget process requires that you review the Estimates documentation, and then confirm to the Minister of Finance that it is fit for publication.”*

Or – when there is more than one appropriation Minister responsible for appropriations in the vote, the following bullet should then be included:

*“As detailed below there are several appropriation Ministers associated with [vote]:*

- *Minister –list of appropriations*
- *Minister –list of appropriations*
- *Minister –list of appropriations*

*[...]*

*The Budget process requires that all appropriation Ministers review the Estimates documentation. One appropriation Minister, on behalf of all appropriation Ministers associated with the vote, should then confirm to the Minister of Finance that the Estimates documentation for the vote is fit for publication.”*

## BUDGET SENSITIVE

*“I understand the Ministers responsible for appropriations in [Vote name] have agreed that the Minister of/for [portfolio] will sign the attached letter to the Minister of Finance, on behalf of all appropriation Ministers. Accordingly, I recommend that once appropriation Ministers are comfortable with the material for the appropriations that they are responsible for, the Minister of/for [portfolio] sign the attached letter to the Minister of Finance.”*

### Recommendation

*Either – when only one appropriation Minister is responsible for all of the appropriations in the vote, the following recommendation should then be included:*

*“I recommend that you **sign** the attached letter to the Minister of Finance”*

*Or – when there is more than one appropriation Minister responsible for appropriations in the vote, the following recommendation should instead be included:*

*“I recommend that you **agree** with the other appropriation Ministers associated with the vote which Minister will **sign** the attached letter to the Minister of Finance.”*

Yours sincerely

[Chief Executive Signature]

[Chief Executive Title]

## BUDGET SENSITIVE

### ANNEX 4

#### 2016/17 SUPPLEMENTARY ESTIMATES CHIEF EXECUTIVE SIGN OFF

#### Template – Departmental certification letter to an appropriation Minister(s) for a Vote

[Date]

Hon [XXX]  
Minister of/for [XXX]  
BEEHIVE

Dear Minister

#### 2016/17 Supplementary Estimates Documents for Vote: [Vote name]

#### Action Required

Attached, for your approval are:

- the documentation for the 2016/17 Supplementary Estimates and Supporting Information for [where there is more than one appropriation Minister, insert: “the appropriations that you are responsible for in”] [Vote name], and
- a draft letter to the Minister of Finance.

#### Background

The Budget 2017 process requires that:

- the Estimates documentation for [vote] is completed by [date], and

*Either - when only one appropriation Minister is responsible for all of the appropriations in the vote, the following bullet should then be included:*

- *“as the appropriation Minister for all of the appropriations in the Vote, you confirm to the Minister of Finance that this material is correct and in a form suitable for publication.”*

*Or – when there is more than one appropriation Minister responsible for appropriations in the Vote, the following bullet should then be included:*

- *“one of the appropriation Ministers responsible for appropriations in the Vote, on behalf of all appropriation Ministers with appropriations in the Vote, confirm to the Minister of Finance that this material is correct and in a form suitable for publication.”*

## BUDGET SENSITIVE

### The Supplementary Estimates and Supporting Information Documents

I confirm that the information provided for your approval:

- is consistent with the policies and performance expectations of the government, and has been prepared in accordance with the Public Finance Act 1989
- is consistent with the proposed appropriations to be set out in the Appropriation (2016/17 Supplementary Estimates) Bill, as entered by [department] into the Treasury's CFISnet system
- is consistent with existing appropriations, financial authorities, and Cabinet decisions up to [date]
- has been prepared in the required format, and in accordance with the guidance that has been issued by the Treasury
- has been appropriately reviewed by [department's] senior management team – with a particular focus on areas where new strategic information, such as statements about what an appropriation is intended to achieve, is now required, and
- has been through an appropriate quality assurance process and is free of material errors and omissions.

Either – when only one appropriation Minister is responsible for all of the appropriations in the vote, the following bullet should then be included:

*“The budget process requires that you review the Estimates documentation, and then confirm to the Minister of Finance that it is fit for publication.”*

Or – when there is more than one appropriation Minister responsible for appropriations in the vote, the following bullet should then be included:

*“As detailed below there are several appropriation Ministers associated with [vote]:*

- *Minister –list of appropriations*
- *Minister –list of appropriations*
- *Minister –list of appropriations*

*[...]*

*The Budget process requires that all appropriation Ministers review the Estimates documentation. One appropriation Minister, on behalf of all appropriation Ministers associated with the vote, should then confirm to the Minister of Finance that the Estimates documentation for the vote is fit for publication.”*

## BUDGET SENSITIVE

*“I understand the Ministers responsible for appropriations in [Vote name] have agreed that the Minister of/for [portfolio] will sign the attached letter to the Minister of Finance, on behalf of all appropriation Ministers. Accordingly, I recommend that once appropriation Ministers are comfortable with the material for the appropriations that they are responsible for, the Minister of/for [portfolio] sign the attached letter to the Minister of Finance.”*

### Recommendation

*Either – when only one appropriation Minister is responsible for all of the appropriations in the vote, the following recommendation should then be included:*

*“I recommend that you **sign** the attached letter to the Minister of Finance”*

*Or – when there is more than one appropriation Minister responsible for appropriations in the vote, the following recommendation should instead be included:*

*“I recommend that you **agree** with the other appropriation Ministers associated with the vote which Minister will **sign** the attached letter to the Minister of Finance.”*

Yours sincerely

[Chief Executive Signature]

[Chief Executive Title]

## BUDGET SENSITIVE

### ANNEX 5

#### 2017/18 ESTIMATES MINISTERIAL SIGN OFF

##### Template - Ministerial certification to the Minister of Finance for a vote

[DATE]

Hon Steven Joyce  
Minister of Finance  
BEEHIVE 7.2

Dear Minister

##### **2017/18 Estimates: Ministerial Sign-off for Vote: [Vote]**

I advise that the *Estimates of Appropriation 2017/18 and Supporting Information* documents for [Vote], for which [name of department] is the administering department, have been completed - and that it is accurate and suitable for publication. I confirm that the information provided:

- is consistent with the policies and performance expectations of the government, and has been prepared in accordance with the Public Finance Act 1989
- is consistent with the proposed appropriations to be set out in the Appropriation (2016/17 Estimates) Bill, existing appropriations and financial authorities, and with Cabinet decisions up to [date]
- is provided in the required format, and has been prepared in accordance with the guidance that has been issued by the Treasury, and
- has been through an appropriate quality assurance process and is free of material errors and omissions.

[Where more than one portfolio Minister is responsible for different appropriations in the Vote the following bullet should also be added: *“has, where it relates to an appropriation that is the responsibility of another Minister, been approved by the Minister responsible for that appropriation”*]

In signing this statement, I acknowledge that I [and the other Ministers responsible for appropriations in this Vote] [am/are] responsible for the information for Vote [name] administered by [department's name] included in the *Estimates of Appropriations 2017/18 and Supporting Information*.

Yours sincerely

## BUDGET SENSITIVE

[Signature]

### Signature

The signature should be either:

- (i) Where the signing Minister is solely responsible for all of the appropriations contained in the Vote

*“Hon [Name]  
Minister of/for [portfolio]”*

- (ii) Or, Where more than one portfolio Minister is responsible for different appropriations in the Vote

*“Hon [Name]  
Minister of/for [portfolio]  
On behalf of all Ministers responsible for appropriations in Vote: [Vote name]”.*



## BUDGET SENSITIVE

### ANNEX 6

#### 2016/17 SUPPLEMENTARY ESTIMATES MINISTERIAL SIGN OFF

##### Template – Ministerial certification to the Minister of Finance for a vote

[DATE]

Hon Steven Joyce  
Minister of Finance  
BEEHIVE 7.2

Dear Minister

##### **2016/17 Supplementary Estimates: Ministerial Sign-off for Vote: [Vote]**

I advise that the *Supplementary Estimates of Appropriation 2016/17 and Supporting Information* documents for [Vote], for which [name of department] is the administering department, have been completed - and that it is accurate and suitable for publication. I confirm that the information provided:

- is consistent with the policies and performance expectations of the government, and has been prepared in accordance with the Public Finance Act 1989
- is consistent with the proposed appropriations to be set out in the Appropriation (2016/17 Supplementary Estimates) Bill, existing appropriations and financial authorities, and with Cabinet decisions up to [date]
- is provided in the required format, and has been prepared in accordance with the guidance that has been issued by the Treasury, and
- has been through an appropriate quality assurance process and is free of material errors and omissions.

[Where more than one portfolio Minister is responsible for different appropriations in the Vote the following bullet should also be added: “*has, where it relates to an appropriation that is the responsibility of another Minister, been approved by the Minister responsible for that appropriation*”]

In signing this statement, I acknowledge that I [and the other Ministers responsible for appropriations in this Vote] [am/are] responsible for the information for Vote [name] administered by [department's name] included in the *Supplementary Estimates of Appropriations 2016/17 and Supporting Information*.

Yours sincerely

## BUDGET SENSITIVE

[Signature]

### Signature

The signature should be either:

- (iii) Where the signing Minister is solely responsible for all of the appropriations contained in the Vote

*“Hon [Name]  
Minister of/for [portfolio]”*

- (iv) Or, Where more than one portfolio Minister is responsible for different appropriations in the Vote

*“Hon [Name]  
Minister of/for [portfolio]  
On behalf of all Ministers responsible for appropriations in Vote: [Vote name]”.*

**BUDGET SENSITIVE**

**ANNEX 7**

**SECTION 21 – EXPENSES RESTRICTED BY REVENUE OUTPUT CLASSES IN  
APPROPRIATION BILL – SUBMISSION TEMPLATE**

Instructions:

(1) Fill this table out if your department has revenue-dependent output expense appropriations (section 21). Check pages 15 – 16 for further details.

(2) **Upload** to CFISnet by **1pm on 7 April**.

List all existing s21 appropriations ie, those appearing in 2016/17 Core Estimates	Has the Minister of Finance approved the use of s21? Yes/No	Should it be included in the 2017/18 Core Estimates? Yes/No	Note any Vote/Name changes, and any other relevant information
List any new s21 appropriations for the 2016/17 Supplementary Estimates			
List any new s21 appropriations to appear in the 2017/18 Core Estimates			

## BUDGET SENSITIVE

### ANNEX 8: MEDIA STATEMENTS TEMPLATE

#### VOTE [X]

##### Headline Numbers:

##### **New Funding:**

(A) **Gross New funding (note this does not include new contingencies):**

[\$x]m operating over the next four years, plus [\$x]m in 2016/17

AND/OR

[\$x]m in new capital funding from the Capital Allowance [where applicable]

(B) **New Contingencies Established:**

[\$x]m operating over the next four years, plus [\$x]m in 2016/17

AND/OR

[\$x]m in new capital funding from the Capital Allowance [where applicable]

##### **Savings/Reprioritisation:**

(C) **Amount funded from existing contingencies:**

[\$x]m operating over the next four years, plus [\$x]m in 2016/17

AND/OR

[\$x]m capital expenditure [where applicable]

(D) **Other savings/reprioritisation:**

[\$x]m operating over the next four years, plus [\$x]m in 2016/17

AND/OR

[\$x]m capital expenditure [where applicable]

##### **Guidance notes:**

- Gross new funding is the up-front Budget spending excluding any contingencies established (and may be funded from new money and/or savings/reprioritisation).
- Please provide amounts for both operating and capital separately, do not sum them.

## BUDGET SENSITIVE

### **New Initiatives:**

[Initiative Title]  
[Initiative Description]

### **New Funding:**

#### **Gross New funding:**

[\$x]m operating over the next four years, plus [\$x]m in 2016/17

AND/OR

[\$x]m in new capital funding from the Capital Allowance [where applicable]

#### **New Contingency funding:**

[\$x]m operating over the next four years, plus [\$x]m in 2016/17

AND/OR

[\$x]m in new capital funding from the Capital Allowance [where applicable]

### **Savings/reprioritisation:**

#### **Amount funded from existing contingencies:**

[\$x]m operating over the next four years, plus [\$x]m in 2016/17

AND/OR

[\$x]m capital expenditure [where applicable]

#### **Other savings/reprioritisation:**

[\$x]m operating over the next four years, plus [\$x]m in 2016/17

AND/OR

[\$x]m capital expenditure [where applicable]

### **Additional Comments:**

- [any additional points that the Press Secretaries should be aware of]

#### **Guidance notes:**

- The above line items for the new initiatives should sum to the aggregate totals above
- If an initiative is time-limited, specify the period that the funding is for, e.g. 3 years.
- For initiatives with capital, specify both the capital amount (as a total over 10 years) and give the operating amount as a 4 year total.
- Please make any reprioritisation clear in the individual initiative information.
- The initiative description should be a brief 1-2 line description of the initiative.