

Appendix 1 - Step by step guide to creating FE3 in CBMS

Step-by-step guide to creating the FE3

To estimate the FE3 for 2025-26:

- a) take the ('FE2') 2023-2024 DCB or ACB estimate in CBMS as at the 2021-22 Budget
- b) exclude any temporary adjustments from the baseline that were part of ('FE2') 2023-2024 and add any new temporary adjustments
- c) include any permanent adjustments in the ('FE2') 2024-25 DCB or ACB estimate
- d) the above steps b) and c) derive the *adjusted appropriation base* after FE3 creation. Apply the efficiency dividend followed by indexation to the *adjusted appropriation base* to derive the *new appropriation base after indexation adjustment*
- e) input the 2025-26 DCB or ACB estimate into CBMS.

To identify temporary transfers, run the capital budget threshold report in CBMS:

Reports → Operational Reports → Estimates → Annual Estimates → AE.OR07 Annual Estimates
Capital Budget Reconciliation

The following tables provide examples of temporary and permanent adjustments in CBMS that could impact an entity's FE3 – these are not exhaustive lists of possible adjustments.

Examples of temporary adjustments in CBMS

Reason code	Reason name	Type of capital adjustment
1019	Self-balancing transfers – within year	One-off adjustments that have a nil impact on underlying cash and fiscal balances in the same year (i.e. reallocation between operating and capital).
1018	Approved movement of funds – between years	For one-off movements of funds of DCB or ACBs with authority.
1001	Government decision or measure	For new policy decisions taken by the Cabinet, Expenditure Review Committee (ERC) or the Prime Minister that are temporary in nature that are published as a measure.

Examples of permanent adjustments in CBMS

Reason code	Reason name	Type of capital adjustment
1019	Self-balancing transfers - within year	Ongoing adjustments with a nil impact on underlying cash and fiscal balances in same year (i.e. reallocation between operating and capital).
1020	Section 75 transfers between entities	Transfer of funds between NCEs due to a change in agency functions, usually through changed Administrative Arrangement Orders (i.e. a Machinery of Government (MoG) change).
1001	Government decision or measure	For new policy decisions taken by the Cabinet, ERC or the Prime Minister.