

Appropriation (2012/13 Financial Review) Bill

Government Bill

Explanatory note

General policy statement

It is a basic constitutional principle that the Government can spend public money and incur expenses and capital expenditure only in accordance with appropriations made by an Act of Parliament and in an otherwise lawful manner.

However, Parliament has, in the Public Finance Act 1989 (the **Act**), conferred limited authority on the Governor-General by Order in Council to vary appropriations made by Parliament, and on the Minister of Finance to approve expenditure in excess of an existing appropriation by Parliament. Any other unappropriated expenditure must be validated by an Appropriation Act.

Confirming Public Finance (Transfers Between Outputs) Order 2013

Section 26A of the Act authorises the Governor-General by Order in Council to direct that an amount appropriated in a Vote for an output expense be transferred to another output expense appropriation in that Vote. There are 3 restrictions. First, the transfer must not increase that appropriation for the financial year by more than 5%. Secondly, there must not have been any other transfer under section 26A of the Act to that appropriation during the financial year. Thirdly, the

total amount appropriated for all output expense appropriations for that Vote for the financial year must remain unaltered. A clause that confirms these Orders in Council must be included in an Appropriation Bill that applies to that financial year.

This Bill confirms the Public Finance (Transfers Between Outputs) Order 2013, which was made under section 26A of the Act (*clause 5*).

Confirming unappropriated expenditure

Section 4 of the Act prohibits the incurring of expenses or capital expenditure, except as expressly authorised by an appropriation, or other authority, by or under an Act. Sections 8 and 9 of the Act require appropriations to be limited to a specified amount and limited to the scope of the appropriation.

Section 26B of the Act authorises the Minister of Finance to approve the incurring of expenses or capital expenditure in the last 3 months of the financial year in excess, but within the scope, of an existing appropriation by Parliament. This is subject to a limit that is the greater of \$10,000 or 2% of the total amount appropriated for that appropriation by all Appropriation Acts for that financial year. The approval must be given not later than 3 months after the end of the financial year concerned. Expenses and capital expenditure incurred under the approval must be confirmed in an Appropriation Bill that applies to that financial year.

This Bill confirms expenses incurred for the 2012/13 financial year with the approval of the Minister of Finance under section 26B of the Act (*clause 6*). Details of these confirmations are set out in *Schedule 1*.

Validating unappropriated expenditure

Section 26C of the Act requires the incurring of expenses or capital expenditure without appropriation, or other authority, by or under an Act to be validated by an Act of Parliament.

During the 2012/13 financial year, some expenses and capital expenditure were incurred that were in excess, or outside the scope, of the relevant appropriation or were incurred without appropriation, or other authority, by or under an Act of Parliament. These expenses and capital expenditure fall into 2 categories: those that were incurred

under the authority of an Imprest Supply Act and those that were incurred without any such authority.

This Bill validates this unappropriated expenditure as follows:

- *clause 7* validates expenses incurred under the authority of an Imprest Supply Act. Details of these validations are set out in *Schedule 2*;
- *clause 8* validates expenses and capital expenditure incurred without the authority of an Imprest Supply Act. Details of these validations are set out in *Schedules 3 and 4*.

This Bill also validates expenses incurred for the 10 financial years from 2002/03 to 2011/12 (inclusive) by the Inland Revenue Department in respect of Vote Revenue without an appropriation (*clause 9*).

Validating excess net asset holding

During or at the end of the 2012/13 financial year, the net asset holding in the New Zealand Defence Force exceeded its most recent projected balance of net assets. This Bill validates that net asset holding (*clause 10*). Details of the validation are set out in *Schedule 5*.

Departmental disclosure statement

A departmental disclosure statement is not required for this Bill.

Clause by clause analysis

Clause 1 is the Title clause.

Clause 2 is the commencement clause. The Bill comes into force on the day after the date on which it receives the Royal assent.

Clause 3 states the purpose of the Bill, which is—

- to confirm financial matters relating to the 2012/13 financial year; and
- to validate other financial matters relating to the 2012/13 financial year and previous financial years.

Clause 4 is an interpretation clause.

Clause 5 confirms the Public Finance (Transfers Between Outputs) Order 2013. That order, which came into force on 30 June 2013, directed that fiscally neutral transfers be made decreasing the amounts appropriated for 11 output expense appropriations in 4 Votes and in-

creasing the amounts appropriated for 15 other output expense appropriations in the same 4 Votes.

Clause 6 confirms the incurring of expenses for the 2012/13 financial year in excess, but within the scope, of an existing appropriation in accordance with the approval of the Minister of Finance under section 26B of the Public Finance Act 1989. There are 4 instances in 4 Votes administered by 4 departments or Offices of Parliament of approved unappropriated expenses. These are set out in *Schedule 1*.

Clause 7 validates expenses that were incurred by a department in the 2012/13 financial year in excess of existing appropriations. These expenses were incurred under the authority of an Imprest Supply Act. The expenses validated by this clause are set out in *Schedule 2*. There are 3 instances in 3 Votes administered by 3 departments.

Clause 8 validates expenses and capital expenditure that were incurred by departments in the 2012/13 financial year in excess of existing appropriations or without appropriation, or other authority, by or under an Act. These expenses or capital expenditure were not incurred under the authority of an Imprest Supply Act.

The expenses that were incurred in excess of an existing appropriation are set out in *Schedule 3*. There are 7 instances in 4 Votes administered by 4 departments.

The expenses and capital expenditure that were incurred without appropriation, or other authority, by or under an Act are set out in *Schedule 4*. There are 6 instances in 4 Votes administered by 4 departments.

Clause 9 validates expenses incurred for the 10 financial years from 2002/03 to 2011/12 (inclusive) by the Inland Revenue Department in respect of Vote Revenue without an appropriation.

Clause 10 validates the amount of net asset holdings in the New Zealand Defence Force that exceeded, at the end of the 2012/13 financial year, its most recent projected balance of net assets (as set out in *Schedule 5*).

Hon Bill English

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The Parliament of New Zealand enacts as follows:

- 1 Title**
This Act is the Appropriation (2012/13 Financial Review) Act **2013**.
- 2 Commencement**
This Act comes into force on the day after the date on which it receives the Royal assent.
- 3 Purpose**
The purpose of this Act is to—
 - (a) confirm financial matters relating to the financial year ended 30 June 2013; and
 - (b) validate other financial matters relating to the financial year ended 30 June 2013 and previous financial years.
- 4 Interpretation**
In this Act, unless the context otherwise requires, the terms **benefit, capital expenditure, department, expenses, financial year, Office of Parliament, other expenses, output expenses, and Vote** have the meanings given to them by section 2(1) of the Public Finance Act 1989.

- 5 Confirmation of Order in Council directing transfer of amounts between output expense appropriations**
The Public Finance (Transfers Between Outputs) Order 2013 is confirmed.
- 6 Confirmation of expenses incurred in excess of existing appropriations and approved by Minister of Finance**
- (1) The incurring of expenses approved by the Minister of Finance under section 26B of the Public Finance Act 1989 for the financial year ended 30 June 2013 and described in **subsections (2) and (3)** is confirmed.
 - (2) The expenses are the expenses incurred in excess, but within the scope, of the existing appropriations set out in **column 3 of Schedule 1**.
 - (3) The approved expenses are shown in **column 4 of Schedule 1** alongside the existing appropriation for which the approval was given.
- 7 Validation of unappropriated expenses incurred with authority**
- (1) The incurring of expenses by a department in the circumstances set out in **subsection (2)** is validated.
 - (2) The circumstances are that—
 - (a) for the financial year ended 30 June 2013, the department incurred expenses in excess of the existing appropriation set out in **column 3 of Schedule 2** alongside that department; and
 - (b) the expenses referred to in **paragraph (a)** were incurred under the authority of an Imprest Supply Act.
 - (3) In this section,—
department means the department specified in **column 1 of Schedule 2**
expenses means the expenses set out in **column 4 of Schedule 2** alongside the department.

8 Validation of unappropriated expenses and capital expenditure incurred without authority

- (1) The incurring of expenses and capital expenditure by a department in the circumstances set out in **subsection (2)** is validated.
- (2) The circumstances are that—
 - (a) for the financial year ended 30 June 2013, the department incurred—
 - (i) expenses in excess of the existing appropriations set out in **column 3 of Schedule 3** alongside that department; or
 - (ii) expenses or capital expenditure without appropriation, or other authority, by or under an Act against the categories of expenses or capital expenditure set out in **column 3 of Schedule 4** alongside that department; and
 - (b) the expenses and capital expenditure referred to in **paragraph (a)** were not incurred under the authority of an Imprest Supply Act.
- (3) In this section,—

capital expenditure means the capital expenditure set out in **column 4 of Schedule 4** alongside the relevant department

department means a department specified in **column 1** of, as appropriate, **Schedule 3 or 4**

expenses means the expenses set out in **column 4** of, as appropriate, **Schedule 3 or 4** alongside the relevant department.

9 Validation of unappropriated expenses incurred without authority in respect of Vote Revenue

- (1) The incurring of expenses by the Inland Revenue Department in the circumstances set out in **subsection (2)** is validated.
- (2) The circumstances are that—
 - (a) the Inland Revenue Department incurred benefits or other unrequited expenses of—
 - (i) \$54.453 million for the financial year ended 30 June 2003; and
 - (ii) \$63.624 million for the financial year ended 30 June 2004; and

- (iii) \$76.186 million for the financial year ended 30 June 2005; and
 - (iv) \$96.354 million for the financial year ended 30 June 2006; and
 - (v) \$121.5 million for the financial year ended 30 June 2007; and
 - (vi) \$134.767 million for the financial year ended 30 June 2008; and
 - (vii) \$142.787 million for the financial year ended 30 June 2009; and
 - (viii) \$153.945 million for the financial year ended 30 June 2010; and
 - (ix) \$154.194 million for the financial year ended 30 June 2011; and
 - (x) \$157.615 million for the financial year ended 30 June 2012; and
- (b) each of the amounts specified in **paragraph (a)** was incurred for paid parental leave payments in respect of Vote Revenue without appropriation, or other authority, by or under an Act.

10 Validation of departmental net asset holding

- (1) The excess amount of net asset holding described in **subsection (2)** in a department is validated.
- (2) The excess amount of net asset holding is the amount of net assets, as set out in **column 3 of Schedule 5**, in the department that, during or at the end of the financial year ended 30 June 2013, exceeded the most recent projected balance of net assets for that department.
- (3) In this section,—
department means the department specified in **column 1 of Schedule 5**
most recent projected balance of net assets means the most recent projected balance of net assets for a department at the end of the financial year ended 30 June 2013—
 - (a) at the time when that projected balance was exceeded; and

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(b) as set out in **column 2 of Schedule 5**.

Schedule 1

s 6

**Confirmation of expenses incurred in excess of existing appropriations during
year ended 30 June 2013 with approval of Minister of Finance**

Column 1	Column 2	Column 3	Column 4
<u>Administering department</u>	<u>Vote</u>	<u>Appropriation</u>	<u>Expenses approved in excess of appropriation \$(000)</u>
Business, Innovation, and Employment, Ministry of	Science and Innovation	Departmental output expenses Advice and Support on Shaping the Science and Innovation System	448
Justice, Ministry of	Justice	Non-departmental output expenses Producing and Maintaining Electoral Rolls	202
Ombudsmen, Office of the	Ombudsmen	Departmental output expenses Investigation and Resolution of Complaints About Government Administration	167

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Schedule 1

Column 1	Column 2	Column 3	Column 4
Administering department	Vote	Appropriation	Expenses approved in excess of appropriation \$(000)
Statistics New Zealand	Statistics	Departmental output expenses Official Statistics	1,030

Schedule 2

s 7

**Validation of expenses incurred in excess of appropriations but with authority of
Imprest Supply Act during year ended 30 June 2013**

Column 1	Column 2	Column 3	Column 4
Administering department	Vote	Appropriation	Expenses in excess of appropriation \$(000)
Business, Innovation, and Employment, Ministry of	Housing	Benefits and other unrequited expenses	
		KiwiSaver Deposit Subsidy	1,595
Justice, Ministry of	Justice	Non-departmental output expense	
		Provision of Services from the Electoral Commission	677
Land Information New Zealand	Lands	Non-departmental other expenses	
		Proceeds from Sale of Transit NZ Properties	25,276

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Schedule 2

Schedule 3 **s 8(2)(a)(i), (3)**

Validation of expenses incurred in excess of appropriations and without authority of Imprest Supply Act during year ended 30 June 2013

Column 1	Column 2	Column 3	Column 4
Administering department	Vote	Appropriation	Expenses in excess of appropriation \$(000)
Business, Innovation, and Employment, Ministry of	Housing	Non-departmental other expenses	
		Increase in Debt Provision	2,180
Customs Service, New Zealand	Customs	Departmental output expenses	
		Clearance and Enforcement Services Related to Craft	724
		Clearance and Enforcement Services Related to Goods	420
		Clearance and Enforcement Services Related to Passengers and Crew	267
		Revenue Collection	71

Schedule 3

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Column 1	Column 2	Column 3	Column 4
Administering department	Vote	Appropriation	Expenses in excess of appropriation \$(000)
Inland Revenue Department	Revenue	Benefits and other unrequited expenses KiwiSaver: Kickstart Payment	3,762
Land Information New Zealand	Lands	Non-departmental other expenses Residual Crown Leasehold Rents	335

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Schedule 3

Schedule 4

s 8(2)(a)(ii), (3)

**Validation of expenses and capital expenditure incurred without appropriation
and without authority of Imprest Supply Act during year ended 30 June 2013**

Column 1	Column 2	Column 3	Column 4
<u>Administering department</u>	<u>Vote</u>	<u>Category of expenses or capital expenditure</u>	<u>Expenses or capital expenditure \$(000)</u>
Canterbury Earthquake Recovery Authority	Canterbury Earthquake Recovery	Non-departmental other expenses	
		Anchor Project Development Costs for the Urban Frame	975
		Impairment of Property, Plant and Equipment	8,688
		Impairment of Trade Receivables	479
Inland Revenue Department	Revenue	Benefits and other unrequited expenses	
		Paid parental leave payments	165,101

Schedule 4

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Column 1	Column 2	Column 3	Column 4
Administering department	Vote	Category of expenses or capital expenditure	Expenses or capital expenditure \$(000)
Land Information New Zealand	Lands	Departmental output expenses Land Disposal Services for Other Agencies	5
The Treasury	Finance	Non-departmental capital expenditure Crown Asset Management Limited (CAML) Equity Injection	30,167

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Schedule 4

Schedule 5**s 10****Validation of excess departmental net
asset holding during year ended 30 June
2013**

Column 1	Column 2	Column 3
	Most recent projected balance of net assets at 30 June 2013 at time when exceeded	Amount of net assets in excess of projected balance
Department	\$(000)	\$(000)
New Zealand Defence Force	5,586	742