

Appropriation (2013/14 Confirmation and Validation) 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 2014

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 those 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 2014, 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 2013/14 financial year with the approval of the Minister of Finance under section 26B of the Act (*clause 6*). Details of those 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 2013/14 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. Those expenses and capital expenditure fall into 2 categories: those that were in-

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

This Bill validates that unappropriated expenditure as follows:

- *clause 7* validates expenses incurred under the authority of an Imprest Supply Act. Details of those 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 those validations are set out in *Schedules 3 and 4*.

This Bill also validates expenses—

- incurred in the 2012/13 and 2013/14 financial years by Te Puni Kōkiri in respect of Vote Māori Affairs without an appropriation (*clause 9*). In those financial years, Te Puni Kōkiri paid the expenses of members of the Ngāti Whātua Ōrākei Reserves Board from an appropriation that related to the now-repealed Orakei Act 1991. It is anticipated that an appropriation will be sought in the 2014/15 Supplementary Estimates for members' expenses incurred in the 2014/15 financial year to be paid in accordance with clause 6 of Schedule 4 of the Ngāti Whātua Ōrākei Claims Settlement Act 2012:
- incurred in the 2002/03 financial year by the Inland Revenue Department in respect of Vote Revenue without an appropriation (*clause 10*). Section 9 of the Appropriation (2012/13 Financial Review) Act 2014 validated some, but not all, of the expenses incurred by the Inland Revenue Department in the 2002/03 financial year in relation to paid parental leave payments without an appropriation. This Bill validates the expenses that were not validated by that Act:
- incurred in the 2012/13 financial year by the Crown Law Office in respect of Vote Attorney-General without an appropriation (*clause 11*):
- incurred in the 2012/13 financial year by the Ministry of Business, Innovation, and Employment in respect of Vote Employment without an appropriation (*clause 12*).

Validating excess net asset holding

During or at the end of the 2013/14 financial year, the net asset holding in 2 departments exceeded their most recent projected balance of

net assets. This Bill validates those net asset holdings (*clause 13*). Details of the validations 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 2013/14 financial year; and
- to validate other financial matters relating to the 2013/14 financial year and previous financial years.

Clause 4 is an interpretation clause.

Clause 5 confirms the Public Finance (Transfers Between Outputs) Order 2014. That order, which came into force on 30 June 2014, directed that fiscally neutral transfers be made decreasing the amounts appropriated for certain output expense appropriations and increasing the amounts appropriated for certain other output expense appropriations.

Clause 6 confirms the incurring of expenses for the 2013/14 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. The expenses confirmed by this clause are set out in *Schedule 1*.

Clause 7 validates expenses that were incurred by departments in the 2013/14 financial year—

- without appropriation, or other authority, by or under an Act; but
- under the authority of an Imprest Supply Act.

The expenses validated by *clause 7* are set out in *Schedule 2*.

Clause 8 validates expenses and capital expenditure that were incurred by departments in the 2013/14 financial year—

- in excess of existing appropriations or without appropriation, or other authority, by or under an Act; and

- not under the authority of an Imprest Supply Act.
- The expenses and capital expenditure validated by *clause 8*—
- that were incurred in excess of an existing appropriation are set out in *Schedule 3*:
 - that were incurred without appropriation, or other authority, by or under an Act are set out in *Schedule 4*.

Clause 9 validates expenses incurred by Te Puni Kōkiri in the 2012/13 and 2013/14 financial years without appropriation, or other authority, by or under an Act.

Clause 10 validates expenses incurred by the Inland Revenue Department in the 2002/03 financial year without appropriation, or other authority, by or under an Act.

Clause 11 validates expenses incurred by the Crown Law Office in the 2012/13 financial year without appropriation, or other authority, by or under an Act.

Clause 12 validates expenses incurred by the Ministry of Business, Innovation, and Employment in the 2012/13 financial year without appropriation, or other authority, by or under an Act.

Clause 13 validates the amount of net asset holdings in departments that exceeded, at the end of the 2013/14 financial year, their most recent projected balance of net assets (as set out in *Schedule 5*).

Hon Bill English

**Appropriation (2013/14
Confirmation and Validation)
Bill**

Government Bill

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The Parliament of New Zealand enacts as follows:

- 1 Title**
This Act is the Appropriation (2013/14 Confirmation and Validation) Act **2014**.
- 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—
 - (a) to confirm financial matters relating to the 2013/14 financial year; and
 - (b) to validate other financial matters relating to the 2013/14 financial year and previous financial years.

4 Interpretation

- (1) In this Act, **2013/14 financial year** means the financial year ending with 30 June 2014.
- (2) Terms or expressions used and not defined in this Act but defined in the Public Finance Act 1989 have, in this Act, the same meanings as in 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 2014 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 2013/14 financial year 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 amounts of 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 the department in the circumstances set out in **subsection (2)** is validated.
- (2) The circumstances are that,—
 - (a) for the 2013/14 financial year, the department incurred expenses without appropriation, or other authority, by or under an Act (except as provided in **paragraph (b)**) against the categories of expenses 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 amount of 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 2013/14 financial year, the department incurred—

(i) expenses or capital expenditure 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 amount of capital expenditure set out in **column 4** of, as appropriate, **Schedule 3 or 4** alongside the relevant department

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

expenses means the amount of 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 Māori Affairs

(1) The incurring of expenses by Te Puni Kōkiri in the circumstances set out in **subsection (2)** is validated.

- (2) The circumstances are that—
 - (a) Te Puni Kōkiri incurred non-departmental other expenses of—
 - (i) \$7,000 for the financial year ending with 30 June 2013; and
 - (ii) \$7,000 for the 2013/14 financial year; and
 - (b) each of the amounts referred to in **paragraph (a)** was incurred for fees and travel of members of the Ngāti Whātua Ōrākei Reserves Board in accordance with clause 6 of Schedule 4 of the Ngāti Whātua Ōrākei Claims Settlement Act 2012 in respect of Vote Māori Affairs without appropriation, or other authority, by or under an Act.

10 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 and other unrequited expenses of \$2 million for the financial year ending with 30 June 2003; and
 - (b) the amount referred to in **paragraph (a)**—
 - (i) was incurred for paid parental leave payments in respect of Vote Revenue without appropriation, or other authority, by or under an Act; and
 - (ii) is in addition to the amount referred to in section 9(2)(a)(i) of the Appropriation (2012/13 Financial Review) Act 2014.

11 Validation of unappropriated expenses incurred without authority in respect of Vote Attorney-General

- (1) The incurring of expenses by the Crown Law Office in the circumstances set out in **subsection (2)** is validated.
- (2) The circumstances are that—
 - (a) the Crown Law Office incurred departmental output expenses of \$225,000 for the financial year ending with 30 June 2013; and

- (b) the amount referred to in **paragraph (a)** was incurred for the supervision and conduct of Crown prosecutions and appeals in respect of Vote Attorney-General without appropriation, or other authority, by or under an Act.

12 Validation of unappropriated expenses incurred without authority in respect of Vote Employment

- (1) The incurring of expenses by the Ministry of Business, Innovation, and Employment in the circumstances set out in **subsection (2)** is validated.
- (2) The circumstances are that—
 - (a) the Ministry of Business, Innovation, and Employment incurred departmental output expenses of \$230,000 for the financial year ending with 30 June 2013; and
 - (b) the amount referred to in **paragraph (a)** was incurred for policy advice and related outputs in respect of Vote Employment without appropriation, or other authority, by or under an Act.

13 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 2013/14 financial year, exceeded the most recent projected balance of net assets for that department.
 - (3) In this section,—

department means a 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 2013/14 financial year—

 - (a) at the time when that projected balance was exceeded; and
 - (b) as set out in **column 2 of Schedule 5**.
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Schedule 1

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**Confirmation of expenses incurred in
excess of existing appropriations during
2013/14 financial year with approval of
Minister of Finance**

Column 1 Administering department	Column 2 Vote	Column 3 Appropriation	Column 4 Amount \$(000)
Education, Ministry of	Education	Non-departmental output expenses	
		School Transport	297
		Non-departmental other expenses	
		Early Childhood Education	21,482

Schedule 2**s 7(2)(a), (3)****Validation of expenses incurred without
appropriation but with authority of
Imprest Supply Act during 2013/14
financial year**

Column 1 Administering department	Column 2 Vote	Column 3 Appropriation	Column 4 Amount \$(000)
Canterbury Earthquake Recovery Authority	Canterbury Earthquake Recovery	Non-departmental other expenses Reimbursement of interest costs incurred by Christchurch City Council	9,095

Schedule 3 **s 8(2)(a)(i), (3)**
**Validation of expenses and capital
expenditure incurred in excess of
appropriations and without authority
of Imprest Supply Act during 2013/14
financial year**

Column 1 Administering department	Column 2 Vote	Column 3 Appropriation	Column 4 Amount \$(000)
Business, Innovation, and Employment, Ministry of	Economic Development	Non-departmental capital expenditure Venture Investment Fund	4,481
	Labour	Departmental output expenses Health and Safety Services	2,982
Culture and Heritage, Ministry for	Arts, Culture and Heritage	Non-departmental output expenses Protection of Taonga Tūturu	126
Education, Ministry of	Education	Departmental output expenses Policy Advice	587
	Tertiary Education	Departmental output expenses Policy Advice	509

Schedule 3 **Appropriation (2013/14 Confirmation and Validation) Bill**

Column 1 Administering department	Column 2 Vote	Column 3 Appropriation	Column 4 Amount \$(000)
Internal Affairs, Department of	Internal Affairs	Non-departmental other expenses Digital Literacy and Connection	1,600
Pacific Island Affairs, Ministry of	Pacific Island Affairs	Departmental output expenses Policy Advice and Ministerial Servicing MCOA	175
Primary Industries, Ministry for	Food Safety	Departmental output expenses Assurance Standards	1,384 123
Treasury	Finance	Non-departmental other expenses Impairment of Loans to Taitokerau Forest Limited	61

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 2013/14
financial year**

Column 1 Administering department	Column 2 Vote	Column 3 Category of expenses	Column 4 Amount \$(000)
Business, Innovation, and Employment, Ministry of	Commerce	Non-departmental other expenses Write down of debts owed to the Crown	1,994
	Employment	Departmental output expenses Policy Advice and Related Outputs MCOA	656
Canterbury Earthquake Recovery Authority	Canterbury Earthquake Recovery	Non-departmental other expenses Loss on Valuation of Land	62,463
		Loss on Valuation of Land Held for Sale	606
		Movement in Demolition Debt Provision	4,003
		Movement in Provision for Vesting of Anchor Project Land	35,454
		Transaction and Demolition Costs of Anchor Project Land	24,955

Schedule 4 **Appropriation (2013/14 Confirmation and Validation) Bill**

Column 1 Administering department	Column 2 Vote	Column 3 Category of expenses	Column 4 Amount \$(000)
		Non-departmental capital expenditure	
		Christchurch Bus Interchange	3,093
Crown Law Office	Attorney- General	Departmental output expenses	
		Supervision and Conduct of Crown Prosecutions and Appeals MCOA	747
Inland Revenue Department	Revenue	Benefits and other unrequited expenses	
		Paid Parental Leave Payments	67,689

Schedule 5

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**Validation of excess departmental net
asset holdings during 2013/14 financial
year**

Column 1	Column 2	Column 3
Department	Most recent projected balance of net assets at 30 June 2014 at time when exceeded \$(000)	Amount of net assets in excess of projected balance \$(000)
Customs Service, New Zealand	136,780	38
Defence Force, New Zealand	5,279,585	259,252