

Imprest Supply (Second for 2013/14) Bill

Government Bill

Explanatory note

General policy statement

Imprest supply is the statutory mechanism that allows Parliament to provide the Government with the authority to incur expenses and capital expenditure in advance of appropriation by way of an Appropriation Act.

The Imprest Supply (First for 2013/14) Act 2013 provides the sole financial authority from the start of the 2013/14 financial year until the Appropriation (2013/14 Estimates) Bill is passed. In contrast, the Imprest Supply (Second for 2013/14) Bill seeks financial authority additional to that sought in the Appropriation (2013/14 Estimates) Bill.

This Bill is required to ensure the Government has sufficient supply to implement decisions taken after the 2013/14 Estimates were finalised and to meet any increases in demand-driven expenses or other risks or contingencies in excess of the amounts provided in the Appropriation (2013/14 Estimates) Bill.

The amounts this Bill seeks are intended to be sufficient to provide supply until 30 June 2014 for the incurring of expenses and capital expenditure in excess of the amounts appropriated in the Appropriation (2013/14 Estimates) Bill.

This Bill is repealed at the end of the 2013/14 financial year on 30 June 2014. Appropriations for expenses and capital expenditure incurred under the authority of this Bill must be sought in an Appropriation Act that comes into force on or before 30 June 2014. If this is not done, those expenses and capital expenditure will require validation in an Appropriation (Financial Review) Act in accordance with section 26C of the Public Finance Act 1989. Most of the expenses and capital expenditure that are incurred under this Bill will be appropriated in the Appropriation (2013/14 Supplementary Estimates) Bill. Anything that is not will be validated in the Appropriation (2013/14 Financial Review) Bill.

In this Bill, imprest is calculated separately for expenses and capital expenditure, except that the imprest sought for expenses in this Bill covers—

- expenses and capital expenditure to be incurred by intelligence and security departments; and
- expenses and non-departmental capital expenditure to be incurred under any multi-category appropriation (*see* clause 3 of Schedule 1 of the Public Finance Act 1989 as inserted by section 53 of the Public Finance Amendment Act 2013).

Imprest sought for expenses in this Bill covers—

- appropriations for output expenses:
- appropriations for benefits or other unrequited expenses:
- appropriations for borrowing expenses:
- appropriations for other expenses:
- appropriations for expenses and capital expenditure to be incurred by each intelligence and security department:
- multi-category appropriations (which may include output expenses, other expenses, and non-departmental capital expenditure).

Imprest sought for capital expenditure in this Bill covers appropriations for capital expenditure.

The amounts of supply for expenses and capital expenditure are calculated to include an allowance for Cabinet decisions made after the contents of the 2013/14 Estimates were finalised, provisions for increases in appropriations relating to fiscally neutral transfers (these require an appropriation and imprest supply authority, but

are matched by decreases in other appropriations), and a general contingency provision to cover risks that may eventuate.

The main components of the \$8,000 million of additional authority sought this year for expenses are—

- allowance for Cabinet decisions made after the contents of the 2013/14 Estimates were finalised; and
- fiscally neutral adjustments (including the establishment of multi-category appropriations), expense transfers from 2012/13, and demand-driven expense changes that may be required between appropriations, particularly in relation to changes in Votes Canterbury Earthquake Recovery, Health, and Social Development; and
- a contingency provision of around \$2,896 million for currently unforeseen expenses.

The main components of the \$5,500 million of additional authority sought this year for capital expenditure are—

- allowance for Cabinet decisions made after the contents of the 2013/14 Estimates were finalised; and
- provision for increases in appropriations relating to fiscally neutral adjustments and capital transfers from 2012/13, particularly in relation to changes in Votes Canterbury Earthquake Recovery, Finance, and Health; and
- a contingency provision of around \$2,436 million for currently unforeseen capital expenditure.

In addition, this Bill seeks approval for the net asset holdings of departments (other than intelligence and security departments) and Offices of Parliament to exceed the amounts confirmed in Schedule 5 of the Appropriation (2013/14 Estimates) Bill by no more than \$800 million in aggregate. The main components are—

- allowance for Cabinet decisions made after the contents of the 2013/14 Estimates were finalised; and
- a contingency provision of around \$503 million for currently unforeseen increases in net asset holdings.

Clause by clause analysis

Clause 1 is the Title clause.

Clause 2 states that the Bill comes into force on the day after the date on which it receives the Royal assent.

Clause 3 provides that the Bill is repealed on the close of 30 June 2014.

Clause 4 is a purpose provision. The purposes of the Bill are—

- to authorise expenses and capital expenditure to be incurred by the Crown and Offices of Parliament during the 2013/14 financial year in advance of appropriation by way of an Appropriation Act; and
- to enable the net asset holdings of departments (other than intelligence and security departments) and Offices of Parliament to exceed the amounts confirmed in the Appropriation (2013/14 Estimates) Act 2013.

Clause 5 is an interpretation provision.

Clause 6 seeks authority to incur expenses of up to \$8,000 million in advance of appropriation. For the purposes of this clause, expenses includes—

- expenses and capital expenditure to be incurred by each intelligence and security department;
- expenses and non-departmental capital expenditure to be incurred under multi-category appropriations (*see* clause 3 of Schedule 1 of the Public Finance Act 1989 as inserted by section 53 of the Public Finance Amendment Act 2013).

Clause 7 seeks authority to incur capital expenditure of up to \$5,500 million in advance of appropriation.

Clause 8 provides that all expenses and capital expenditure incurred under *clauses 6 and 7* must be appropriated in an Appropriation Act that comes into force on or before 30 June 2014. Until that Act comes into force, those expenses or that capital expenditure may be incurred as if they had been incurred in accordance with one of the separate appropriations specified in section 7(1) of the Public Finance Act 1989 (*see also* clause 3 of Schedule 1 of that Act).

Appropriations for amounts included in this Bill will be sought in the Appropriation (2013/14 Supplementary Estimates) Bill, or (if need be) the amounts will be validated in the Appropriation (2013/14 Financial Review) Bill.

Clause 9 seeks authority for the net asset holdings of departments and Offices of Parliament to exceed the amounts confirmed in the

Appropriation (2013/14 Estimates) Act 2013 (as those amounts are set out in accordance with section 23(1)(c) of the Public Finance Act 1989).

The aggregate of the net asset holdings of departments and Offices of Parliament that exceed the projected balance of net assets for those departments or Offices of Parliament at the end of the 2013/14 financial year (as set out in the Appropriation (2013/14 Estimates) Act 2013) together with the total net asset holding of any department that is not listed in that Act must not exceed the aggregate of the projected balance of net asset holdings of those departments and Offices of Parliament by more than \$800 million.

Clause 9 also specifies that, for the purposes of that clause, the amount of net asset holding in a department or an Office of Parliament does not include any operating surplus retained in accordance with section 22(1) of the Public Finance Act 1989 or any remeasurement as set out in section 22(2) of that Act.

Nothing in *clause 9* applies to intelligence and security departments because sections 22(3) and 23 of the Public Finance Act 1989 do not apply to those departments.

Section 22(3) of the Public Finance Act 1989 states that the amount of net asset holding in a department must not exceed the most recent projected balance of net assets for that department as set out in an Appropriation Act in accordance with section 23(1)(c) of the Public Finance Act 1989. Section 26E(1)(b) and (4) of the Public Finance Act 1989 means that section 22(3) of that Act also applies to Offices of Parliament. *Clause 9* overrides section 22(3) of the Public Finance Act 1989.

Hon Bill English

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The Parliament of New Zealand enacts as follows:

- 1 Title**
This Act is the Imprest Supply (Second for 2013/14) Act **2013**.
- 2 Commencement**
This Act comes into force on the day after the date on which it receives the Royal assent.

3 Repeal of this Act

This Act is repealed on the close of 30 June 2014.

4 Purposes

The purposes of this Act are—

- (a) to authorise expenses and capital expenditure to be incurred by the Crown and Offices of Parliament during the 2013/14 year in advance of appropriation by way of an Appropriation Act; and
- (b) to enable the net asset holdings of departments and Offices of Parliament to exceed the amounts confirmed in the Appropriation (2013/14 Estimates) Act 2013.

5 Interpretation

- (1) In this Act, unless the context otherwise requires,—

2013/14 year means the financial year ending with 30 June 2014

department has the meaning given to it by section 2(1) of the Public Finance Act 1989, but does not include an intelligence and security department

expenses has the meaning given to it by section 2(1) of the Public Finance Act 1989, but also includes—

- (a) expenses and capital expenditure incurred by an intelligence and security department; and
- (b) expenses and non-departmental capital expenditure incurred under a multi-category appropriation (within the meaning of clause 3 of Schedule 1 of the Public Finance Act 1989).

- (2) In this Act, unless the context otherwise requires, **asset, capital expenditure, financial year, intelligence and security department, Minister, Office of Parliament, operating surplus, remeasurements, responsible Minister, and Vote** have the meanings given to them by section 2(1) of the Public Finance Act 1989.

6 Authority to incur expenses

- (1) Expenses may, during the 2013/14 year, be incurred in advance of appropriation in relation to any Vote.

- (2) Expenses incurred under **subsection (1)** during the 2013/14 year must not exceed in the aggregate the sum of \$8,000 million.

7 Authority to incur capital expenditure

- (1) Capital expenditure may, during the 2013/14 year, be incurred in advance of appropriation in relation to any Vote.
- (2) Capital expenditure incurred under **subsection (1)** during the 2013/14 year must not exceed in the aggregate the sum of \$5,500 million.

8 Appropriation required

- (1) All expenses incurred under **section 6(1)** and all capital expenditure incurred under **section 7(1)** must be appropriated in an Appropriation Act that comes into force on or before 30 June 2014.
- (2) Until the coming into force of that Appropriation Act, those expenses and that capital expenditure may be incurred during the 2013/14 year as if they had been incurred in accordance with one of the separate appropriations specified in section 7(1) of the Public Finance Act 1989.

9 Authority to exceed net assets confirmed in Appropriation Act

- (1) In this section,—
excess amount means the amount by which the net asset holding of a department or an Office of Parliament, during the 2013/14 year, exceeds the projected balance for that department or Office of Parliament
projected balance means the projected balance of net assets at 30 June 2014 set out in column 9 of Schedule 5 of the Appropriation (2013/14 Estimates) Act 2013.
- (2) The amount of net asset holding in a department or an Office of Parliament during the 2013/14 year may exceed the projected balance for that department or Office of Parliament.
- (3) However, the aggregate of the excess amounts for all departments and Offices of Parliament together with the total net asset holding of any department that is not listed in Schedule 5

of the Appropriation (2013/14 Estimates) Act 2013 must not exceed \$800 million.

- (4) For the purposes of **subsections (1) and (2)**, the amount of net asset holding in a department or an Office of Parliament does not include—
- (a) any operating surplus retained as agreed between the Minister and the responsible Minister for a department or an Office of Parliament in accordance with section 22(1) of the Public Finance Act 1989 that is not reflected in Schedule 5 of the Appropriation (2013/14 Estimates) Act 2013; or
 - (b) any remeasurement of a department's or an Office of Parliament's reported net asset holding as set out in section 22(2) of the Public Finance Act 1989 that is not reflected in Schedule 5 of the Appropriation (2013/14 Estimates) Act 2013.
- (5) **Subsections (2) and (3)** apply despite section 22(3) of the Public Finance Act 1989.
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