

# **Imprest Supply (First for 2014/15) 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; and
- make capital injections in advance of authorisation under an Appropriation Act.

This Imprest Supply Bill provides the sole financial authority from the start of the 2014/15 financial year until the Appropriation (2014/15 Estimates) Bill is passed.

The amounts of supply sought in the first Imprest Supply Bill for a financial year are usually calculated on the basis of one-sixth (2 months' worth) of the relevant annual appropriations, because the main Appropriation Act usually comes into force within 2 months after the start of the financial year. However, the amounts of supply that this Bill seeks are calculated on the basis of one-half (6 months' worth) of the relevant annual appropriations and authorisations and are expected to be sufficient to provide supply until the end of December 2014. The greater amounts of supply are needed to cover the possibility that, as a consequence of the dissolution of Parliament on 14 August 2014 ahead of the general election on 20 September 2014,

the Appropriation (2014/15 Estimates) Bill will not pass through the necessary stages in Parliament, receive the Royal assent, and come into force within 2 months after the start of the 2014/15 financial year. This Bill has been prepared taking into account amendments to the Public Finance Act 1989 made by the Public Finance Amendment Act 2013 (the **2013 amendment Act**), including amendments to be made on 1 July 2014 that apply prospectively to matters relating to the 2014/15 financial year: *see* clause 2 of Schedule 1 of the Public Finance Act 1989. This Bill therefore differs from previous first Imprest Supply Bills as follows:

- this Bill will authorise imprest supply for multi-category appropriations, which may include output expenses, other expenses, and non-departmental capital expenditure:
- this Bill will authorise imprest supply for capital injections to departments (other than intelligence and security departments) and Offices of Parliament in advance of authorisation under an Appropriation Act rather than providing authority for the net assets of departments and Offices of Parliament that have been confirmed by an Appropriation Act to be exceeded (*see* new section 12A of the Public Finance Act 1989, which will be inserted into the principal Act on 1 July 2014 by section 62 of the 2013 amendment Act, and sections 23 and 26E of the Public Finance Act 1989, which will be repealed and replaced, respectively, on 1 July 2014 by sections 71 and 77 of the 2013 amendment Act):
- this Bill does not contain a provision clarifying that the authority given by this Bill to incur expenses or capital expenditure in advance of appropriation is an authority under an Act for the purposes of sections 4(1) and 26C(1) of the Public Finance Act 1989. Such a provision is no longer necessary as it duplicates section 4A of the Public Finance Act 1989, inserted into that Act on 18 July 2013.

The financial authorities provided in this Bill are repealed on the coming into force of the Appropriation (2014/15 Estimates) Bill. The rest of this Bill is repealed on the close of 30 June 2015. Appropriations for expenses and capital expenditure incurred, and authorisations for capital injections made, under the authority of this Bill must be sought in an Appropriation Act that comes into force on or before 30 June 2015. If this is not done, those expenses, capital expenditure,

and capital injections will require validation in an Appropriation (Financial Review) Act in accordance with section 26C and, from 1 July 2014, section 26CA of the Public Finance Act 1989.

In this Bill, imprest is calculated separately for expenses and capital expenditure, subject to 2 exceptions. The imprest sought for expenses in this Bill covers—

- expenses and capital expenditure to be incurred by intelligence and security departments; and
- multi-category appropriations, which may include both expenses and non-departmental capital expenditure.

The amounts of supply for expenses, capital expenditure, and capital injections are calculated on the basis of one-half (6 months' worth) of the relevant annual appropriations (including an allowance for multi-year appropriations) and authorisations included in the 2014/15 Estimates, adjusted for uneven timing, and a general contingency provision to cover risks that may eventuate.

#### *Imprest sought for expenses*

Imprest sought for expenses in this Bill covers the following appropriations:

- appropriations for the following categories of expenses:
  - output expenses:
  - appropriations for benefits or related expenses:
  - other expenses:
- appropriations for expenses and capital expenditure to be incurred by an intelligence and security department:
- multi-category appropriations.

The authority sought this year for expenses includes upfront funding for Votes Defence, Education, Environment, Housing, Justice, and Tertiary Education.

The amount of authority for expenses has been calculated as follows:

Total expense appropriations in the Appropriation (2014/15 Estimates) Bill (including expenses and capital expenditure appropriations for intelligence and security departments, multi-category appropriations, and new multi-year appropriations to the extent that they relate to 2014/15)	\$69,356 million
One-half (6 months' worth) of total expense appropriations	\$34,678 million

Allowance for upfront funding for Votes with uneven timing	\$518 million
General contingency provision for expenses in excess, or outside the scope, of the expense appropriations in the Appropriation (2014/15 Estimates) Bill	\$1,804 million
Total imprest for expenses	\$37,000 million

### *Imprest sought for capital expenditure*

Imprest sought for capital expenditure in this Bill covers the appropriations for capital expenditure. The authority sought this year for capital expenditure includes upfront funding for Votes Communications, Finance, Housing, and Primary Industries.

The amount of authority for capital expenditure has been calculated as follows:

Total capital expenditure appropriations in the Appropriation (2014/15 Estimates) Bill (including new multi-year appropriations to the extent that they relate to 2014/15)	\$4,496 million
One-half (6 months' worth) of total capital expenditure appropriations	\$2,248 million
Allowance for upfront funding for Votes with uneven timing	\$232 million
General contingency provision for capital expenditure in excess, or outside the scope, of the capital expenditure appropriations in the Appropriation (2014/15 Estimates) Bill	\$520 million
Total imprest for capital expenditure	\$3,000 million

### *Imprest sought for capital injections*

Imprest sought for capital injections covers authorisations for capital injections to be made to departments (other than intelligence or security departments) or Offices of Parliament. This Bill does not authorise imprest supply for capital injections to intelligence and security departments because new section 12A of the Public Finance Act 1989 does not apply to intelligence and security departments.

The authority sought for capital injections includes a capital injection in the first half of the year to the Department of Internal Affairs.

The amount of authority for capital injections has been calculated as follows:

Total capital injections authorised under the Appropriation (2014/15 Estimates) Bill	\$416 million
One-half (6 months' worth) of total capital injections	\$208 million

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Allowance for uneven timing	\$16 million
General contingency provision for capital injections in excess of the capital injections authorised under the Appropriation (2014/15 Estimates) Bill	\$476 million
Total imprest for capital injections	\$700 million

The general contingency provision for capital injections is a large amount, relative to the annual amount of capital injections included in the Appropriation (2014/15 Estimates) Bill, for 2 reasons. First, because the provision for capital injections is relatively small, unforeseen contingencies that require capital injections could potentially require amounts that are greater than the annual amount of capital injections included in the 2014/15 Estimates. Secondly, as a consequence of the general election, there will be a period in which the Government will not be able to seek Parliament's authority for further imprest supply should the Government need to make an urgent capital injection.

### **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* states that the Bill comes into force on 1 July 2014.

*Clause 3* provides for the repeal of the Bill as follows:

- *clauses 6, 7, and 9* are repealed on the coming into force of the main Appropriation Act for the 2014/15 financial year. The authority provided by these clauses is no longer needed once that Appropriation Act is in force:
- the rest of the Act is repealed on the close of 30 June 2015. *Clauses 8(1) and 10(1)* impose obligations, in relation to the authorities provided by *clauses 6, 7, and 9*, that must remain in force throughout the 2014/15 financial year.

*Clause 4* sets out the purposes of the Bill.

*Clause 5* is an interpretation provision.

*Clause 6* seeks authority to incur expenses of up to \$37,000 million in advance of appropriation. For the purposes of this Bill, expenses includes—

- expenses and capital expenditure to be incurred by intelligence and security departments:
- multi-category appropriations, which may include expenses and non-departmental capital expenditure.

*Clause 7* seeks authority to incur capital expenditure of up to \$3,000 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 2015. 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 7A(1) of the Public Finance Act 1989.

*Clause 9* seeks authority to make capital injections of up to \$700 million in advance of authorisation under an Appropriation Act.

*Clause 10* provides that all capital injections made under *clause 9* must be authorised under an Appropriation Act that comes into force on or before 30 June 2015. Until that Act comes into force, those capital injections may be made as if they had been authorised in accordance with section 12A of the Public Finance Act 1989.

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*Hon Bill English*

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### **Contents**

	Page
1 Title	1
2 Commencement	1
3 Repeal of this Act	2
4 Purposes	2
5 Interpretation	2
6 Authority to incur expenses	2
7 Authority to incur capital expenditure	3
8 Appropriation required	3
9 Authority to make capital injections	3
10 Authorisation required	3

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**The Parliament of New Zealand enacts as follows:**

- 1 Title**  
This Act is the Imprest Supply (First for 2014/15) Act **2014**.
- 2 Commencement**  
This Act comes into force on 1 July 2014.

**3 Repeal of this Act**

- (1) **Sections 6, 7, and 9** are repealed on the coming into force of the main Appropriation Act for the 2014/15 year.
- (2) The rest of this Act is repealed on the close of 30 June 2015.

**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 2014/15 year in advance of appropriation by way of an Appropriation Act; and
- (b) to authorise capital injections to be made to departments (other than intelligence and security departments) and Offices of Parliament during the 2014/15 year in advance of authorisation under an Appropriation Act.

**5 Interpretation**

- (1) In this Act, unless the context otherwise requires,—  
**2014/15 year** means the financial year ending with 30 June 2015  
**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 in advance of a multi-category appropriation.
- (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.

**6 Authority to incur expenses**

- (1) Expenses may, during the 2014/15 year, be incurred in advance of appropriation in relation to any Vote.
- (2) Expenses incurred under **subsection (1)** must not exceed in the aggregate the sum of \$37,000 million.



**7 Authority to incur capital expenditure**

- (1) Capital expenditure may, during the 2014/15 year, be incurred in advance of appropriation in relation to any Vote.
- (2) Capital expenditure incurred under **subsection (1)** must not exceed in the aggregate the sum of \$3,000 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 2015.
- (2) Until the coming into force of that Appropriation Act, those expenses and that capital expenditure may be incurred during the 2014/15 year as if they had been incurred in accordance with one of the separate appropriations specified in section 7A(1) of the Public Finance Act 1989.

**9 Authority to make capital injections**

- (1) Capital injections may, during the 2014/15 year, be made to any department or Office of Parliament in advance of authorisation under an Appropriation Act.
- (2) Capital injections made under **subsection (1)** during the 2014/15 year must not exceed in the aggregate the sum of \$700 million.

**10 Authorisation required**

- (1) All capital injections made under **section 9(1)** must be authorised in an Appropriation Act that comes into force on or before 30 June 2015.
- (2) Until the coming into force of that Appropriation Act, those capital injections may be made during the 2014/15 year as if they had been authorised under section 12A of the Public Finance Act 1989.