

Appropriation (2003/04 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 liabilities only in accordance with appropriations made by an Act of Parliament.

However, Parliament has, in the Public Finance Act 1989, 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, or without, appropriation by Parliament.

Section 5 of the Public Finance Act 1989 authorises the Governor-General by Order in Council to direct that an amount appropriated in a Vote for one class of outputs be transferred to another class of outputs in that Vote. There are 3 restrictions. First, the transfer must not increase the appropriation for the financial year for a class of outputs by more than 5%. Secondly, there must have been no other transfer under section 5 of the Public Finance Act 1989 to the class of outputs during the financial year. Thirdly, the total amount appropriated for all classes of outputs in the Vote for the financial year must remain unchanged. These Orders in Council must be sanctioned in an Appropriation Bill for the next financial year.

Section 12 of the Public Finance Act 1989 authorises the Minister of Finance to approve the spending of public money or the incurring of expenses or liabilities in excess of, or without, appropriation by Parliament. This is subject to a limit for each Vote of 1% of the total amount appropriated for that Vote 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. Money spent and the expenses and liabilities incurred under the approval must be confirmed in an Appropriation Bill for the next financial year.

Any spending of public money and any incurring of expenses and liabilities in excess of, or without, appropriation by Parliament that is not approved by the Minister of Finance under section 12 of the Public Finance Act 1989 is unlawful and requires validation by Parliament.

This Appropriation Bill—

- sanctions the Public Finance (Transfers Between Outputs) Order 2004 (SR 2004/198) which was made under section 5 of the Public Finance Act 1989 (*clause 5*);
- confirms expenses incurred for the 2003/04 financial year in excess of, or without, appropriation by Parliament but in accordance with the approval of the Minister of Finance under section 12 of the Public Finance Act 1989 (*clause 6*);
- validates unappropriated expenses incurred for the 2003/04 financial year (*clauses 7 to 11*).

Section 12(3) of the Public Finance Act 1989 requires the Minister of Finance, on the introduction of this Bill, to lay before the House of Representatives a report setting out for each instance of unappropriated expenditure, expenses, or liabilities, the explanation of the Minister responsible for the financial performance of the department concerned.

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 that the purpose of the Bill is to sanction, confirm, and validate financial matters relating to the financial year ended on 30 June 2004.

Clause 4 is an interpretation clause.

Clause 5 sanctions the Public Finance (Transfers Between Outputs) Order 2004 (SR 2004/198). That order, which came into force on 30 June 2004, directed that fiscally neutral transfers be made decreasing the amounts appropriated for 17 classes of outputs in 9 Votes and increasing the amounts appropriated for 18 classes of outputs in the same 9 Votes.

Clause 6 confirms the incurring of expenses and liabilities for the 2003/04 financial year in excess of, or without, appropriation by Parliament in accordance with the approval of the Minister of Finance under section 12 of the Public Finance Act 1989. There are 40 instances in 15 Votes administered by 11 departments of approved unappropriated expenses and liabilities. These are set out in the *Schedule*.

Clause 7 validates unappropriated expenses of \$500,000 incurred by the Ministry of Economic Development in excess of the amount appropriated for the Commerce Commission Litigation Fund class of outputs in Vote Commerce for the 2003/04 financial year and the amount in excess of appropriation approved for that class of outputs by the Minister of Finance under section 12 of the Public Finance Act 1989.

Clause 8 validates unappropriated expenses of \$72,000,000 incurred by the New Zealand Defence Force without appropriation for the Exchange Rate Movements class of outputs in Vote Defence Force for the 2003/04 financial year.

Clause 9 validates unappropriated expenses of \$5,688,000 incurred by the Treasury without appropriation for the Loss on Sale of Auckland Marinas class of outputs in Vote Finance for the 2003/04 financial year.

Clause 10 validates unappropriated expenses of \$7,728,000 incurred by the Treasury in excess of the amount appropriated for the Track Co - Purchase of Rail Network Assets class of outputs in Vote Finance for the 2003/04 financial year and the amount in excess of appropriation approved for that class of outputs by the Minister of Finance under section 12 of the Public Finance Act 1989.

Clause 11 validates unappropriated expenses of \$410,880,000 incurred by the Ministry of Justice in excess of the amount appropriated for the Capital Investment class of outputs in Vote Justice for the 2003/04 financial year and the amount in excess of appropriation approved for that class of outputs by the Minister of Finance under section 12 of the Public Finance Act 1989.

Hon Dr Michael Cullen

Appropriation (2003/04 Financial Review) Bill

Government Bill

Contents

1	Title	10	Validation of unappropriated expenses incurred by Treasury in respect of Track Co - Purchase of Rail Network Assets class of outputs in Vote Finance
2	Commencement	11	Validation of unappropriated expenses incurred by Ministry of Justice in respect of Capital Investment class of outputs in Vote Justice
3	Purpose		
4	Interpretation		
5	Sanctioning of Order in Council directing transfer of resources between classes of outputs		
6	Confirmation of unappropriated expenses and liabilities approved by Minister of Finance		
7	Validation of unappropriated expenses incurred by Ministry of Economic Development in respect of Commerce Commission Litigation Fund class of outputs in Vote Commerce		
8	Validation of unappropriated expenses incurred by New Zealand Defence Force in respect of Exchange Rate Movements class of outputs in Vote Defence Force		
9	Validation of unappropriated expenses incurred by Treasury in respect of Loss on Sale of Auckland Marinas class of outputs in Vote Finance		

Schedule
Unappropriated expenses and liabilities
for the year ended 30 June
2004 confirmed

The Parliament of New Zealand enacts as follows:

- 1 Title**
This Act is the Appropriation (2003/04 Financial Review) Act **2004**.
- 2 Commencement**
This Act comes into force on the day after the date on which it receives the Royal assent.

3 Purpose

This Act sanctions, confirms, and validates financial matters relating to the financial year ended on 30 June 2004.

4 Interpretation

In this Act, unless the context otherwise requires, the terms **capital contribution, class of outputs, expenses, financial year, liability, Mode B, other expenses, outputs, and Vote** have the meanings given to them by section 2(1) of the Public Finance Act 1989.

5 Sanctioning of Order in Council directing transfer of resources between classes of outputs

The Public Finance (Transfers Between Outputs) Order 2004 (SR 2004/198) is sanctioned.

6 Confirmation of unappropriated expenses and liabilities approved by Minister of Finance

- (1) The incurring of expenses and liabilities approved by the Minister of Finance under section 12 of the Public Finance Act 1989 for the financial year ended 30 June 2004 and described in **subsections (2) and (3)** is confirmed.
- (2) The expenses and liabilities are the expenses and liabilities incurred in excess of, or without, appropriation by Parliament on the classes of outputs, categories of benefit expenses, categories of other expenses, and categories of capital contributions to other persons or organisations shown in **column 3** of the **Schedule**.
- (3) The approved expenses are shown in each case in **column 4** of the **Schedule** against the class of outputs, the category of benefit expense, or the category of other expenses for which the approval was given, and the approved liability is shown in **column 5** of the **Schedule** against the category of capital contribution for which the approval was given.

- 7 Validation of unappropriated expenses incurred by Ministry of Economic Development in respect of Commerce Commission Litigation Fund class of outputs in Vote Commerce**
- (1) The incurring of expenses of \$500,000 by the Ministry of Economic Development for the financial year ended 30 June 2004 in the circumstances set out in **subsection (2)** is validated.
 - (2) The circumstances were that,—
 - (a) for the year ended 30 June 2004, the Ministry of Economic Development incurred expenses of \$3,006,000 against the appropriation for the class of outputs Commerce Commission Litigation Fund in Vote Commerce; and
 - (b) that amount exceeded by \$500,000 the aggregate of the following amounts for expenses to be incurred for that year by the Ministry of Economic Development on that class of outputs:
 - (i) the amount appropriated by Parliament;
 - (ii) the amount in excess of appropriation approved by the Minister of Finance under section 12 of the Public Finance Act 1989.
- 8 Validation of unappropriated expenses incurred by New Zealand Defence Force in respect of Exchange Rate Movements class of outputs in Vote Defence Force**
- (1) The incurring of expenses of \$72,000,000 by the New Zealand Defence Force for the financial year ended 30 June 2004 in the circumstances set out in **subsection (2)** is validated.
 - (2) The circumstances were that,—
 - (a) for the year ended 30 June 2004, the New Zealand Defence Force incurred expenses of \$72,000,000 against the class of outputs Exchange Rate Movements in Vote Defence Force; and
 - (b) that amount is a sum incurred without appropriation by Parliament.

- 9 Validation of unappropriated expenses incurred by Treasury in respect of Loss on Sale of Auckland Marinas class of outputs in Vote Finance**
- (1) The incurring of expenses of \$5,688,000 by the Treasury for the financial year ended 30 June 2004 in the circumstances set out in **subsection (2)** is validated.
 - (2) The circumstances were that,—
 - (a) for the year ended 30 June 2004, the Treasury incurred expenses of \$5,688,000 against the class of outputs Loss on Sale of Auckland Marinas in Vote Finance; and
 - (b) that amount is a sum incurred without appropriation by Parliament.
- 10 Validation of unappropriated expenses incurred by Treasury in respect of Track Co - Purchase of Rail Network Assets class of outputs in Vote Finance**
- (1) The incurring of expenses of \$7,728,000 by the Treasury for the financial year ended 30 June 2004 in the circumstances set out in **subsection (2)** is validated.
 - (2) The circumstances were that,—
 - (a) for the year ended 30 June 2004, the Treasury incurred expenses of \$54,978,000 against the appropriation for the class of outputs Track Co - Purchase of Rail Network Assets in Vote Finance; and
 - (b) that amount exceeded by \$7,728,000 the aggregate of the following amounts for expenses to be incurred for that year by the Treasury on that class of outputs:
 - (i) the amount appropriated by Parliament;
 - (ii) the amount in excess of appropriation approved by the Minister of Finance under section 12 of the Public Finance Act 1989.
- 11 Validation of unappropriated expenses incurred by Ministry of Justice in respect of Capital Investment class of outputs in Vote Justice**
- (1) The incurring of expenses of \$410,880,000 by the Ministry of Justice for the financial year ended 30 June 2004 in the circumstances set out in **subsection (2)** is validated.
 - (2) The circumstances were that,—

- (a) for the year ended 30 June 2004, the Ministry of Justice incurred expenses of \$429,272,000 against the appropriation for the class of outputs Capital Investment in Vote Justice; and
 - (b) that amount exceeded by \$410,880,000 the aggregate of the following amounts for expenses to be incurred for that year by the Ministry of Justice on that class of outputs:
 - (i) the amount appropriated by Parliament:
 - (ii) the amount in excess of appropriation approved by the Minister of Finance under section 12 of the Public Finance Act 1989.
-

s 6

Schedule Unappropriated expenses and liabilities for the year ended 30 June 2004 confirmed

Column 1	Column 2	Column 3	Column 4	Column 5
Administering department	Vote	Appropriation	Expenses \$(000)	Liabilities \$(000)
Department of Conservation	Biosecurity— Conservation	<i>Departmental output class (Mode B)—</i> Indigenous Forest Biosecurity Protection	8	
		<i>Departmental output classes (Mode B)—</i> Management of Natural Heritage	1,276	
		Conservation with the Community	842	
		Policy Advice, Servicing the Minister and Statutory Bodies, and Statutory Planning	535	
		<i>Non-departmental output class—</i> Management Services - Natural and Historic Places	74	
Department of Corrections	Corrections	<i>Other expenses to be incurred by the department—</i> Revaluation Losses	5,197	
Ministry for Culture and Heritage	Arts, Culture and Heritage	<i>Non-departmental output class—</i> Public Broadcasting Funding	495	
Ministry of Economic Development	Commerce	<i>Other expenses to be incurred by the Crown—</i> Commerce Commission Litigation Fund	818	
Ministry of Education	Education	<i>Departmental output classes (Mode B)—</i> Provision of Information	1,664	
		Provision of School Sector Property	1,192	
		Provision of Teacher and Caretaker Housing	139	
		<i>Other expenses to be incurred by the Crown—</i> Secondary Education	2,207	
		Tertiary Education and Training	1,014	
Ministry of Foreign Affairs and Trade	Foreign Affairs and Trade	<i>Departmental output class (Mode B)—</i> Policy Advice and Representation - International Institutions	862	
Ministry of Justice	Courts	<i>Other expenses to be incurred by the Crown—</i> Abortion Supervisory Committee - Certifying Consultants Fees	166	
		Personal Property Protection Rights Costs	51	
		Youth Court Professional Fees	445	
	Justice	<i>Non-departmental output class—</i> Policy Advice	130	

Appropriation (2003/04 Financial Review)

Schedule

Column 1	Column 2	Column 3	Column 4	Column 5		
Administering department	Vote	Appropriation	Expenses \$'(000)	Liabilities \$'(000)		
New Zealand Defence Force	Defence Force	<i>Departmental output classes (Mode B)—</i>				
		Naval Combat Forces	5,737			
		Naval Support Forces	320			
		Hydrographic Data Collection and Processing for LINZ and Third Parties	428			
		Land Combat Forces	1,663			
		Land Combat Support Forces	497			
		Land Combat Service Support Forces	1,370			
		Rotary Wing Transport Forces	881			
		Veterans' Affairs—Defence		<i>Departmental output class (Mode B)—</i>		
				Policy and Administration	9	
		<i>Non-departmental output class—</i>				
		Development and Maintenance of Service Cemeteries	3			
Pacific Island Affairs	Pacific Island Affairs	<i>Departmental output class (Mode B)—</i>				
		Communications	36			
The Police	Police	<i>Departmental output classes (Mode B)—</i>				
		Investigations	244			
		Case Resolution and Support to Judicial Process	901			
		Road Safety Programme	708			
Ministry of Social Development	Social Development	<i>Benefits and other unrequited expenses—</i>				
		Assistance for People Requiring Care	66			
		Child Disability Allowance	59			
		Domestic Purposes Benefit	1,237			
		New Zealand Superannuation	165			
		Orphan's/Unsupported Child's Benefit	137			
		Special Benefit	60			
		<i>Capital contribution to other persons or organisations—</i>				
		Community Services Card Reimbursements		6		
		Veterans' Affairs—Social Development		<i>Benefits and other unrequited expenses—</i>		
Interest Concessions Land and Buildings	1					
		Medical Treatment	271			