

IMPREST SUPPLY (SECOND FOR 1998/99) BILL

EXPLANATORY NOTE

General Policy Statement

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

The Imprest Supply (First for 1998/99) Act 1998 provides the sole financial authority from the start of the 1998/99 financial year until the Appropriation (1998/99 Estimates) Bill is passed. In contrast, the Imprest Supply (Second for 1998/99) Bill seeks financial authority additional to that sought in the Appropriation (1998/99 Estimates) Bill.

This Bill is required to ensure that the Government has sufficient supply to implement decisions taken after the 1998/99 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 (1998/99 Estimates) Bill.

The amounts this Bill seeks are sufficient to provide supply until the Appropriation (1998/99 Supplementary Estimates) Bill is passed for the spending of public money and the incurring of expenses and liabilities in excess of the amounts provided in the Appropriation (1998/99 Estimates) Bill.

Imprest is calculated separately for public money, expenses, and liabilities.

Imprest sought for public money in this Bill covers the appropriation type:

- capital contributions to departments.

Imprest sought for expenses in this Bill covers the appropriation types:

- departmental and non-departmental classes of outputs:
- benefits and other unrequited expenses:
- borrowing expenses:
- departmental and non-departmental other expenses.

Imprest sought for liabilities in this Bill covers the appropriation types:

- non-departmental capital contributions:
- purchase or development of capital assets by the Crown.

Clause by Clause Analysis

Clause 1 relates to the Short Title of the Bill.

Clause 2 is an interpretation provision.

Clauses 3, 4, and 5 are the main clauses in the Bill.

Clause 3 seeks authority to spend \$400 million of public money in advance of appropriation.

The main component of imprest supply being sought for public money is a capital injection of approximately \$100 million into the new Department of Work and Income being established on 1 October 1998. This capital injection will be matched by capital withdrawals from the Department of Labour and the Department of Social Welfare.

The authority sought for public money also contains a general contingency provision to ensure continuous supply in the event of unforeseen risks eventuating.

Clause 4 seeks authority to incur expenses of \$10,000 million in advance of appropriation.

The main components of imprest supply being sought for expenses are:

- provision for the increase side of fiscally neutral transfers. These require an appropriation and imprest supply authority but are matched by decreases in other items. They do not affect the operating balance. Approximately \$9,000 million is provided for the transfer of benefits and departmental expenditure from existing Votes administered by the Department of Social Welfare and the Department of Labour to new Votes to be administered by the new Department of Work and Income from 1 October 1998.
- Cabinet decisions subsequent to the Budget.
- a contingency provision for—
 - (a) currently unforeseen expenses;
 - (b) increases in demand-driven items, such as social welfare benefits and education purchases.

Clause 5 seeks authority to incur liabilities of \$5,500 million in advance of appropriation.

The main components of imprest supply being sought for liabilities are for:

- the split of Electricity Corporation of New Zealand (ECNZ) under the Electricity Industry Reform Act 1998. Creating 3 new State enterprises will involve restructuring ECNZ's existing debt and equity. Imprest supply authority of \$4,000 million is required to cover capital investment of up to this amount in the new State enterprises. This capital investment will be matched by capital withdrawals from ECNZ. Similar imprest supply authority was provided when Transpower and Contact Energy were established.
- a potential capital contribution in the form of a loan to the Republic of Korea. A loan of US\$100 million was appropriated in the 1997/98 year, and may be drawn down during the 1998/99 year.

The authority sought for liabilities for capital transactions also contains a general contingency provision to ensure continuous supply in the event of unforeseen risks eventuating.

Clause 6 specifies that all public money spent and expenses and liabilities incurred under *clauses 3, 4, and 5* are to be charged against appropriations in an Appropriation Act for the 1998/99 year. Appropriations for the amounts included in this Bill will be sought in the Appropriation (1998/99 Supplementary Estimates) Bill.

Rt Hon Winston Peters

IMPREST SUPPLY (SECOND FOR 1998/99)

ANALYSIS

Title	4. Authority to incur expenses
1. Short Title	5. Authority to incur liabilities
2. Interpretation	6. Appropriation required
3. Authority to spend public money	

A BILL INTITULED

An Act to authorise the Crown to spend public money and to incur expenses and liabilities during the financial year ending with 30 June 1999 in advance of appropriation by way of an Appropriation Act

BE IT ENACTED by the Parliament of New Zealand as follows:

1. Short Title—This Act may be cited as the Imprest Supply (Second for 1998/99) Act 1998.

2. Interpretation—In this Act, unless the context otherwise requires,—

- (a) The term “1998/99 year” means the financial year ending with 30 June 1999:
- (b) The terms “expenses”, “financial year”, “liability”, “public money”, and “Vote” have the meanings given to them by section 2 (1) of the Public Finance Act 1989.

3. Authority to spend public money—(1) Public money may, during the 1998/99 year, be spent in advance of appropriation in relation to any Vote.

(2) The total amount of public money authorised by subsection (1) to be spent in the 1998/99 year must not exceed in the aggregate the sum of \$400,000,000.

4. Authority to incur expenses—(1) Expenses may, during the 1998/99 year, be incurred in advance of appropriation in relation to any Vote.

(2) Expenses incurred under **subsection (1)** during the 1998/99 year must not exceed in the aggregate the sum of \$10,000,000,000.

(3) Public money, in addition to the public money that may be spent under the authority of **sections 3 (1) and 5 (3)**, may be spent for the purpose of meeting expenses incurred under **subsection (1)**.

5. Authority to incur liabilities—(1) Liabilities may, during the 1998/99 year, be incurred in advance of appropriation in relation to any Vote.

(2) Liabilities incurred under **subsection (1)** during the 1998/99 year must not exceed in the aggregate the sum of \$5,500,000,000.

(3) Public money, in addition to the public money that may be spent under the authority of **sections 3 (1) and 4 (3)**, may be spent for the purpose of meeting liabilities incurred under **subsection (1)**.

6. Appropriation required—All public money spent under **section 3 (1)**, all expenses incurred under **section 4 (1)**, and all liabilities incurred under **section 5 (1)** must be charged in the manner to be specified in an Appropriation Act for the 1998/99 year and, until the coming into force of the Appropriation Act in which that manner is specified, may be spent or incurred during the 1998/99 year as if they had been spent or incurred in accordance with 1 of the separate appropriations specified in **section 4 (3)** of the Public Finance Act 1989.