

Imprest Supply (Second for 2004/05) 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 spend public money and to incur expenses and liabilities in advance of appropriation by way of an Appropriation Act.

The Imprest Supply (First for 2004/05) Act 2004 provides the sole financial authority from the start of the 2004/05 financial year until the Appropriation (2004/05 Estimates) Bill is passed. In contrast, the Imprest Supply (Second for 2004/05) Bill seeks financial authority additional to that sought in the Appropriation (2004/05 Estimates) Bill.

This Bill is required to ensure the Government has sufficient supply to implement decisions taken after the 2004/05 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 (2004/05 Estimates) Bill.

The amounts this Bill seeks are sufficient to provide supply until 30 June 2005 for the spending of public money and the incurring of expenses and liabilities in excess of the amounts appropriated in the Appropriation (2004/05 Estimates) Bill.

This Bill expires at the end of the 2004/05 financial year on 30 June 2005. Appropriations for public money spent and expenses and liabilities incurred under the authority of this Bill will be sought in the Appropriation (2004/05 Supplementary Estimates) Bill. If public money is required to be spent or expenses or liabilities are required to be incurred under the authority of this Bill after the Appropriation (2004/05 Supplementary Estimates) Bill is passed, appropriations

for those amounts will be sought in the Appropriation (2004/05 Financial Review) Bill.

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

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

- capital contributions to departments:
- repayment of debt.

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

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

The authority sought for public money, expenses, and liabilities is less than that sought in the corresponding Bill last year.

The authority sought this year includes funding for—

- operating risks including wage settlements in education and associated forecast changes, health sector risks, flood related costs, labour forecast changes, and transport risks:
- capital risks including defence acquisitions, land tenure acquisitions, and education capital (for example, the fiscally neutral transfer of school housing to School Boards of Trustees):
- capital injection to establish the new transport agency resulting from the merger of the Land Transport Safety Authority (LTSA) and Transfund New Zealand (which is fiscally neutral as it is offset by capital withdrawals from the LTSA and Transfund New Zealand):
- other carry forwards (largely capital in nature) from 2003/04, particularly education and health:

- health sector fiscally neutral adjustments and housing fiscally neutral adjustments (transfer of building functions from the Department of Internal Affairs):
- other anticipated fiscally neutral adjustments.

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 expires on 30 June 2005.

Clause 4 states that the purpose of the Bill is to authorise the Crown to spend public money and incur expenses and liabilities during the 2004/05 financial year in advance of appropriation by way of an Appropriation Act.

Clause 5 is an interpretation provision.

Clauses 6, 7, and 8 are the main clauses of the Bill.

Clause 6 seeks authority to spend \$400 million of public money in advance of appropriation. The authority sought for public money includes funding for—

- potential capital injections into the New Zealand Defence Forces to enable capital acquisitions from the Ministry of Defence:
- Ministry of Education capital transfers from 2003/04:
- a general contingency provision to ensure supply in the event of unforeseen risks eventuating.

Clause 7 seeks authority to incur expenses of \$2,150 million in advance of appropriation. The main components are—

- an allowance for Cabinet decisions after the 2003/04 Budget:
- 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 items. They do not affect the operating balance.

A large proportion of the \$2,150 million being sought for expenses is related to the risk that—

- fiscally neutral transfers, carry forwards from 2003/04, and demand driven expense changes may be required between output classes, particularly in Votes Education (of around

\$300 million), Health (of around \$460 million), Housing, and Social Development:

- a contingency provision required for risks like—
 - flood relief and storm damage:
 - increases in demand-driven items, such as social welfare benefits:
 - currently unforeseen expenses.

Clause 8 seeks authority to incur liabilities of \$1,400 million in advance of appropriation. The main components are—

- Vote Transport— establishment of a new Transport agency resulting from the merger of the LTSA and Transfund New Zealand of up to \$300 million:
- Vote Defence – purchase of capital equipment for the New Zealand Defence Force of around \$250 million:
- Ministry of Education capital projects of around \$250 million (for example, injections to Tertiary Education Commission, school property, and Wananga settlements):
- Vote Lands – purchase of properties in the South Island high country:
- Vote Health – technical adjustments including in-principle carry forwards from 2003/04.

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 9 provides that all public money spent, and expenses and liabilities incurred, under *clauses 6, 7, and 8* must be charged against appropriations in an Appropriation Act for the 2004/05 year.

Appropriations for amounts included in this Bill will be sought in the Appropriation (2004/05 Supplementary Estimates) Bill and, if need be, the Appropriation (2004/05 Financial Review) Bill.

Hon Dr Michael Cullen

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The Parliament of New Zealand enacts as follows:

1 Title

This Act is the Imprest Supply (Second for 2004/05) Act **2004**.

2 Commencement

This Act comes into force on the day after the date on which it receives the Royal assent.

3 Expiry

This Act expires on 30 June 2005.

4 Purpose

The purpose of this Act is to authorise the Crown to spend public money and to incur expenses and liabilities during the financial year ending with 30 June 2005 in advance of appropriation by way of an Appropriation Act.

5 Interpretation

In this Act, unless the context otherwise requires,—

2004/05 year means the financial year ending with 30 June 2005

expenses, financial year, liability, public money, and Vote have the meanings given to them by section 2(1) of the Public Finance Act 1989.

6 Authority to spend public money

- (1) Public money may, during the 2004/05 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 2004/05 year must not exceed in the aggregate the sum of \$400 million.

7 Authority to incur expenses

- (1) Expenses may, during the 2004/05 year, be incurred in advance of appropriation in relation to any Vote.
- (2) Expenses incurred under **subsection (1)** during the 2004/05 year must not exceed in the aggregate the sum of \$2,150 million.
- (3) Public money, in addition to the public money that may be spent under the authority of **sections 6(1) and 8(3)**, may be spent for the purpose of meeting expenses incurred under **subsection (1)**.

8 Authority to incur liabilities

- (1) Liabilities may, during the 2004/05 year, be incurred in advance of appropriation in relation to any Vote.
- (2) Liabilities incurred under **subsection (1)** during the 2004/05 year must not exceed in the aggregate the sum of \$1,400 million.
- (3) Public money, in addition to the public money that may be spent under the authority of **sections 6(1) and 7(3)**, may be spent for the purpose of meeting liabilities incurred under **subsection (1)**.

9 Appropriation required

- (1) All public money spent under **section 6(1)**, all expenses incurred under **section 7(1)**, and all liabilities incurred under **section 8(1)** must be charged in the manner specified in an Appropriation Act for the 2004/05 year.
- (2) Until the coming into force of the Appropriation Act in which that manner is specified, that public money and those expenses and liabilities may be spent or incurred during the

2004/05 year as if they had been spent or incurred in accordance with one of the separate appropriations specified in section 4(3) of the Public Finance Act 1989.