

Imprest Supply (Second for 2007/08) Bill

Government Bill

Explanatory note

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 2007/08) Act 2007 provides the sole financial authority from the start of the 2007/08 financial year until the Appropriation (2007/08 Estimates) Bill is passed. In contrast, the Imprest Supply (Second for 2007/08) Bill seeks financial authority additional to that sought in the Appropriation (2007/08 Estimates) Bill.

This Bill is required to ensure the Government has sufficient supply to implement decisions taken after the 2007/08 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 (2007/08 Estimates) Bill.

The amounts this Bill seeks are intended to be sufficient to provide supply until 30 June 2008 for the incurring of expenses and capital expenditure in excess of the amounts appropriated in the Appropriation (2007/08 Estimates) Bill.

This Bill expires at the end of the 2007/08 financial year on 30 June 2008. Appropriations for expenses and capital expenditure incurred under the authority of this Bill will be sought in the Appropriation (2007/08 Supplementary Estimates) Bill. If expenses or capital expenditure are incurred under the authority of this Bill after the Appropriation (2007/08 Supplementary Estimates) Bill is passed, those amounts will be confirmed or validated in the Appropriation (2007/08 Financial Review) Bill.

In this Bill, imprest is calculated separately for expenses and capital expenditure, except in relation to intelligence and security departments. The expenses and capital expenditure to be incurred by those departments are included within the imprest sought for expenses in this Bill.

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

- output expenses:
- benefits or other unrequited expenses:
- borrowing expenses:
- other expenses:
- expenses and capital expenditure to be incurred by each intelligence and security department.

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

The amounts of supply for expenses and capital expenditure are calculated to include an allowance for Cabinet decisions after the contents of the 2007/08 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 items), and a general contingency provision to cover risks that may eventuate. In particular, the authority sought this year includes funding for—

- operating risks, including education pressures and forecast changes, climate change policy, and provision for forecast changes in benefit payments; and
- capital risks, including tertiary education pressures; and
- expense and capital transfers from 2006/07, particularly in Vote Health; and
- fiscally neutral adjustments, particularly in Votes Education and Health.

In addition, this Bill seeks approval for the net asset holdings of departments and Offices of Parliament to exceed the amounts confirmed in Schedule 5 of the Appropriation (2007/08 Estimates) Bill.

The net asset holdings of departments and Offices of Parliament may, in aggregate, exceed the aggregate of the projected balance of net assets of departments and Offices of Parliament confirmed in Schedule 5 of the Appropriation (2007/08 Estimates) Bill by no more than \$500 million. The main components are—

- allowance for Cabinet decisions after the contents of the 2007/08 Estimates were finalised, particularly in relation to the justice sector; and
- a contingency of around \$200 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 expires on 30 June 2008.

Clause 4 states that the purposes of the Bill are—

- to authorise expenses and capital expenditure to be incurred by the Crown and Offices of Parliament during the 2007/08 financial year in advance of appropriation by way of an Appropriation Act; and
- to enable the net asset holdings of departments and Offices of Parliament to exceed the amounts confirmed in the Appropriation (2007/08 Estimates) Act 2007.

Clause 5 is an interpretation provision.

Clause 6 seeks authority to incur expenses (including expenses and capital expenditure to be incurred by each intelligence and security department) of \$5,900 million in advance of appropriation. The main components are—

- allowance for Cabinet decisions after the contents of the 2007/08 Estimates were finalised, particularly in relation to education pressures and climate change policy; and
- fiscally neutral adjustments, expense transfers from 2006/07, and demand-driven expense changes that may be required between appropriations, particularly in Votes Education, Health, and Social Development; and
- a contingency of around \$500 million for currently unforeseen expenses.

Clause 7 seeks authority to incur capital expenditure of \$1,100 million in advance of appropriation. The main components are—

- allowance for Cabinet decisions after the contents of the 2007/08 Estimates were finalised, particularly in relation to tertiary education pressures; and

- provision for increases in appropriations relating to fiscally neutral adjustments and capital transfers from 2006/07, particularly in relation to Votes Education and Health; and
- a contingency of around \$100 million for currently unforeseen expenditure.

Clause 8 provides that all expenses and capital expenditure incurred under *clauses 6 and 7* must be charged against appropriations in an Appropriation Act for the 2007/08 year.

Appropriations for amounts included in this Bill will be sought in the Appropriation (2007/08 Supplementary Estimates) Bill, or (if need be) the amounts will be confirmed or validated in the Appropriation (2007/08 Financial Review) Bill.

Clause 9 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 the Appropriation (2007/08 Estimates) Act 2007 (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 2007/08 financial year (as set out in the Appropriation (2007/08 Estimates) Act 2007) together with the total net asset holding of any department that is not listed in the Act must not exceed the aggregate of the projected balance of net asset holdings of those departments and Offices of Parliament by more than \$500 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.

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 2007/08) Act **2007**.
- 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 2008.
- 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 financial year ending with 30 June 2008 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 (2007/08 Estimates) Act 2007.

5 Interpretation

- (1) In this Act, unless the context otherwise requires,—
2007/08 year means the financial year ending with 30 June 2008
expenses has the meaning given to it by section 2(1) of the Public Finance Act 1989, but also includes expenses and capital expenditure incurred by an intelligence and security department.
- (2) In this Act, unless the context otherwise requires, **asset, capital expenditure, department, 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 2007/08 year, be incurred in advance of appropriation in relation to any Vote.
- (2) Expenses incurred under **subsection (1)** during the 2007/08 year must not exceed in the aggregate the sum of \$5,900 million.

7 Authority to incur capital expenditure

- (1) Capital expenditure may, during the 2007/08 year, be incurred in advance of appropriation in relation to any Vote.
- (2) Capital expenditure incurred under **subsection (1)** during the 2007/08 year must not exceed in the aggregate the sum of \$1,100 million.

8 Appropriation required

- (1) All expenses incurred under **section 6(1)** and all capital expenditure incurred under **section 7(1)** must be charged in the manner specified in an Appropriation Act for the 2007/08 year.
- (2) Until the coming into force of the Appropriation Act in which that manner is specified, those expenses and that capital expenditure may be incurred during the 2007/08 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 2007/08 year, exceeds the projected balance for that department or Office of Parliament

projected balance means the projected balance of net assets at 30 June 2008 set out in column 9 of Schedule 5 of the Appropriation (2007/08 Estimates) Act 2007.

- (2) The amount of net asset holding in a department (other than an intelligence and security department) or an Office of Parliament during the 2007/08 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 (2007/08 Estimates) Act 2007 must not exceed \$500 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 (2007/08 Estimates) Act 2007; 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 (2007/08 Estimates) Act 2007.
- (5) **Subsections (2) and (3)** apply despite section 22(3) of the Public Finance Act 1989.