

Imprest Supply (Second for 2003/04) 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 2003/04) Act 2003 provides the sole financial authority from the start of the 2003/04 financial year until the Appropriation (2003/04 Estimates) Bill is passed. In contrast, the Imprest Supply (Second for 2003/04) Bill seeks financial authority additional to that sought in the Appropriation (2003/04 Estimates) Bill.

This Bill is required to ensure the Government has sufficient supply to implement decisions taken after the 2003/04 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 (2003/04 Estimates) Bill.

The amounts this Bill seeks are sufficient to provide supply until the Appropriation (2003/04 Supplementary Estimates) Bill is passed for the spending of public money and the incurring of expenses and liabilities in excess of the amounts appropriated in the Appropriation (2003/04 Estimates) Bill.

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

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

- capital contributions to departments.

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 more than that sought in the corresponding Bill last year, mainly because of the longer period covered by the authority under this Bill (11 months compared with 7 months in the corresponding Bill last year) and because of some technical adjustments.

The authority includes funding for—

- capital projects for corrections, health, and education (a portion of this is carried forward from 2002/03):
- potential tertiary education capital initiatives:
- defence force capital development:
- Air New Zealand injection of up to \$150 million (carried forward from 2002/03) and allowance for rail capital:
- development of reserve electricity generation capacity:
- merger of the Department for Courts and Ministry of Justice:
- fiscally neutral adjustments in the health sector, including devolution of disability services to district health boards:
- potential wage pressures and education forecast changes:
- other 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 the coming into force of the second Appropriation Act for 2003/04 (the Appropriation (2003/04 Supplementary Estimates) Act 2004).

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 2003/04 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 \$900 million of public money in advance of appropriation. The authority sought for public money includes funding for—

- the merger of the Department for Courts and Ministry of Justice:
- long-term capital development, including spares inventory for the New Zealand Defence Force:
- border management by New Zealand Customs:
- Department of Corrections prison projects:
- a general contingency provision to ensure supply in the event of unforeseen risks eventuating.

Clause 7 seeks authority to incur expenses of \$2,500 million in advance of appropriation. The main components are—

- 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 \$2,500 million being sought for expenses is related to the risk that—

- fiscally neutral transfers may be required between output classes in Vote Education and Vote Health (for example, the devolution of disability services to district health boards of around \$750 million):
- a contingency provision may be required for—
 - currently unforeseen expenses:
 - increases in demand-driven items, such as social welfare benefits and education purchases.

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

- Votes Treasury and Health, including an allowance of around \$950 million associated with previously announced Air New Zealand and rail related capital injections and the refinancing of private sector health debt and transfers from 2002/03:
- development of reserve electricity generation capacity:
- Ministry of Education capital projects (for example, schools).

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 2003/04 year. Appropriations for amounts included in this Bill will be sought in the Appropriation (2003/04 Supplementary Estimates) 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 2003/04) Act **2003**.

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 the coming into force of the second Appropriation Act for the 2003/04 year.

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 2004 in advance of appropriation by way of an Appropriation Act.

5 Interpretation

In this Act, unless the context otherwise requires,—

2003/04 year means the financial year ending with 30 June 2004

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 2003/04 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 2003/04 year must not exceed in the aggregate the sum of \$900 million.

7 Authority to incur expenses

- (1) Expenses may, during the 2003/04 year, be incurred in advance of appropriation in relation to any Vote.
- (2) Expenses incurred under **subsection (1)** during the 2003/04 year must not exceed in the aggregate the sum of \$2,500 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 2003/04 year, be incurred in advance of appropriation in relation to any Vote.
- (2) Liabilities incurred under **subsection (1)** during the 2003/04 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 2003/04 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

2003/04 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.