

Imprest Supply (First for 2009/10) 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 incur expenses and capital expenditure in advance of appropriation by way of an Appropriation Act.

This Imprest Supply Bill provides the sole financial authority from the start of the 2009/10 financial year until the Appropriation (2009/10 Estimates) Bill is passed. The amounts this Bill seeks are sufficient to provide supply until the end of August 2009.

The financial authorities provided in this Bill are repealed on the coming into force of the Appropriation (2009/10 Estimates) Bill (the rest of the Bill is repealed on the close of 30 June 2010). Appropriations for expenses and capital expenditure incurred under the authority of this Bill must be sought in an Appropriation Act that comes into force on or before 30 June 2010. If this is not done, those expenses or capital expenditure will require validation in an Appropriation (Financial Review) Act in accordance with section 26C of the Public Finance Act 1989.

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:
- 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 on the basis of one-sixth (2 months' worth) of the relevant annual appropriations included in the 2009/10 Estimates, adjusted for uneven timing, plus an allowance for multi-year appropriations and a general contingency provision to cover risks that may eventuate. In particular, the authority sought this year for expenses includes upfront funding attributed to Votes Education, Health, Housing, Justice, and Transport, while the authority sought this year for capital expenditure includes upfront funding for Votes Corrections, Finance, Health, and Housing.

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 (2008/09 Supplementary Estimates) Act 2009 by no more than \$1,200 million in aggregate.

Clause by clause analysis

Clause 1 is the Title clause.

Clause 2 states that the Bill comes into force on **1 July 2009**.

Clause 3 relates to the repeal of the Bill. *Clauses 6, 7, and 10* (which provide an authority to incur expenses and capital expenditure in advance of appropriation, and for the amount of net asset holding in a department or an Office of Parliament to exceed the projected balance for that department or Office of Parliament) are repealed on the coming into force of the first Appropriation Act for the 2009/10 year. The rest of the Act is repealed on the close of 30 June 2010. This difference in timing is because of the obligation in *clause 8(1)* for

all expenses and capital expenditure incurred under this Act to be appropriated in an Appropriation Act that comes into force on or before 30 June 2010, and the consequences set out in *clause 9* if this does not occur.

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 2009/10 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 (2008/09 Supplementary Estimates) Act 2009.

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 \$11,300 million in advance of appropriation. This amount has been calculated as follows:

Total annual expense appropriations in the Appropriation (2009/10 Estimates) Bill	\$58,395 million
One-sixth (2 months' worth) of total annual expense appropriations	\$9,732 million
Allowance for uneven timing	\$560 million
Allowance for multi-year appropriations	\$107 million
General contingency provision for expenses in excess, or outside the scope, of the expense appropriations in the Appropriation (2009/10 Estimates) Bill	\$901 million
Total imprest for expenses	\$11,300 million

Clause 7 seeks authority to incur capital expenditure of \$1,800 million in advance of appropriation. This amount has been calculated as follows:

Total annual capital expenditure appropriations in the Appropriation (2009/10 Estimates) Bill	\$3,719 million
One-sixth (2 months' worth) of total annual capital expenditure appropriations	\$620 million
Allowance for uneven timing	\$497 million

General contingency provision for capital expenditure in excess, or outside the scope, of the capital expenditure appropriations in the Appropriation (2009/10 Estimates) Bill	\$683 million
Total imprest for capital expenditure	\$1,800 million

Clause 8 provides that all expenses and capital expenditure incurred under *clauses 6 and 7* must be appropriated in an Appropriation Act that comes into force on or before 30 June 2010. Until that Act comes into force, those expenses or that capital expenditure may be incurred 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.

Appropriations for most of the amounts included in this Bill are being sought in the Appropriation (2009/10 Estimates) Bill.

Clause 9(1) provides that the authority given by this Act to incur expenses or capital expenditure in advance of appropriation is an authority under an Act for the purposes of sections 4(1) and 26C(1) of the Public Finance Act 1989. If this clause did not provide for this, then incurring expenses or capital expenditure in advance of appropriation, even though it would be done in accordance with this Act, would be a breach of section 4(1) of the Public Finance Act 1989 and would be unlawful and would require validation under section 26C of that Act.

Clause 9(2) goes on to provide, however, that the authority provided under *subclause (1)* ceases to apply if expenses or capital expenditure that are incurred under this Act are not appropriated in an Appropriation Act that comes into force on or before 30 June 2010 (as is required by *clause 8(1)*). In these circumstances (as noted above), the expenses or capital expenditure in question will have been incurred in breach of section 4(1) of the Public Finance Act 1989 and will be unlawful and will require validation under section 26C of that Act.

Clause 10 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 (2008/09 Supplementary Estimates) Act 2009 (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 2008/09 financial year (as set out in the Appropriation (2008/09 Supplementary Estimates) Act 2009) together with the total net asset holding of any department that is not listed in that Act must not exceed the aggregate of the net asset holdings of those departments and Offices of Parliament by more than \$1,200 million.

Clause 10 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.

Section 22(3) of the Public Finance Act 1989 states that the amount of net asset holding in a department must not exceed the most recent projected balance of net assets for that department as set out in an Appropriation Act. Section 26E(1)(b) and (4) of the Public Finance Act 1989 means that section 22(3) of that Act also applies to Offices of Parliament. *Clause 10* overrides section 22(3) of the Public Finance Act 1989.

Hon Simon William English

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The Parliament of New Zealand enacts as follows:

- 1 Title**
This Act is the Imprest Supply (First for 2009/10) Act **2009**.
- 2 Commencement**
This Act comes into force on **1 July 2009**.

3 Repeal of this Act

- (1) **Sections 6, 7, and 10** are repealed on the coming into force of the first Appropriation Act for the 2009/10 year.
- (2) The rest of this Act is repealed on the close of 30 June 2010.

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 2010 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 (2008/09 Supplementary Estimates) Act 2009.

5 Interpretation

- (1) In this Act, unless the context otherwise requires,—
2009/10 year means the financial year ending with 30 June 2010
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 2009/10 year, be incurred in advance of appropriation in relation to any Vote.
- (2) Expenses incurred under **subsection (1)** during the 2009/10 year must not exceed in the aggregate the sum of \$11,300 million.

7 Authority to incur capital expenditure

- (1) Capital expenditure may, during the 2009/10 year, be incurred in advance of appropriation in relation to any Vote.
- (2) Capital expenditure incurred under **subsection (1)** during the 2009/10 year must not exceed in the aggregate the sum of \$1,800 million.

8 Appropriation required

- (1) All expenses incurred under **section 6(1)** and all capital expenditure incurred under **section 7(1)** must be appropriated in an Appropriation Act that comes into force on or before 30 June 2010.
- (2) Until the coming into force of that Appropriation Act, those expenses and that capital expenditure may be incurred during the 2009/10 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 under this Act is authority for purposes of sections 4(1) and 26C(1) of Public Finance Act 1989

- (1) The authority given by this Act to incur expenses or capital expenditure in advance of appropriation is an authority under an Act for the purposes of sections 4(1) and 26C(1) of the Public Finance Act 1989.
- (2) However, **subsection (1)** does not apply to expenses or capital expenditure for which no appropriation is made in accordance with **section 8(1)**.

10 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 Office of Parliament, during the 2009/10 year, exceeds the projected balance for that department or Office of Parliament
projected balance means the projected balance of net assets at 30 June 2009 set out in column 9 of Schedule 5 of the Appropriation (2008/09 Supplementary Estimates) Act 2009.

- (2) The amount of net asset holding in a department (other than an intelligence and security department) or an Office of Parliament during the 2009/10 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 (2008/09 Supplementary Estimates) Act 2009 must not exceed \$1,200 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 (2008/09 Supplementary Estimates) Act 2009; 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 (2008/09 Supplementary Estimates) Act 2009.
 - (5) **Subsections (2) and (3)** apply despite section 22(3) of the Public Finance Act 1989.
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