

Introduction

Terms and Definitions Used

The table below contains terms that are used in the Introduction and throughout the *Supplementary Estimates*. In addition, most Votes have tables that contain terms and definitions specific to those Votes.

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| Appropriation | An appropriation is a parliamentary authorisation for the Crown or an Office of Parliament to incur expenses or capital expenditure. |
| Capital expenditure | The cost of assets acquired or developed including any ownership interest in entities, but excluding inventory. |
| Crown revenue | Revenue received by a department on behalf of the Crown. These flows are accounted for as revenue to the Crown rather than as departmental revenue. Crown revenue is not appropriated. |
| Expenditure | Cash spent by the Crown (including departments or Offices of Parliament) for either operating or capital transactions. |
| Expenses | Amounts consumed or losses of service potential or future economic benefits, other than those relating to capital withdrawals, in a financial year. An accrual concept measured in accordance with generally accepted accounting practice. |
| GST | Goods and services tax. Appropriations are stated GST exclusive. |
| MCOA | Multi-Class Output Expense Appropriation |
| MYA | Multi-Year Appropriation |
| N/A | Not applicable. |
| Outcomes | States or conditions of society, the economy or the environment, including changes in those states or conditions. |
| Outputs | Goods or services supplied by departments and other entities to external parties. Outputs are a variety of types, including policy advice, administration of contracts and grants, and the provision of specific services. |
| PFA | The Public Finance Act 1989 |
| Portfolio Minister | The Minister responsible for specific appropriations being sought within a Vote. As several Ministers may now hold appropriations within a single Vote, each appropriation will have a tag (M1, M2 etc) identifying the Minister responsible for that line item. |
| Responsible Minister | The Minister responsible for the financial performance of a department or Crown entity. In relation to an Office of Parliament, the Speaker is the Responsible Minister. |
| Vote | A grouping of one or more appropriations that are the responsibility of one or more Ministers of the Crown and are administered by one department. |
| Vote Minister | The Minister responsible for the appropriations being sought for a Vote. Under the amendments to the PFA, Ministers are responsible for appropriations, rather than a Vote. As such the term Vote Minister will be phased out. |

Purpose of the *Supplementary Estimates of Appropriations*

The *Supplementary Estimates of Appropriations* (the *Supplementary Estimates*) detail the changes in appropriations sought by Ministers since the previous *Estimates* for the current financial year. The changes establish new maximum expenses, or capital expenditure that can be incurred under each appropriation.

The Public Finance Act 1989 requires that the *Supplementary Estimates* be presented to the House of Representatives on the introduction of any Appropriation Bill proposing changes to appropriations for a financial year.

The *Supplementary Estimates* provide Members of Parliament with details about changes to:

- changes to expenses and capital expenditure
- purpose of appropriations
- net assets of departments
- revenue and capital receipts of the Crown associated with each Vote.

Votes that do not require any changes to their *Estimates* for the current financial year have not been included in this document. However, their appropriation details are provided in the Summary Tables following this introduction.

Types of Appropriation

There are six types of appropriation listed in the Public Finance Act 1989, grouped into operating flows, capital flows and a combined operating and capital flow - “Expenses or capital expenditure incurred by an intelligence and security department”. The amounts shown within the operating flows and capital flows are further split on a departmental and non-departmental basis. Departmental appropriations relate to purchases from core government departments (for example, the Ministry of Economic Development or Inland Revenue Department). Non-departmental appropriations relate to Crown purchases from, or investment in, Crown entities, state-owned enterprises or third parties.

Operating Flows

| Appropriation Type | Departmental Status | Description |
|--|---------------------|---|
| Output Expenses | Departmental | Costs or expenses incurred by departments and Offices of Parliament in providing a group of similar outputs (goods and services). |
| | Non-Departmental | Costs or expenses incurred by the Crown in purchasing a group of similar outputs (goods and services) from Crown entities/other third parties. |
| Benefits and Other Unrequited Expenses | Non-Departmental | Payments by the Crown (generally made to individuals for their benefit) for which no direct exchange of value is expected in return. Examples include the Unemployment Benefit and student allowances. |
| Borrowing Expenses | Non-Departmental | Interest and other financing expenses for loans, guarantees or indemnities, for example debt servicing expenses that appear in Vote Finance. |
| Other Expenses | Departmental | Any expenses to be incurred by a department not related to producing outputs. This category consists mainly of ownership-related restructuring expenses. |
| | Non-Departmental | Any expenses to be incurred by the Crown (excluding departments) that are not output expenses, benefits or borrowing expenses eg, for disposal of an asset for less than market value or grants to community organisations. |

Capital Flows

| Appropriation Type | Departmental Status | Description |
|---------------------|---------------------|---|
| Capital expenditure | Non-Departmental | Capital expenditure to be incurred to acquire or develop Crown assets, including the purchase of equity, or making a loan to a person or organisation that is not a department. |

Combined Flows

| Appropriation Type | Departmental Status | Description |
|--|---------------------|--|
| Expenses and capital expenditure incurred by an intelligence and security department | Departmental | Expenses or capital expenditure to be incurred by either the New Zealand Security Intelligence Service or the Government Communications Security Bureau. |

Types of Crown Revenue and Receipts

A similar operating and capital split applies to Crown revenue and receipts. The following table outlines the three revenue/receipt types:

| | | |
|------------------|------------------|---|
| Tax Revenue | Non-Departmental | Tax owed to the Crown such as income tax, GST and fringe benefit tax |
| Non-Tax Revenue | Non-Departmental | Revenue earned by the Crown from its investing and other operating activities. Examples include interest income, capital charges and dividends from state-owned enterprises. |
| Capital Receipts | Non-Departmental | Capital received by the Crown: <ul style="list-style-type: none"> • when loans are raised (which appear in Vote Finance) or principal repayments are made on debts owed to the Crown (for example, in Vote Social Development), or • when capital assets are sold (for example, the sale of completed or refurbished defence equipment by the New Zealand Defence Force). |

Guide to Reading the *Supplementary Estimates*

Appropriations

Most appropriations listed in the *Estimates* are subject to an annual Parliamentary vote on their amount and scope. There are, however, a number of appropriations included in the *Estimates* that are not subjected to this annual vote. There are two forms of appropriations not subject to annual approval by Parliament:

- *Permanent Legislative Authority (PLA)* - This appropriation is made for an indefinite period of time (until the authority is revoked by Parliament). PLAs are provided for in a statute other than an Appropriation Act. The usual legislative wording is that the expenditure can continue to be made, or expenses or liabilities incurred, “without further appropriation than this section”. PLAs are identified as “Other” appropriations within the *Estimates*. The authorising Act for each Other appropriation is given in a footnote
- *Multi-Year Appropriation (MYA)* - A MYA is an appropriation that allows the Crown to incur expenses or capital expenditure over more than one fiscal year (for a period of up to five years). Expenses or capital expenditure may be incurred at any time during the specified period.

There is one form of appropriation where the annual limit on the level of expense that can be incurred is not a fixed amount:

- *Expenses Restricted by Revenue* - Departments with this form of appropriation can incur expenses up to the amount of revenue expected to be earned by parties other than the Crown.

Most output expense appropriations consist of a single class of outputs. There is one form of output expense appropriation that may include more than one class of outputs. Each class is listed individually in the *Estimates*, but only the total is appropriated.

- *Multi-Class Output Expense Appropriation* - Departments with this form of appropriation may incur expenses up to the total appropriated, but may exceed the amount indicated on any class of outputs specified within the appropriation. An explanation as to why those classes of outputs have been grouped under a single appropriation must also be provided.

Summary Tables

The Summary Tables provide a high-level perspective and comparative “ready reference” by appropriation type for the total appropriations sought for, and Crown revenue and receipts associated with, each Vote for 2005/06.

Layout of Each Vote

The Overview at the start of each Vote provides a brief, plain-language explanation of what the appropriations in the Vote will be spent on. Overviews are only provided in the *Supplementary Estimates* if the Vote has been created during the financial year.

Each Vote contains up to seven parts, some of which may be omitted if further detail or explanation is not required.

Part A - Statement of Objectives and Trends

The Statement of Objectives and Trends comprises:

- *Objectives for the Vote* - A commentary on the Minister’s (or Ministers’) objectives for the Vote, which also explains the links between classes of outputs to be purchased by the Crown and the Government’s desired outcomes. These are expanded on in Departmental Statements of Intent.

As with the Overview, Part A is only provided in the *Supplementary Estimates* if the Vote has been created during the financial year.

Part B - Statement of Appropriations

The Statement of Appropriations contains the detailed appropriation information, which is referred to by the Appropriation Act.

- *Summary of Financial Activity* - A table showing financial information for the current year, comparing the *Main Estimates* and the *Supplementary Estimates*. Crown Revenue figures indicate the current best estimate of expected revenue. These amounts are not appropriated by Parliament.
- *Details of Appropriations* - Contains the details of annual and other appropriations, including the amount and scope of each appropriation. The changes to annually appropriated amounts, on which the House of Representatives vote, are shown in **bold** type, and the reasons for change in amount or scope of appropriation are listed alongside.
- *Details of Multi-Year Appropriations* - The PFA allows for appropriations for periods of up to five years. This section includes details of individual MYAs, including amount, adjustments to amount, and scope.

Part C - Explanation of Appropriations for Output Expenses

Detailed specifications of the departmental and non-departmental outputs to be purchased by the Portfolio Minister, where these have changed significantly since the previous *Estimates*, or where new appropriations are sought in the *Supplementary Estimates*.

- *Departmental Output Expenses* contains descriptions of the departmental outputs. A more complete specification of these, including quality, quantity and timeliness and cost measures is contained in the Department's Statement of Intent.
- *Non-Departmental Output Expenses* contains full descriptions of non-departmental outputs, including performance specification and the major providers of the outputs.

Where the Vote includes a multi-class output expense appropriation, an explanation as to why those classes of outputs have been grouped under a single appropriation is provided. Scopes are still provided at the individual output class level.

Information is not provided in this part where there are no relevant appropriations, or the detail is fully explained in Part B.

Part D - Explanation of Appropriations for Other Operating Flows

Where relevant, this part provides further detail about appropriations for:

- *Benefits and Other Unrequited Expenses*
- *Borrowing Expenses*
- *Other Expenses*

Information is only provided where the appropriations have changed significantly since the previous *Estimates*, or where new appropriations are sought in the *Supplementary Estimates*. Information is not provided in this part where there are no relevant appropriations, or the detail is already fully explained in Part B.

Part E - Explanation of Capital Flows

This part provides details of balance sheets relevant to the Vote and further explanation of capital expenditure, where relevant.

- *Explanation of Movements in Departmental Net Asset Schedules* - This schedule shows the opening balance, projected movements and closing balance of the Department's Net Assets. Specifically, it includes the details of any retained surplus or capital injections. The closing balance restricts the Department's net assets for the year. The schedule will only appear in the Department's lead Vote.
- *Statement of Estimated and Forecast Net Worth of Entities Owned* - A list of Crown Entities associated with the Vote and their net worth for the current and forthcoming years. An explanation of any material changes in an entity's net worth is also included.
- *Explanation of Appropriations for Capital Expenditure* - Where appropriate, this part provides further detail of capital expenditure appropriations contained in Part B.

Information is only provided where the appropriations have changed significantly since the previous *Estimates*, or where new appropriations are sought in the *Supplementary Estimates*. Information is not provided in this part where there are no relevant appropriations, or the detail is already fully explained in Part B.

Part F - Crown Revenue and Receipts

This part provides details of the current and forthcoming year's current Crown revenue and capital Crown receipts. Explanations of each item are included in the table. Information is not provided in this Part where there are no Crown revenue or receipts relating to the Vote.

Part G - Statement of Reconciliations

This part provides a reconciliation and explanation of any changes in the structure of appropriations or Crown revenue and receipts from the previous set of Estimates. This is intended to facilitate comparisons between years when changes are made.

Information is not provided in this part where there are no changes to the structure of the Vote, or the changes are minimal and fully explained in Part B.

Links to Other Useful Documents

The Treasury produces two documents that provide a guide to the legislative process and the public sector's financial management system. These documents are:

- *Putting it Together* - an explanatory guide to the New Zealand Public Sector Financial Management System
- *A Guide to the Public Finance Act*

Both these documents can be accessed in the Publications section of the Treasury's internet site: www.treasury.govt.nz.