

# *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.

<b>Appropriation</b>	An appropriation is a parliamentary authorisation for Ministers to incur expenses or liabilities or make expenditure.
<b>Capital contributions</b>	An increase in taxpayer funds invested in a department.
<b>Crown revenue</b>	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. It should be noted that Crown revenue is not appropriated.
<b>Expenditure</b>	Cash spent by the Crown and departments for either operating or capital transactions.
<b>Expenses</b>	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.
<b>GST</b>	Goods and services tax. Appropriations are stated GST inclusive (where applicable).
<b>Mode B (Gross)</b>	A type of appropriation where the gross costs of outputs provided are authorised.
<b>Mode B (Net)</b>	A type of appropriation where net costs of outputs are authorised after deducting trading revenue earned from the provision of outputs. This provides more flexibility to cope with fluctuating demand for services. If higher than expected demand results in higher than budgeted revenue, then authorised costs can also increase.
<b>N/A</b>	Not applicable.
<b>Outcomes</b>	The impacts on, or the consequences for, the community of the outputs or activities of the Government.
<b>Outputs</b>	Goods or services provided by departments and other entities. Outputs are a variety of types, including policy advice, administration of contracts and grants, and the provision of specific services.
<b>Responsible Minister</b>	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.
<b>Vote</b>	A grouping of one or more appropriations that are the responsibility of one Minister of the Crown and are administered by one department.
<b>Vote Minister</b>	The Minister responsible for the appropriations being sought for a Vote.

# *Introduction*

---

## **Purpose of the *Supplementary Estimates of Appropriations***

The *Supplementary Estimates* detail the changes in appropriations sought by Ministers since the 2002/03 *Estimates*. The changes establish new maximum expenses, liabilities or expenditure that can be incurred under each appropriation.

The Public Finance Act 1989 requires that the *Supplementary Estimates* be laid before the House of Representatives on the introduction of any Appropriation Bill proposing changes to appropriations for a financial year. These *Supplementary Estimates* accompany the Appropriation (2002/03 Supplementary Estimates) Bill.

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

- appropriations for each Vote
- purpose of appropriations
- Crown revenue and receipts for each Vote.

Votes that do not require any changes to their 2002/03 *Estimates* appropriations 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 seven types of appropriation listed in the Public Finance Act 1989. These are grouped into operating flows and capital flows in these *Supplementary Estimates*. The amounts shown within the operating flows and capital flows are further split on a departmental and non-departmental basis. Departmental appropriations relate to the operations of, or investment in, 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.

The appropriation types follow:

## Operating Flows

Appropriation Type	Departmental Status	Description
Output Classes	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	Expenses to be incurred by the Crown for disposing of an asset for less than market value, grants to organisations, or operating expenses which result directly in the expenditure of public money by the Crown, for example payments for Official Development Assistance.

## Capital Flows

Appropriation Type	Departmental Status	Description
Capital Contributions	Departmental	Expenditure to be incurred to increase the Crown's ownership interest in a department.
	Non-Departmental	Liabilities to be incurred through the purchase of equity or making a loan to a person or organisation that is not a department, for example the purchase of shares in a state-owned enterprise.
Purchase or Development of Capital Assets by the Crown	Non-Departmental	Examples include the purchase of major housing assets, such as new state houses.  Authority for comparable departmental transactions is provided through departmental capital contributions.
Repayment of Debt	Non-Departmental	Repayment of the principal of capital borrowed by the Crown.

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

## Guide to Reading the Supplementary Estimates

### Appropriations

#### *Mode of Appropriations*

Appropriations are authorised in different ways called “Modes” in the Public Finance Act 1989. Mode B is the usual mode of appropriation.

#### *Annual and Non-Annual Appropriations*

Appropriations may be either annual or non-annual. In most instances appropriations are made for a single financial year. There are three forms of non-annual appropriations:

- *Permanent Legislative Authority (PLA)* - 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”. (Identified as “Other” appropriation within these *Supplementary Estimates*.)
- *Mode B (Net)* - Departments with Mode B (Net) output classes may incur costs up to (but not in excess of) the amount of trading revenue generated by these output classes, without further appropriation. (Identified as “Other” appropriation within these *Supplementary Estimates*.)

- **Multiple Year Appropriation (MYA)** - An MYA is an appropriation that allows the Crown to incur expenses and liabilities over more than one fiscal year (for a period of up to five years). Expenses or liabilities may be incurred at any time during the specified period. MYAs appear in Vote National Library, Vote State Services, Vote Finance, Vote Lands and Vote Treaty Negotiations in the 2002/03 *Supplementary Estimates*.

### Summary Tables

The Summary Tables provide a high-level perspective and comparative “ready reference” by appropriation type for the total of the appropriations sought for, and Crown revenue and receipts associated with, each Vote for 2002/03.

### Layout of Each Vote

The Overview at the start of a 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 begins with the highest-level information. The increasing level of detail in later parts of each Vote is illustrated below:

Part A - Statement of Objectives and Trends	
	<i>Explanations of appropriations for:</i>
Part B - Statement of Appropriations	Part C - Output Classes
	Part D - Other Operating Flows
	Part E - Capital Flows
Part F - Crown Revenue and Receipts	
Part G - Statement of Reconciliations	

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:

- a commentary on the Minister’s objectives for the Vote, which also explains the links between the classes of outputs to be purchased by the Crown and the Government’s desired outcomes (Part A1)
- an analysis of the trends within the Vote over the five years up to and including 2002/03, the proposed spending for 2003/04, and estimated expenditure in 2004/05 to 2006/07 (Part A2).

Note: Crown revenue figures indicate the current best estimate of expected revenue. These amounts are not appropriated by Parliament and therefore an N/A has been inserted in the Part A2 trends table in the 2002/03 appropriations column.

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

## *Part B - Statement of Appropriations*

This part contains:

- a statement of 2002/03 appropriations, which summarises Vote data for 2002/03 for each of the appropriation types and provides a comparison with the totals for 2002/03 Estimates appropriations
- Part B1, which details annual and other appropriations for each type, and indicates whether they are for departmental or non-departmental transactions. Figures are inclusive of GST (where applicable). This part also details the purpose of and reasons for changes in each appropriation made in the Supplementary Estimates
- Part B2, which shows any MYAs being sought.

The tables in Part B contain three columns, with each column subdivided between annual and other appropriations. The first column (headed Main Estimates) shows the appropriations included in the 2002/03 *Estimates*. The second column (headed Supplementary Estimates) shows the changes being sought in these *Supplementary Estimates*. The third column (headed Cumulative Vote) shows the cumulative appropriations in the *Estimates* and the *Supplementary Estimates*.

For ease of reference:

- the amounts to be annually appropriated for these *Supplementary Estimates* are shown in **bold** type in Part B1 for cross-referencing to the Appropriation (2002/03 Supplementary Estimates) Bill
- a brief summary of the purpose and reasons for changes in each appropriation is given on the page opposite that appropriation
- output classes are numbered. Those with a “D” prefix are departmental output classes. An “O” prefix indicates the output class is non-departmental.

## *Part C - Explanations of Appropriations for Output Classes*

Part C gives detailed descriptions of the classes of outputs to be purchased in 2002/03 by Vote Ministers from departments or third parties where these have changed materially from the information published in the 2002/03 *Estimates*. This part also includes any new output classes for which appropriations are sought in these *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 D - Explanation of Appropriations for Other Operating Flows*

Where necessary, this part provides further detail about 2002/03 appropriations for:

- benefits and other unrequited expenses (Part D1)
- borrowing expenses (Part D2)
- other expenses (Part D3).

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 - Explanations of Appropriations for Capital Flows*

Part E gives detailed descriptions of changes in appropriations for capital flows since the 2002/03 *Estimates*, where these have changed materially from the information published in the 2002/03 *Estimates*. This includes appropriations for:

- capital contributions (Part E1)
- purchase or development of capital assets by the Crown (Part E2)
- repayment of debt (Part E3).

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*

Part F shows details of current and capital Crown revenue flows and provides a brief explanation of each item of Crown revenue on the opposite page.

The tables in Part F contain three columns. The first column (headed Main Estimates) shows the Crown revenue included in the 2002/03 *Estimates*. The second column (headed Supplementary Estimates) shows any changes to each revenue item. The third column (headed Cumulative Vote) shows the cumulative Crown revenue in the *Estimates* and 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 G - Statement of Reconciliations*

This part provides a reconciliation and explanation of any changes in the structure of appropriation types or Crown revenue and receipts between the 2002/03 *Estimates* and the 2002/03 *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.

## Links to Other Useful Documents

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

- *Putting it Together*
- *A Guide to Appropriations*.

Both these documents can be accessed in the Publications section of the Treasury's Internet site: [www.treasury.govt.nz](http://www.treasury.govt.nz).