

# What's changing in the Public Finance Act?

Administration and use of an appropriation

July 2013

# What is administration and use?

- Administration and use is about the distinction between:
  - what **administering** an appropriation involves, and
  - what **using** an appropriations involves
- This distinction has long been apparent for non-departmental appropriations – these are all administered by a department, but the resources provided by them are used by other persons or entities

# What is changing?

New section 7C of the PFA provides:

- an **appropriation Minister** is responsible for each appropriation
- a department (**appropriation administrator**) must **administer** each appropriation
- in the case of appropriations for departmental expenses or multi-category appropriations (in practice, only departmental categories of MCAs) any other department may incur expenses against (“use”) the appropriation:
  - at the direction of the appropriation Minister, or
  - with the agreement of the appropriation administrator

# Why change?

- To allow greater flexibility in the use of resources while avoiding the need for:
  - the perceived compliance associated with fiscally neutral adjustments
  - double appropriation (1 funded by revenue Crown, in a Vote administered by the administrator, and another, funded by revenue department, in a Vote administered by the user)
- Administration and use applies from 18 July 2013 when Part 1 of the Public Finance Amendment Act 2013 came into force

# How might this change be applied?

- In temporary, short-term situations (except MCAs)
- Where staff are seconded from 1 department to another to contribute to the latter's work, but continue to be paid by their parent department – the “with the agreement of the appropriation administrator” leg of admin and use would apply
- In the case of an MCA, where some categories within the MCA are better provided by a department other than the appropriation administrator, and the appropriation Minister directs that this should happen



# Responsibilities of appropriation administrator

- Ensuring expenditure remains within the amount, scope and period of the appropriation
- Monitoring the agreement between the user and the appropriation Minister/appropriation administrator to ensure it is complied with
- Reporting during and at the end of the year - actual expenditure incurred against the appropriation
- Ensuring that all start-of-year and end-of-year financial and non-financial reporting on the appropriation is completed



# Responsibilities of appropriation user

- Comply with the terms of the appropriation Minister's direction or the appropriation administrator's agreement (the permission)
- If use is at the direction of the appropriation Minister, the user is directly accountable to the appropriation Minister for what is achieved with the appropriation
- If use is with agreement of appropriation administrator, then the administrator remains responsible for what is achieved with the appropriation
- If user incurs expenditure outside the permission, it will be unappropriated expenditure incurred by the user

# End-of-year performance reporting

- Estimates/Supps must state the entity that will be providing the end-of-year performance information on each appropriation
- Appropriation administrator must provide end-of-year performance information on what has been achieved with MCAs
- Appropriation administrator is responsible for ensuring that end-of-year performance information is provided on what has been achieved with each appropriation administered
- Chief executive of the relevant department (appropriation administrator OR user) is responsible for accuracy of end-of-year performance information prepared by their department