



Issue Date: May 2008	Effective Date: April 25,2008	Responsible Agency: Expenditure Management	Directive No: 301
Chapter: Budgetary Controls			
Directive Title: BUDGET CATEGORIES & MANAGEMENT CONTROLS			

1. POLICY

Under *S.28 and S.29 of the Financial Administration Act (FAA)*, the Minister of Finance, directed by the Financial Management Board (FMB), must prepare annual Estimates for consideration and approval by the Legislative Assembly. These Estimates, or budgets, which are based on department business plans, represent the planned spending activities of the Government, and the forecasted revenues to support such spending.

The Estimates, referred to as Main Estimates and Capital Estimates, are divided into votes, subdivided into items, and further subdivided into activities. The Legislative Assembly reviews and approves the Estimates at vote and item level for operations and capital expenditures, and passes *Appropriation Acts* which authorize the approved Estimates.

The Government also undertakes certain activities in Nunavut for the Government of Canada and others. These costs are fully recoverable.

Revenue and recovery forecasts provided in the Main Estimates do not require approval by the Legislative Assembly, but are provided as information to assist the Legislative Assembly in their review and approval of expenditures.

2. DEFINITIONS

Many of the following terms have been defined in the *FAA* and are reproduced here for ease of reference. Definitions in the Act prevail if discrepancies exist.

2.1. Activity

A subdivision of an item, usually a branch within a department.

2.2. Appropriation

The authority contained in an Act to incur an expenditure.

2.3. Control Object

A specified category within an expenditure vote or revenue budget.

2.4. Item

A subdivision of a vote representing a department or entity established to deliver programs and/or services.

2.5. Vote

A broad category of expenditure according to its intended use (e.g., Vote 1 – Operations and Maintenance, Vote 2 – Capital).

3. DIRECTIVE

With this directive, the FMB provides the basic format and controls for the Government's annual budgets. The budgets must be managed and controlled according to the provisions herein.

4. PROVISIONS

4.1. Budget Categories

At a minimum, budgets will be prepared and summarized in the following manner:

- 4.1.1. Operations and Maintenance Expenditures (Vote 1) includes proposed expenditures for operating and maintenance charges which must be allocated to control objects of expenditure within each activity, and identified separately for each administrative region and/or area. The control objects to be used are:

- Compensation and Benefits
- Grants and Contributions
- Other Expenses
- Amortization is an operations expenditure reflected in the summary of operations. This is a non-voted item.

- 4.1.2. Capital Expenditures (Vote 2) includes planned expenditures to construct, acquire or improve tangible capital assets, and includes capital leases. This also includes capital assets provided to third parties by way of grants and contributions.

The Capital Estimates include a five year capital plan which provides details by item, activity, region and community for each project planned. Only year one of the capital plan is included in appropriations voted on by the Legislative Assembly.

- 4.1.3. Public Revenue (Vote 8) includes all expected revenues for the next fiscal year received from the regular operations of the Government and appears in the Main Estimates schedule, “Summary of Revenues”, classified under the following categories:
- Federal Transfers
 - Own Source Revenues
- 4.1.4. Disbursements Funded by Third Parties (Vote 4/5) represents activities carried out by the Government of Nunavut and funded by the Government of Canada or other entities.
- 4.2. Budget Management

The basis for budget preparation and management for the government is provided by the *FAA*, which stipulates that:

- An expenditure cannot be made without the legislation which authorizes spending to occur (an appropriation), (S.27).
- The Minister of Finance is required to prepare Estimates for expenditures and revenue and must present annually an appropriation bill based on the Estimates for Legislative Assembly approval (S. 28, 29).
- Every expenditure must be charged to a vote, item and activity as presented in the Estimates (S. 30).
- It is prohibited to incur an over-expenditure of an item in the Estimates (S. 32).
- Any unspent balance of an appropriation is cancelled at the end of the fiscal year (S. 34).

Although the Estimates must be divided into votes, items and activities as per *S. 28 of the FAA*; no changes can be made to appropriations at the vote and item (usually department) level without the approval of the Legislative Assembly. *S. 33 of the FAA* requires changes to appropriations at the vote and item level to be made through supplementary appropriation bills or special warrants.

S. 32.1 of the FAA delegates authority to the FMB to transfer funds at the activity level so long as the appropriated item total does not increase. In Regulation 9918, the FMB delegates this authority to Ministers and Deputy Heads. See Directive 302, Budget Adjustments and Transfers, in this manual.



S.32.2 of the *FAA* requires a Deputy Minister to ‘take all reasonable measures to ensure that no expenditure is incurred in respect of his or her department that causes an activity budget to be exceeded.’ If an over-expenditure occurs, the Minister of Finance must be informed, and he must advise the FMB and, where an over-expenditure exceeds \$250,000, the Legislative Assembly.

While Ministers and Deputy Heads have overall budgetary responsibility to the FMB and the Legislative Assembly, all public officers who have budget responsibilities shall be accountable to their Deputy Heads to prudently manage and control their budgets and to operate within allocated budget limits.

A monthly revenue/expenditure analysis report must be submitted by each department to the Expenditure Management Division of the Department of Finance, providing explanations of variances and plans to correct deviations.

Vote 3 - Loans - The appropriation for each loan program shall be allocated to the activity level.