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**SECTION 6**

**BUDGETING AND FINANCIAL MANAGEMENT**

**6.01 APPROPRIATION/BUDGET PROCESS**

**AUTHORITY:** *FINANCIAL ADMINISTRATION ACT*

**ADMINISTRATION:** TREASURY BOARD SECRETARIAT

**EFFECTIVE DATE:** JUNE 2024

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## 6.01 APPROPRIATION/BUDGET PROCESS

### (1) PURPOSE

The purpose of this policy is to describe the appropriation and budgeting process, as it is an essential part of Government's overall management process. The process is ongoing and involves a number of steps specifically referenced and explained in some detail in the following subsections.

The major elements in a full cycle of the process are as follows:

- (a) Budget Preparation;
- (b) Budget Presentation to the Legislative Assembly;
- (c) Budget Approval;
- (d) Classification of Budget Information into the Enterprise Financial Information System;
- (e) Expenditure Control Procedures;
- (f) Regular Forecasting of Expenditures & Revenue;
- (g) Appropriation Transfers;
- (h) Special Warrants (as a last resort); and
- (i) Approval of Supplementary Appropriations.

As noted earlier, the appropriation and budget process is ongoing, and as such, certain elements of one cycle will continue long after the next cycle (next budget) has begun.

### (2) APPLICATION

The application of this policy is referenced to the schedules of the *Financial Administration Act* (FAA) for which funds are appropriated directly or within a department unit and applies as follows:

- Schedule "A" - Departments
- Schedule "B" - Crown corporations
- Schedule "C" - Education Authorities
- Schedule "D" - Commissions

### (3) DEFINITIONS

In this policy, the following definitions apply:

- (a) **"Appropriation Account"** means the account code used in the Government's Enterprise Financial Information System.
- (b) **"Budget Cabinet"** means a committee of all the Ministers established for the purpose of considering budget proposals and approving the Estimates for presentation to the Legislative Assembly for approval.

- (c) “**Department**” as referred to in this policy means any department or reporting entity listed in the Schedules to the *Financial Administration Act*.
- (d) “**Base Budget**” means the projected financial requirement and/or result for the next fiscal year, including financial impacts on any new decisions which have been made by Government to alter current programs and/or revenue levels and with no significant impact expected from unforeseen external factors.
- (e) “**Vote**” means the total amount appropriated for a Department in accordance with the schedule set out in the *Appropriation Act* for a specific fiscal year.

#### (4) **POLICY**

The final authority for approval of supply or expenditure of public monies is the Legislative Assembly of Prince Edward Island. The *Financial Administration Act* delegates certain responsibilities for day-to-day management of Government’s financial resources to Executive Council and/or Treasury Board. These policies and procedures are a means to assist Executive Council, Treasury Board, and the various Departments to carry out the spirit and intent of the FAA.

#### (5) **BUDGET PROCESS - GENERAL DESCRIPTION**

In simple terms, the annual Management Plan (Operating Budget) and Capital Budget processes includes the following major steps:

- (i) determination of the Base Budget for expenditure and revenue or Capital Budget for the coming year;
- (ii) establishment of fiscal goals and priorities by Government (Executive Council) given the current financial situation and other information on the economy and federal/provincial fiscal arrangements, such as: balanced budget, level of surplus or deficit, new tax measures, and other relevant factors;
- (iii) determine budget allocation (Vote) for each Department;
- (iv) establishment of budget and/or policy guidelines;
- (v) preparation of detailed budget estimates by each Department within the operating and capital budget allocation and the policy/administrative guidelines established;
- (vi) identification of policy issues for consideration by Budget Cabinet, which could not be addressed within the budget allocations; and
- (vii) consideration of identified policy issues and overall fiscal goals and objectives by Budget Cabinet in its process of finalizing the Budget Estimates.

**(6) MANAGEMENT PLAN (OPERATING BUDGET) PROCEDURES****(a) General**

The *Financial Administration Act* directs Treasury Board, among other things, to act for Executive Council:

- (i) to co-ordinate and prepare the Estimates of Operating Revenue and Expenditures (Estimates Book);
- (ii) to review expenditure plans (Management Plan proposals) and programs, and make recommendations and comments to Executive Council; and
- (iii) to direct the manner and form in which the appropriation accounts of the Province are to be kept.

In performing this role, all budgetary information and proposals prepared by Departments are submitted to the Executive Director of Fiscal Management and analysed by Treasury Board Secretariat staff to determine consistency with general Government, administrative, financial policy and to determine compliance with budgetary guidelines.

Treasury Board Secretariat presents information to Executive Council outlining Government's overall financial picture and identifying policy issues for policy direction and resolution of specific issues.

**(b) Management Plans**

The call for Management Plans is normally issued in the Fall. Departments have approximately one month to prepare their Management Plan for submission to Treasury Board Secretariat. Timelines and due dates are subject to change based on Government priorities at any given time.

**(c) Detailed Budget Estimates**

When Budget Cabinet has determined budget allocations for Departments, the Secretary to Treasury Board advises each Department of its allocation, and any policy direction given by Budget Cabinet. At the same time, Departments are requested to prepare detailed estimates of expenditure and revenue in prescribed format and within certain administrative guidelines, as directed.

It is important that Departments identify any significant program changes, expenditure reductions or policy issues in the budget transmittal memorandum to the Executive Director of Fiscal Management so they can be addressed by Budget Cabinet.

**(d) New Initiative Proposals**

During the process of establishing budget allocations, Budget Cabinet may establish an allocation for new initiatives and/or provide other direction with respect to new programs for the coming budget year.

Departments are advised by the Secretary to Treasury Board on Budget Cabinet's decision in this matter and if Budget Cabinet wishes to entertain proposals for new/expanded programs, Departments will be requested to submit proposals.

The format will be communicated each year and may include at minimum, program title, program description, cost estimates for the budget year and subsequent years and implications on staffing and accommodations.

It should be noted that even if additional funds are not allocated for new initiatives, Departments may, after an assessment of priorities, reduce certain ongoing costs to provide some funds within its budget allocation to incorporate new programs. This would be subject to Budget Cabinet approval.

**(e) Fiscal Restraint**

During the process of establishing budget allocations, Budget Cabinet may request or establish allocations for expenditure reductions. Departments are usually assigned a specific reduction and requested to identify ways to achieve it.

**(f) Acknowledgement of Budget Allocation**

Upon completion of the budget process, Deputy Heads will be required to sign off their Estimates Book pages acknowledging they understand the budget allocation provided and agree with the budget presentation in the Estimates Book.

**(7) CAPITAL BUDGET PROCEDURES****(a) General**

The *Financial Administration Act* directs Treasury Board, among other things, to act for Executive Council:

- (i) to co-ordinate and prepare the Estimates of Capital Revenue and Expenditure (Capital Estimates Book);
- (ii) to review capital budget project expenditure plans, and make recommendations and comments to Executive Council; and
- (iii) to direct the manner and form in which the appropriation accounts of the Province are to be kept.

In performing this role, all capital budgetary information and proposals prepared by Departments are submitted to the Executive Director of Fiscal Management and analysed by Treasury Board Secretariat staff to determine consistency with general Government, administrative, financial policy and to determine compliance with budgetary guidelines.

Treasury Board Secretariat presents information to Executive Council outlining Government's overall financial picture and identifying policy issues for policy direction and resolution of specific issues.

**(b) Budget**

The call for Capital Budget submissions is normally issued in the summer. Departments have approximately one month to prepare their Capital Budget for submission to Treasury Board Secretariat. Timelines and due dates are subject to change based on Government priorities at any given time.

Departments will consider updates and changes to existing projects that are near completion and new projects based on the direction of Budget Cabinet or mandate of the Department.

The format will be communicated each year and may include at minimum, project title, description, timelines, total costs and cashflow projections, and management plan (Operating Budget) impacts.

**(c) Detailed Budget Estimates**

When Budget Cabinet has determined Capital Budget allocations for Departments, the Secretary to Treasury Board advises each Department of its allocation, projects that will be included in the Capital Budget, and any policy direction given by Budget Cabinet.

It is important that departments identify any significant program changes, expenditure reductions or policy issues in the budget transmittal memorandum to the Executive Director of Fiscal Management so they can be addressed by Budget Cabinet.

**(d) Acknowledgement of Budget Allocation**

Upon completion of the budget process, Deputy Heads will be required to sign off their Capital Estimates Book pages acknowledging they understand the budget allocation provided agrees with the budget presentation in the Capital Estimates Book.

**(8) INTERPRETATION**

In cases where an interpretation is required, such should be referred to the Secretary to Treasury Board or their delegated officer who will make the interpretation or refer the matter to Treasury Board, if a Treasury Board decision is deemed necessary.