

EXPLANATORY NOTES

Recoveries in the Estimates

The 2005/06 *Estimates* contains votes and sub-votes where recoveries are applied against expenses. In these situations the total recoveries amount is disclosed in the group account classification located on the last page of each special office, ministry or other appropriation section.

There are two forms of recoveries:

1. **Internal Recoveries** — represents transfers within the Consolidated Revenue Fund and generally includes inter-ministry chargebacks for costs budgeted centrally in government for the provision of certain goods and services that are recovered from areas elsewhere in government that consume and/or use those goods and services. Employee benefits, postal services, Queen's Printer services and Provincial Treasury banking charges are considered internal recoveries.
2. **External Recoveries** — represents recoveries to the Consolidated Revenue Fund from entities outside of the Consolidated Revenue Fund, and includes costs and amounts recovered from government corporations, education and health sector organizations, other levels of government, non-government organizations, individuals, and businesses. External recoveries also include sinking fund interest earnings, an offset for commissions paid for the collection of government revenues and accounts, and increases in provisions for, or the write-off of, uncollectible revenue-related accounts. An example of a major external recovery is interest costs relating to funds borrowed by government and re-loaned to public bodies.

Authority to Spend Estimated Recoveries

Consolidated Revenue Fund expense budgets are established on the basis of the gross amount of funds required for a particular purpose, with anticipated recoveries being deducted to arrive at the net expense. A shortfall in anticipated recoveries would cause net expenses to increase. Section 23(3) of the *Financial Administration Act* provides that where a vote in the Estimates approved by the Legislature shows an item as a credit or recovery, the vote is deemed to authorize the payment of the net expense plus the amount of the credit or recovery that is budgeted, whether or not this latter amount is actually realized. Under-realization of recoveries would have the same effect on the Consolidated Revenue Fund operating result as an equivalent shortfall in anticipated government revenue.

Authority to Spend Excess Recoveries

Section 23(3) of the *Financial Administration Act* also provides that excess Consolidated Revenue Fund recoveries (amounts earned over and above those shown in the Estimates approved by the Legislative Assembly) may be used for additional expenses. Prior approval of Treasury Board is not required, unless otherwise directed. This incremental spending would have no impact on net budgeted Consolidated Revenue Fund expenses since the incremental recoveries would offset the incremental spending.

Capital Acquisitions

The government capitalizes certain capital assets in its financial statements. The annual cost of these acquisitions is shown in each ministry's section of the Estimates, and is summarized in Schedule D. The cost of these acquisitions is not included in ministries' operating budgets but is instead voted as one amount in the *Supply Act*. The amortization cost of tangible capital assets held by the Consolidated Revenue Fund is included in ministry operating budgets. Schedule D1 summarizes the total estimated cost of capital acquisitions for all taxpayer-supported organizations. The government also provides capital funding to organizations within the government reporting entity to fund public infrastructure. Schedule C summarizes this funding. The amortization cost of these advances is included in ministry operating budgets.