



Issue Date: September 2009	Effective Date: Immediate	Responsible Agency: Comptroller General	Directive No: 880
Chapter: Control of Expenditures			
Directive Title: THIRD PARTY FUNDED AGREEMENTS			

1. POLICY

The Government receives funding from third parties that is used to administer and/or deliver various programs and services. This funding is classified as either special purpose funding or cost shared funding, and must be approved in accordance with the requirements of Directive 950, Revenue and Trust Authorization.

Special purpose funding refers to activities that are wholly funded by a third party and are optional activities to the Government. If the funding is accepted, the funding is used to fulfill only that purpose on behalf of the third party. S.20(1) of the *Financial Administration Act (FAA)* allows disbursements from such funding without an appropriation, so long as the disbursements are made for the special purpose intended.

Cost shared funding refers to activities where funding is provided by a third party in support of a government approved program of expenditures. The authority of an appropriation is required for the total amount of the expenditures covered by the agreement, as stated in S.30(1) of the *FAA*. The third party funding provided is considered revenue to the Government in support of the government approved program.

2. DEFINITIONS

2.1. Third party funding

Money transferred to the Government by another party as either a special purpose funded agreement, or as part of a cost shared agreement. The Government uses the funding in accordance with the terms of the agreement.

Third party funding does not include funds ordinarily transferred within the formula financing agreement with Canada.

3. DIRECTIVE

Ministers and their delegates may enter into and administer third party funded agreements subject to the provisions of this directive.

4. PROVISIONS

- 4.1. An agreement to accept third party funding must be completed in accordance with Directive 950, Revenue and Trust Authorization.
- 4.2. To implement a cost shared agreement, an appropriation for the total annual activity must be in place. Where no appropriation exists, departments must seek approval for a supplementary appropriation, or request the Financial Management Board to reclassify an existing appropriation to cover the total cost of the proposed cost shared agreement.
- 4.3. All third party funding received must be spent for the purpose identified in the agreement.
- 4.4. Where an agreement allows for discretionary spending choices, spending decisions are to be made as follows:
 - a) For allocations of funds which are department specific:
 - i) up to \$500,000, approval by the Deputy Minister is required with notice to FMB, prior to finalization of allocations;
 - ii) over \$500,000, approval by FMB is required; with notice to the Legislative Assembly at the discretion of FMB.
 - iii) Where the agreement is a multi-year agreement, the spending threshold applies to the total value of the agreement.
 - b) For allocation of funds which may be used by multiple departments, for multiple purposes, spending allocation decisions shall be made by FMB, with notice to the Legislative Assembly at the discretion of FMB.
- 4.5. No disbursement shall be made in respect of a third party funding agreement until the initial transfer of funds has been received by the Government and deposited into the appropriate account or special purpose fund established for that purpose unless:

- a) a written agreement, made and approved as stipulated in these Provisions, provides for money to be transferred to the Government at a future date in an amount equal to or greater than the amount of the disbursement;
 - b) the agreement has been signed by duly authorized officers of the third party and the Government; and,
 - c) the disbursement is made specifically for the purpose intended in the agreement.
 - d) if multiple parties are involved, all funding agreements must be signed before any disbursements are allowed.
- 4.6. If a third party funding agreement is primarily for the benefit of the funding organization, an administration fee may be negotiated as part of the agreement with the organization in order to offset any direct and/or indirect costs incurred by the Government.
- 4.7. The disposition of unexpended balances will depend on the terms included in the third party funded agreement. The funding agreement may specify that the unexpended balance be carried over to be used in a renewal term of the agreement; it may specify that the unexpended balance must be returned to the third party; it may specify that the unexpended balance may be retained by the Government. If any unexpended balance may be retained, it must be considered general revenue, available for appropriation.
- 4.8. For multi-year cost sharing agreements, a new appropriation for the total estimated annual expenditure must be obtained each year.
- 4.9. Where a third party funding agreement provides for the acquisition of infrastructure, upfront consideration must be given to any ongoing operating and maintenance costs that will be required to use the asset. Where these costs are not provided for in the funding agreement, departments must request additional appropriations through FMB, or identify funds within their existing budget.
- 4.10. The department responsible for managing the agreement must ensure that appropriate financial systems and internal controls are used and that all requirements of the agreement are completed, including that the revenue is fully accounted for, promptly billed (using advances as necessary) and properly recorded, and that the reporting requirements are adhered to.
- 4.11. The department responsible for managing the third party funding agreement must provide quarterly reporting to Expenditure Management in a format to be specified.



- 4.12. Cost shared funding agreement values must be included within the expenditure and revenue sections of the Main Estimates and the Public Accounts.

- 4.13. Special purpose funded agreement values must be disclosed in the Main Estimates and the Public Accounts, if material.