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## ***Funding a New Initiative: How a Department Gets Approvals and Money***

Publication No. PRB 08-42E  
11 December 2008  
*Reviewed 17 May 2012*

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***Funding a New Initiative:  
How a Department Gets Approvals and Money  
(In Brief)***

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In the electronic versions, a number of the endnote entries contain hyperlinks to referenced resources.

*Ce document est également publié en français.*

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## **FUNDING A NEW INITIATIVE: HOW A DEPARTMENT GETS APPROVALS AND MONEY**

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This publication outlines the general process of how a department gets funding for a new initiative. It also briefly describes the roles the central agencies play in the process, namely the Privy Council Office, the Department of Finance and the Treasury Board Secretariat. The course illustrated below is typical of how a department can receive funding for new initiatives: from Cabinet approval to Treasury Board approval to parliamentary approval.

Before a department can begin the process of obtaining the necessary approvals for a new initiative, it must complete some steps internally. It must undertake rigorous policy development through research and consultations, both internally and interdepartmentally, and it must ensure that the proposed initiative supports one or more departmental policies. In addition, the department's minister must approve the initiative.

### **1 CABINET APPROVAL – MEMORANDUM TO CABINET**

Once a department has obtained ministerial approval of a new initiative, it must seek Cabinet approval. The primary document used for this purpose is the Memorandum to Cabinet (MC).<sup>1</sup> An MC is a minister's vehicle for proposing and explaining a proposed measure to the Cabinet and for obtaining its approval.

MCs can be written for several different reasons, including when:

- a department proposes a new program or policy that is consistent with the government's priorities, such as initiatives that stem from the Speech from the Throne;
- a department requires additional funds in order to meet legislative or regulatory requirements;
- new issues arise that demand action by a department on behalf of the government; or
- the prime minister or a minister wishes to bring forward a new policy or to respond to a past Cabinet commitment outside of the Budget.

The MC includes sections providing the Cabinet with an overview of the issue, the financial considerations, and the rationale for the recommendations. It also includes a communications plan that presents an analysis of the public environment, with an assessment of likely public reaction.

Though the sponsoring department is responsible for preparing an MC, each of the central agencies is involved in drafting the document. The Privy Council Office<sup>2</sup> ensures that the MC is appropriately written and that the aims of the initiative described

in the document are consistent with the government's priorities. It also ensures that the document presents all the facts, that the desired interdepartmental consultations have taken place, and that all options are thoroughly reviewed. The Department of Finance<sup>3</sup> comments on the overall strategy of the proposal and ensures that the fiscal information included in the MC fits with the government's fiscal priorities, as outlined in the Budget. The Treasury Board Secretariat<sup>4</sup> ensures that the MC includes appropriate accountability and transparency provisions and that it makes the appropriate linkages between other programs and departments.

Once an MC has been prepared, it is considered by a Cabinet committee.<sup>5</sup> At the Cabinet committee stage, an MC can be fully approved, approved in principle, postponed pending clarification, or not approved. In the rare case that an MC is not approved, it is sent back to the department for refinement. If the MC is approved, the sponsoring department can begin to secure the necessary funding, if this has not already been done, and prepare the Treasury Board Submission.

## **2 TREASURY BOARD APPROVAL – SPENDING AUTHORITY**

Once an initiative has been approved at the MC stage, the department drafts a Treasury Board (TB) Submission. A TB Submission is an official document that a department prepares to seek spending authority from Treasury Board ministers<sup>6</sup> to carry out an initiative for which it has already received Cabinet approval. A TB Submission generally includes details of the initiative's design and delivery, how much it will cost each year, and its expected outcomes.

When the Treasury Board Secretariat (TBS) receives a submission from a department, it is required to perform a "challenge function" to ensure that the submission is complete. The TBS's challenge function begins when it receives an early draft of a TB Submission. Its first role is to ensure that the department has secured a source of funds for the initiative. This funding can come from the Budget, existing government funds (known as the fiscal framework), internal reallocation or other means.<sup>7</sup> Once a source of funds has been identified, a TBS program analyst reviews the TB Submission and provides comments to the sponsoring department. This is an iterative process that allows the TBS and the department to reach a consensus before the TB Submission is presented at a Treasury Board meeting. When a final text has been agreed upon, the TBS analyst prepares a précis that, in addition to summarizing the department's request, includes a recommendation to the Treasury Board to approve, not approve, or approve with conditions the proposals contained within the TB Submission. The usual time required to process a submission from the initial draft stage to the Treasury Board's decision is approximately two to three months.

Once the Treasury Board approves a TB Submission, the department has the spending authority to proceed with the program or policy. However, the department cannot begin to spend the funds that the Treasury Board approved until Parliament approves the funding.

### 3 PARLIAMENTARY APPROVAL – FUNDING FLOWS TO THE DEPARTMENT

Funding cannot flow to a department until Parliament grants its approval through the Estimates process. Each year, the government prepares Estimates that detail its spending plans. However, before the government can implement those spending plans, Parliament must approve them. The Estimates support the government's request to Parliament for authority to spend public funds. That request is formalized through the tabling of an Appropriation Bill in Parliament.

Once Parliament approves the Estimates by passing the related Appropriation Bill, the department can begin to spend the money approved for the initiative.

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#### NOTES

1. Initiatives announced in the federal Budget that have already received Cabinet approval do not need MCs.
2. The Privy Council Office provides non-partisan advice and support to the prime minister and the Cabinet.
3. The Department of Finance serves as the government's primary source of analysis and advice on the economic, fiscal and tax implications of key government priorities.
4. The Treasury Board Secretariat provides advice and support to the Treasury Board, which is a committee of ministers, in its role of ensuring value for money. It also provides oversight of the financial management functions in departments and agencies.
5. For a list of the current Cabinet committees, please see <http://www2.parl.gc.ca/Parlinfo/Compilations/FederalGovernment/ComiteeCabinet.aspx>.
6. The Treasury Board is the Cabinet committee responsible for accountability and ethics, financial, personnel and administrative management, comptrollership, and approval of regulations and most orders in council.
7. New initiatives can sometimes be approved in principle by the Cabinet at the Memorandum to Cabinet stage, even if a source of funds has not yet been established.