

EXPLANATORY NOTES

CURRENT ACCOUNT EXPENDITURE

The following notes have been prepared to assist those officers who have the responsibility for committing moneys from the Consolidated Fund; and other readers of this publication.

1. All funds expended must be for the purpose intended by the Legislature as reflected in programme and Business Unit/objectives.
2. No commitments may be entered into which will cause a Head to be overspent (unless prior authorization has been granted by the Minister of Finance), funds may be transferred from one Head to another when those Heads fall within the same Ministry.
3. The current budgeting and accounting system requires detail cost and revenue centres to be established, and is designed to assist departments in the better management and financial control of their budgets. To this end, the emphasis is placed on providing funds for the purpose of achieving the overall objectives of a department in the most efficient and economical way together with identifying the cost of the provision of services.
4. In order to encourage departments to take greater responsibility for the proper control of their own budget, the Minister of Finance has agreed that Permanent Secretaries and Heads of Departments may, if they for good reason think fit, exercise freedom of virement (i.e. the transfer of funds) in accordance with provisions in the Public Treasury (Administration and Payments) Act 1969 and the Appropriation Act, provided the intention to do so is reported in the prescribed manner to the Financial Secretary prior to such virement being made. The only exception is in respect of the provision for Object Codes 6805-7099 Grants and Contributions, Object Code 4110 Salaries, and Object Code 4260 Wages, which may not be altered, without Ministerial approval.
5. Departments will arrange to produce monthly (or more frequently as required) financial statements in order that an assessment of the departments budgetary performance can be made. These statements must be reconciled with outstanding commitments if these are not already included in the system and anticipated future expenditure so as to ensure that adequate funds are available to provide for goods and services throughout the financial year. Departments must also ensure that budgetary provisions anticipate the financial impact of year end accruals.

EXPLANATORY NOTES - continued

6. Details of financial controls are specified in Financial Instructions issued by the Minister of Finance under Section 3(1) of the Public Treasury (Administration and Payments) Act 1969. It is the duty of Permanent Secretaries and Heads of Departments to ensure that a copy of Financial Instructions is readily available for consultation by all officers and the copies are at all times kept fully up-to-date.
7. The accounting code structure utilized by the Government is as follows:

BUSINESS UNIT	.	OBJECT ACCOUNT
— — — — —	.	— — — — —
(5 digits)		(4 digits)

8. The business unit identifies “where” the expenditure is being incurred, with the object account describing “what” it is being spent on, e.g. Salaries, Wages, Materials, etc.
9. The Ministry of Finance prepares the annual Budget Estimates on the modified cash basis whereby the Estimates are based on anticipated spending for the fiscal year whereas the Governments annual financial statements are prepared on an accrual basis. This can result in differences between actual expenditures and approved estimates. The most significant of these are:
- (i) Bad debts provision; a provision is established for accounts receivable where collection is doubtful. For budget purposes, no such provision is made.
 - (ii) Pension obligation increment; an accrued benefit obligation is recorded for pension funds. For budget purposes, the Government estimates a pension expenditure equal to its funding payments.
 - (iii) Government Borrowing Sinking Fund; transfers to the sinking fund are recorded as cash transfers. For budget purposes, the Government estimates expenditure for the sinking fund contribution and related interest expenditure.

However additional financial schedules are prepared with actual expenditure adjusted for the above items in order that true comparisons can be made against annual departmental budget appropriations.

EXPLANATORY NOTES - continued

10. Medium Term Expenditure Framework

The Ministry of Finance integrated the preparation of the 2016/2017 budget with a medium term expenditure framework (MTEF). A MTEF based budget preparation is used to achieve medium term policy targets which are impossible to achieve in a single budget. An MTEF programme allows flexibility in the allocation of resources across a series of annual budgets to meet objectives related to debt service and other government commitments that cannot be achieved in a single budget. In order to successfully implement such a framework, the Ministry of Finance has begun to develop forward estimates of the cost of core government policies, in the form of multi-year (aggregate) cash limits.

11. DEFINITIONS OF CURRENT ACCOUNT EXPENDITURE OBJECT ACCOUNTS

EMPLOYEE COSTS

4005 SALARIES

Salaries of Members of the Legislature, Civil Servants, Teachers, Principals, Fire Fighters, Police, Prison Officers and pay and allowances of the permanent staff of the Bermuda Regiment and all temporary staff serving in these capacities, including acting pay, sick pay, vacation pay, student employment and overtime.

4250 WAGES

Wages of all industrial employees, non-permanent members of the Bermuda Regiment, part-time and temporary staff serving in these capacities including sick pay, vacation pay, student employment and overtime.

4400 EMPLOYER OVERHEAD

Government's equivalent contribution on GEHI, superannuation, payroll tax and ex-gratia pensions.

4600 OTHER PERSONNEL COSTS

All types of special allowances paid to employees, severance pay, redundancy and ex-gratia payments, employee health costs, recruitment expenses and central overheads.

4900 TRAINING

Provision for training Government employees and potential employees.

EXPLANATORY NOTES – continued

OTHER OPERATIONAL EXPENSES

5001 TRANSPORT

Transport of goods, hire of vehicles and freight costs.

5050 TRAVEL

Travel and subsistence expenses of all Government employees on official business and the cost of overseas witnesses.

5100 COMMUNICATIONS

Costs of all communications services including telephone, postal, facsimile, couriers, cables and telex and the cost of obtaining information.

5180 ADVERTISING AND PROMOTION

All Government advertising and promotion including production and placement in all media.

5250 PROFESSIONAL SERVICES

All services performed by individuals or organisations including outside technical, professional consultant and other expert assistance.

5450 RENTALS

Rentals of all kinds (except telephones) including rentals of properties, office equipment and hire of mechanical equipment (with or without crew).

5500 REPAIR AND MAINTENANCE

Repair and upkeep both under contract and direct costs of the types of durable physical assets provided for in the capital estimates.

DEFINITIONS OF EXPENDITURE OBJECT ACCOUNTS

5650 INSURANCE

All premiums paid to a recognized underwriter for insurance coverage of any type associated with departmental activity.

5700 ENERGY

All charges related to the purchase or generation of electrical power, fuels, fuel oil for all types of ground vehicles and marine craft, as well as for heating and other purposes.

5750 CLOTHING AND UNIFORMS

All clothing and uniforms issued by Government, including laundry and dry cleaning costs.

5800 MATERIALS AND SUPPLIES

Purchases of all types of materials and supplies required for the operation of a programme excluding those specified under other object accounts. All printing and stationary costs are accounted for under this object account.

EXPLANATORY NOTES – continued

6050 EQUIPMENT*

Includes provision for machinery, equipment, office furniture and furnishings including office machines and appliances of all types. All motor vehicles, tractors and road equipment, laboratory and other scientific equipment, marine craft and aids to navigation, teaching equipment computer equipment, audio-visual, photographic and plant machinery and equipment and all other types of equipment.

*items costing over \$250 and up to \$5,000 are shown under current account estimates.

*items costing over \$5,000 are shown under capital account estimates.

6450 OTHER EXPENSES

Bank charges, foreign exchange gains and losses, subscriptions, agency services (GPO), hospitality expenses, criminal injury compensation and deportation/repatriation expenses.

6600 RECEIPTS CREDITED TO PROGRAMME

Reimbursements of internal charges and receipts not accounted for in revenue.

6750 WORKS AND ENGINEERING DEPARTMENTAL SUPPORT

Re-allocation of wages, stores and miscellaneous overheads by Works and Engineering by means of a percentage cost to wages.

6790 TRANSFER TO OTHER FUNDS

Contributions to funds other than the Consolidated Fund.

GRANTS AND CONTRIBUTIONS

6810 GRANTS AND CONTRIBUTIONS

All grants and contributions made to individuals and organizations whether in Bermuda or abroad.

PUBLIC DEBT

7105 PUBLIC DEBT CHARGES

Includes principal and interest payments to service Bermuda Government loan debt.