



OFFICE OF THE  
PARLIAMENTARY BUDGET OFFICER



BUREAU DU  
DIRECTEUR PARLEMENTAIRE DU BUDGET

## **The Expenditure Monitor: *2011-12 Q2***

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January 11, 2012



**Key Points of this Note:**

- This note reviews federal expenditures for the first six months of the fiscal year (*i.e.* April to September 2011).
- Based on data from the first half of the year, total federal expenditures decreased 3.0 per cent compared to the same period in the previous fiscal year. This is lower than the plan outlined in the Update of Economic and Fiscal Projections, which projected total expenses to rise 1.5 per cent from 2010-11 to 2011-12 (y/y)
- With few exceptions, the most significant changes in departments' and agencies' expenditures are explained in the Quarterly Financial Reports that were published earlier this month (<http://www.tbs-sct.gc.ca/fm-gf/ktopics-dossiersc/fmpr-rftm/fmpr-rftm-eng.asp>).
- The Integrated Monitoring Database (IMD) has been updated with expenditure data for the second quarter of 2011-12 ([www.pbo-dpb.gc.ca](http://www.pbo-dpb.gc.ca)).
  - The IMD will be updated with expenditure data for the third quarter of 2011-12 in mid-March.

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## 1. Context

The Parliamentary Budget Officer's (PBO) legislative mandate includes research and analysis regarding the Government's estimates.<sup>1</sup>

To fulfill this aspect of the mandate, the PBO performs ongoing analysis of changes to departments' and agencies' spending authorities that are outlined in the Estimates (*i.e.* the provision of spending authorities provided by Parliament), as well as track in-year expenditures from these allotments.<sup>2</sup>

This monitoring framework allows the PBO to highlight items of material interest to parliamentarians as they consider additional funding requests brought forward in the Supplementary Estimates.

This note reviews total spending authorities (*i.e.* Main Estimates and Supplementary Estimates A, B) and actual expenditures for the first six months of the current fiscal year (*i.e.* April to September 2011).

## 2. Highlights of 2011-12 Q2

### (i) Total Expenditures

As presented in Figure 2-1, total expenditures in the first half of the 2011-12 fiscal year decreased 3 per cent to \$123 billion, compared to the same period in 2010-11. As highlighted in earlier analysis, this is consistent with the 3 per cent decrease in total spending authorities in 2011-12.<sup>3</sup>

<sup>1</sup> <http://laws.justice.gc.ca/eng/PDF/P-1.PDF>. Accessed December 2011.

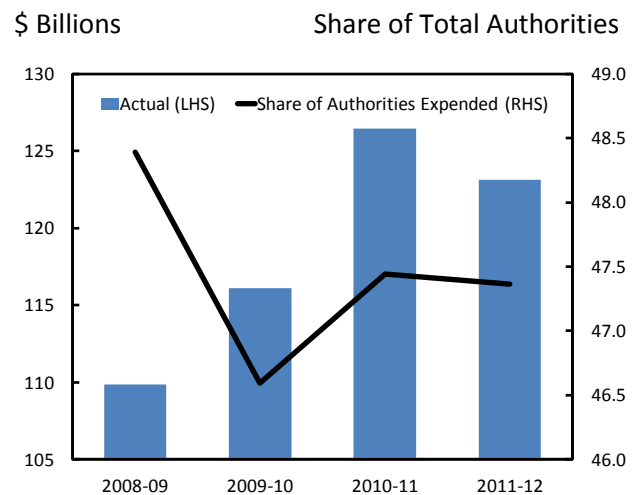
<sup>2</sup> An overview of the methodology used by the PBO is provided in complementary briefing note, "Expenditure Monitor: Methodology". [http://www.parl.gc.ca/PBO-DPB/documents/Expenditure\\_Monitor\\_Guide.pdf](http://www.parl.gc.ca/PBO-DPB/documents/Expenditure_Monitor_Guide.pdf). Accessed December 2011.

<sup>3</sup> [http://www.parl.gc.ca/PBO-DPB/documents/Supplementary\\_Estimates\\_B\\_EN.pdf](http://www.parl.gc.ca/PBO-DPB/documents/Supplementary_Estimates_B_EN.pdf). Accessed December 2011.

As a result, federal departments and agencies expended approximately the same share of spending authorities provided by Parliament in the first six months of the current fiscal year, compared to the same period in the previous year (47.4 per cent).

**Figure 2-1**

### Total Expenditures in First Six Months of the Fiscal Year



Source: Government of Canada; PBO Calculations

Overall, increases in major transfer payment programs to individuals (*e.g.* Old Age Security) and other levels of government (*e.g.* Canada Health Transfer) were offset by decreases in operating, capital and other transfer payment expenditures.

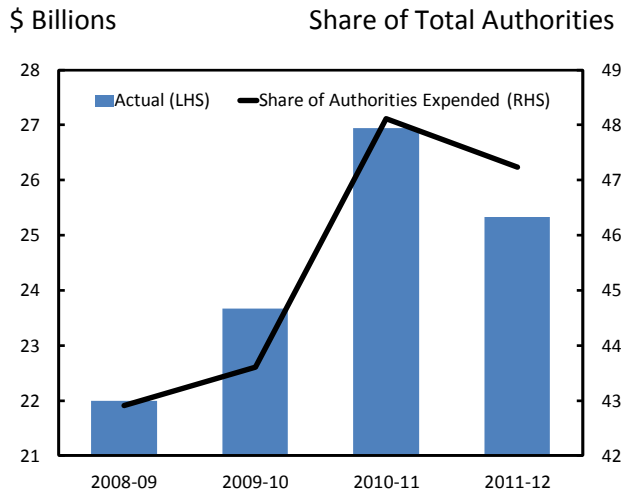
### (ii) Operating Expenditures

Operating expenditures decreased over 4 per cent to almost \$25 billion (Figure 2-2). The lower level of spending was widespread across most organizations and likely reflects restraint measures announced in Budget 2010 (*i.e.* the Operating Budget Freeze) and Budget 2011 (*i.e.* Strategic Reviews).

This lower level of expenditure, combined with a decrease in total operating authorities, resulted in departments and agencies spending less of their authorities in the first six months (47 per cent).

Figure 2-2

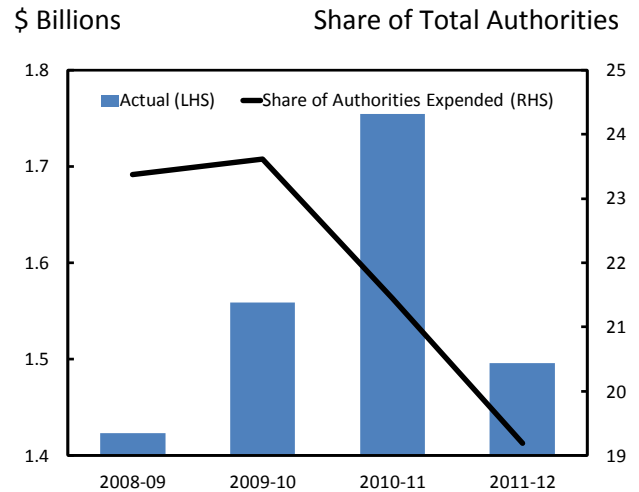
**Operating Expenditures in First Six Months of the Fiscal Year**



Source: Government of Canada; PBO Calculations

Figure 2-3

**Capital Expenditures in First Six Months of the Fiscal Year**



Source: Government of Canada; PBO Calculations

*(iii) Capital Expenditures*

As presented in Figure 2-3, capital expenditures decreased 15 per cent in the first half of 2011-12 to approximately \$1.5 billion. This is expected given the planned decrease in capital spending authorities, which was presented in the Main and Supplementary Estimates (A and B).

Much of the decrease in capital expenditures is attributable to National Defence (\$265 million lower compared to the same period in 2010-11).

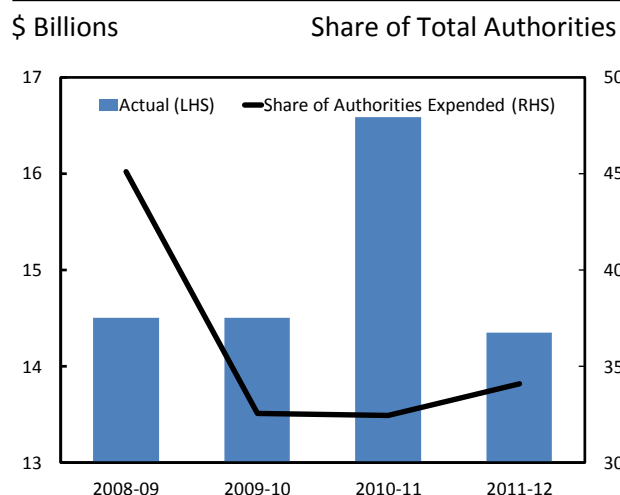
The share of expenditures relative to authorities also decreased to approximately 19 per cent. Typically, capital expenditures tend to build over the course of the fiscal year, with the majority of activity during the second half.

*(iv) Non-Major Transfer Payments*

Expenditures relating to transfer payments, *excluding* major statutory transfers to people and provinces/territories, fell 13 per cent to approximately \$14 billion in the first six months of 2011-12 compared to the previous year (Figure 2-4).

As was the case with capital expenditures, authorized amounts for non-major transfer payments decreased substantially compared to the previous fiscal year, owing to wind-down of the Economic Action Plan (e.g. infrastructure spending, grants and contributions made by regional development agencies).

The share of expenditures relative to authorities grew to over 34 per cent in the first half, as the level of spending decreased less than the corresponding spending authorities provided by Parliament.

**Figure 2-4****Other Transfer Payments Expenditures in the First Six Months of the Fiscal Year**

Source: Government of Canada; PBO Calculations

**(v) Internal Services**

Expenditures for internal services were \$5.1 billion in the first half of the year. This represents 52 per cent of the total planned amount of \$9.8 billion, which was presented in the Main Estimates.

Internal services include communications, financial management, human resource management, and information technology.<sup>4</sup> This activity was the subject of an Administrative Services Review by the Government of Canada and is expected to contribute toward the \$4 billion Strategic and Operating Reviews savings target.<sup>5</sup>

The Government began sharing Program Activity data, which includes internal services, earlier this year. As such, the PBO will begin providing historical comparisons next fiscal year.

**3. Individual Items**

To identify material variances among the hundreds of authorities presented in the Government's Estimates, the PBO has screened all items and identified the largest expenditure changes by dollar value and per cent, compared to the same quarter of the previous fiscal year. These tables are presented in Annex A.

Overall, virtually all items flagged by the PBO are explained in the quarterly financial reports published earlier this month by departments and agencies.<sup>6</sup>

**4. Conclusion**

Based on the first six months of the 2011-12 fiscal year, total federal expenditures decreased 3.0 per cent compared to the same period in the previous fiscal year. This is lower than the plan outlined in the Update of Economic and Fiscal Projections, which projected total expenses to rise 1.5 per cent from 2010-11 to 2011-12 (y/y).<sup>7</sup>

Given the Government's focus on constraining operating spending to achieve fiscal targets, the PBO will continue to monitor the impact on Operating Expenses Subject to Freeze.<sup>8</sup>

The Integrated Monitoring Database (IMD) has been updated to include expenditure data for the second quarter of 2011.

<sup>4</sup> <http://www.tbs-sct.gc.ca/est-pre/20112012/me-bpd/docs/me-bpd-eng.pdf>. Accessed December 2011.

<sup>5</sup> <http://www.budget.gc.ca/2011/plan/chap5-eng.html>. Accessed December 2011.

<sup>6</sup> <http://www.tbs-sct.gc.ca/fm-gf/ktopics-dossiersc/fmpr-rftm/fmpr-rftm-eng.asp>. Accessed December 2011.

<sup>7</sup> The Estimates/Authorities are presented on the basis of cash accounting and the Budget presented on the basis of accrual accounting. While the annual spending trends are generally consistent between each accounting method, the differences can be material from one quarter to the next.

<sup>8</sup> <http://www.budget.gc.ca/2010/plan/chap4b-eng.html>. Accessed January 2012.

## Annex A

**Table 1. Largest \$ Changes: Total Expenditures in 2011-12 Q1 and Q2 versus previous year<sup>1</sup>**

Organization	Authorities	\$ (000s) $\Delta$	Explanation from Quarterly Report
Finance	HST Transition Transfer	-1,889,000	<i>Planned decrease in schedule of payments</i>
Finance	Canada Health Transfer	747,063	<i>Increased levels of authorized spending</i>
Human Resources and Skills Development	Old Age Security	744,348	<i>Increased number of beneficiaries, increased payment amount</i>
Office of Infrastructure	Contributions	579,701	<i>Increase in claims for projects completed under the Economic Action Program.</i>
Finance	Fiscal Equalization	585,889	<i>Increased levels of authorized spending</i>
Finance	Public Debt Interest	455,202	<i>Increased federal debt</i>
Human Resources and Skills Development	Grants and Contributions	-357,998	<i>Wind-down of Economic Action Plan Funding</i>
Human Resources and Skills Development	Guaranteed Income Supplement	300,980	<i>Increased number of beneficiaries , increased payment amount</i>
National Defence	Capital	-265,067	<i>Reduced contracting activity for capital projects</i>
Aboriginal Affairs	Grants and Contributions	258,248	<i>Timing of Specific Claims Settlements</i>

1. All Authorities listed in the 2011-12 Main Estimates with total authorities above \$100 million in 2010-11 or 2011-12; excluding non-budgetary items.

## Annex A

**Table 2. Largest % Changes: Total Expenditures in 2011-12 Q1 and Q2 versus previous year<sup>1</sup>**

Organization	Authorities	Δ %	Explanation from Quarterly Report
Chief Electoral Officer	<b>Election Expenses, Operating Expenses</b>	290%	<i>41<sup>st</sup> Canadian General Election</i>
Canada Border Service Agency	<b>Capital Expenditures</b>	270%	<i>Construction of a new port of entry; investments in arming</i>
Correctional Service	<b>Capital Expenditures</b>	146%	<i>Implementation of newly enacted legislation; projected increase in offender population</i>
Statistics Canada	<b>Program Expenditures</b>	106%	<i>2011 Census of Population and National Household Survey and Census of Agriculture</i>
National Defence	<b>Grants and Contributions</b>	-80%	<i>Delay in a planned transfer payment to NATO for an infrastructure project which has been stalled due to the ongoing financial crisis in the European Union</i>
Finance	<b>Grants and Contributions</b>	-69%	<i>Timing of bilateral debt relief payments and payments for the Toronto Waterfront Revitalization Initiative</i>
Environment	<b>Grants and Contributions</b>	-69%	<i>None</i>
Fisheries and Oceans	<b>Grants and Contributions</b>	61%	<i>Timing of agreements signed as part of Atlantic Lobster Sustainability Measures</i>
Western Economic Diversification	<b>Grants and Contributions</b>	-60%	<i>Wind-down of Canadian Economic Action Program</i>
Economic Development Agency for Southern Ontario	<b>Grants and Contributions</b>	-56%	<i>Wind-down of Canadian Economic Action Program</i>

1. All Authorities listed in the 2011-12 Main Estimates with total authorities above \$100 million in 2010-11 or 2011-12; excluding non-budgetary items.