



OFFICE OF THE
PARLIAMENTARY BUDGET OFFICER



BUREAU DU
DIRECTEUR PARLEMENTAIRE DU BUDGET

Methodology Guide to the Expenditure Monitor

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Key Points of this Note:

- This note outlines the methodology used to prepare the Parliamentary Budget Officer's (PBO) Expenditure Monitor.

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The Parliamentary Budget Officer's *Expenditure Monitor* provides parliamentarians with a comprehensive assessment of in-year development in federal spending. It is the *only* publication that examines all federal expenditure data and highlights items of material interest.

The PBO plans to publish the *Expenditure Monitor* quarterly: September, January, April and July.

This note provides an overview of the data and methodology used to prepare the Expenditure Monitor.

1. Data

The PBO relies on unclassified data prepared by all federal departments and agencies that receive an appropriation from Parliament.

There are three complementary data sources used to build a framework to assess *budgeted* authorities and *actual* in-year expenditures.

a) *The Estimates*

To begin, the PBO uses the Estimates documents prepared by the Government of Canada (Government), which enumerate all voted and statutory budgetary authorities provided by Parliament to federal departments and agencies. Non-budgetary authorities sought through the Estimates process, such as loans, loan guarantees and changes to the pre-existing authorities granted by Parliament (*e.g.* the annual borrowing limits for revolving funds) are excluded from this process.

In any given year, there are over 600 line items presented in the Main Estimates, which are tabled in March.¹ Based on the annual Estimates data collated by the PBO for the past four fiscal years,

¹ Pursuant to the House of Commons Standing Order 81 (4), the Main Estimates for the incoming fiscal year must be tabled in Parliament by March 1st.
<http://www.parl.gc.ca/About/House/StandingOrders/SOPDF.pdf>. Accessed July 2011.

the final number of line items can grow by up to 100 through the subsequent Supplementary Estimates.

Throughout the year, the PBO will track the expenditure authority of each vote. This includes identifying the sources of changes to expenditure authority, such as internal transfers, transfers among departments, new authorities provided by Parliament or, in the case of statutory authorities, revisions to forecast expenditure amounts.

The PBO also tracks expenditure data by Strategic Outcome and Program Activity Architecture (PAA). The Government maps all planned expenditures to the PAA to assess how parliamentary authorities are allocated to achieve specific outcomes and results. For instance, while the Correctional Service of Canada has one vote designated as "operating expenditures" (vote 25), this funding is earmarked against three Program Activities that explain what these resources are expected to achieve: *Custody, Correctional Interventions and Community Supervision*.²

b) *Departmental and Agency Expenditure Data*

Each month, federal departments and agencies are required to prepare an official summary of how expenditure authorities listed in the Estimates have been disbursed.³ This includes expenditures of specific votes presented in the Estimates, as well as expenditures on the basis of the PAA.

Shortly after the Government publishes an aggregated summary of these data in the Fiscal Monitor, it shares the detailed microdata with the PBO.^{4,5} The PBO then matches actual

² <http://www.tbs-sct.gc.ca/est-pre/20112012/me-bpd/docs/me-bpd-eng.pdf>. Accessed July 2011.

³ <http://www.tpsgc-pwgsc.gc.ca/recgen/pceaf-gwcoa/0708/sct-tbs/250-eng.html>. Accessed July 2011.

⁴ Pursuant to Information Request 008.

http://www.parl.gc.ca/PBO-DPB/documents/Response_008.pdf. Accessed July 2011.

⁵ The House of Commons, Senate, Library of Parliament, Senate Ethics Commissioner and the Office of the Conflict of Interest and Ethics Commissioner have declined to share detailed expenditure information with the PBO. As such, all

departmental and agency expenditures against the amounts budgeted in the Estimates documents.

c) *Departmental and Agency PAA Revisions*

Finally, while the Government publishes updates to the budgeted amounts for votes presented to Parliament, it does not publish revisions to the budgets for Program Activities.

To address this gap, the PBO receives revisions to Program Activity budgets directly from departments and agencies, following the tabling of each Supplementary Estimates document.⁶

2. Methodology

After the PBO has organized the expenditure data into a spreadsheet that links *budgeted* authorities listed in the Estimates and updated Program Activity budgets with *actual* departmental and agency monthly expenditures, these data are then used to assess developments in federal spending and implementation of the Government's expenditure plan.

Each quarter, the PBO prepares the *Expenditure Monitor*, which highlights important developments and key trends in the Government's own expenditure data by assessing material variations in individual votes and Program Activities, as well as developments in several key aggregates.

Individual Items

To identify material variances among the approximately 600 votes and 700 Program Activities listed in the Government's Estimates, the PBO screens all items for material variances that

may suggest policy or program changes that could warrant further parliamentary scrutiny.

These screening criteria evolve over time in response to feedback from parliamentarians. Currently, the PBO uses a single filter, requiring that all votes and Program Activities have at least \$100 million in budgeted expenditures in either the current or previous fiscal year.

After applying the screening criteria, the PBO then collates the 10 most significant changes in actual spending measured in two ways.

(i) *Largest Expenditure Changes by Value*

This category assesses the largest differences in the dollar value of expenditures across votes and Program Activities, compared to the same time period in the previous fiscal year.

For example, in the *2011-12 Q1 Expenditure Monitor*, this would compare actual expenditures in 2011-12 Q1 to actual expenditures in 2010-11 Q1.

(ii) *Largest Expenditure Changes by Per cent*

This category assesses largest net changes to votes and Program Activities measured by percentage, compared to the same time period in the previous fiscal year.

In addition to the aforementioned tables, the PBO also prepares a list of all votes and Program Activities for which no expenditures have been reported. This list is not contained within the *Expenditure Monitor* itself, but rather posted on the PBO Web site as a spreadsheet.

Selected Aggregates

In addition to identifying material variances in the individual line items approved by parliamentarians, the *Expenditure Monitor* also provides an assessment of the broader expenditure trends based on four aggregations of authorities

information for Parliament is aggregated into a single line item.

⁶ Pursuant to Information Request 048.

<http://www.parl.gc.ca/PBO-DPB/InformationRequests.aspx?Language=E>. Accessed July 2011.

presented in the Government's Estimates:
Operating, Capital, Other Transfer Payments, and Internal Services.

The PBO calculates these aggregates directly from the Estimates documents:

- (i) *Operating.* All operating and program expenditure votes of departments, as well as "operating-type" expenditures such as employee benefits, Ministerial car allowances, and other related expenditures.
- (ii) *Capital.* This is an aggregation of all capital votes listed in the Estimates.
- (iii) *Other Transfer Payments.* This is a list of all transfer payments not otherwise listed as "major transfers" in the Government's *Fiscal Monitor*.⁷
- (iv) *Internal Services.* This is the sum of all Internal Service Program Activity

expenditures, which include:
Communications; Human Resources;
Information Technology; and, Financial
Management.⁸

It should be noted that some departments and agencies include their capital and transfer payments into a single "program expenditures" category, and therefore are included in the *Operating* aggregate. However, based on historical analysis prepared by the PBO, these amounts are less than 3 per cent of historical operating spending and therefore not material when considering broader expenditure trends over a multi-year period.

3. The Integrated Monitoring Database

Following preparation of the Expenditure Monitor, the PBO will also simultaneously update the Integrated Monitoring Database (IMD). This will allow parliamentarians to examine other items that were not explicitly highlighted as material variances in the report, but may still be of interest.

⁷ <http://www.fin.gc.ca/pub/fm-rf-index-eng.asp>. Accessed July 2011.

⁸ <http://www.tbs-sct.gc.ca/est-pre/20112012/mebpd/docs/me-bpd-eng.pdf>. Accessed July 2011.