



**REPORT ON THE
2018–19 INTERIM ESTIMATES**

Standing Senate Committee on National Finance

TWENTY-SIXTH REPORT

Chair

The Honourable Percy Mockler

Deputy Chairs

The Honourable Mobina Jaffer
The Honourable André Pratte

March 2018

INTRODUCTION

On 13 February 2018, the *2018–19 Interim Estimates* were tabled in the Senate and were referred on 15 February 2018 to the Standing Senate Committee on National Finance for review.

The *2018–19 Interim Estimates* provide information for \$30.9 billion in voted budgetary expenditures, and \$14.3 million in voted non-budgetary expenditures. These amounts support the government's financial requirements for the first three months of the 2018–2019 fiscal year and are outlined in a proposed schedule to the first appropriation bill for the year.

Our committee held one hearing on the interim estimates with officials from the Treasury Board of Canada Secretariat.

BACKGROUND

1.1 Alignment

In October 2016, the Treasury Board Secretariat of Canada released a discussion paper outlining several proposals to amend the estimates process. The Secretariat observed that new spending measures announced in the budget are not included in the main estimates, in part because the main estimates are prepared before the budget. Consequently, budget measures were included in subsequent supplementary or main estimates.

However, the lack of spending alignment of the main estimates and the budget made it difficult for parliamentarians to examine the government's complete spending plans for the coming fiscal year. To improve alignment, the Secretariat proposed delaying the main estimates until well after the budget presentation, thereby including budget measures in the main estimates.

On 20 June 2017, the House of Commons amended the timeline for the main estimates in its standing orders from on or before March 1 to on or before April 16. This change will be in place for the duration of the 42nd Parliament.

1.2 Interim Supply/Estimates

Each year, the government prepares estimates in support of its request to Parliament for authority to spend public funds. This request for spending authority is formalized through the introduction of appropriation bills in Parliament. Estimates are generally released mid-February to allow parliamentarians to review and report on them prior to the arrival of appropriation acts. The first appropriation act of the year presented on or before March 26th, titled "interim supply" allows parliamentarians to vote on the first release of a portion of funds to begin the fiscal year. Interim supply was usually three twelfths (25%) of the amounts outlined in the main estimates. Organizations that had greater funding needs in the first three months were provided additional twelfths of their amounts in the main estimates.

This year, for the first time in decades, parliamentarians are being asked to vote on calculations based on the amounts outlined in the previous year's main estimates. Full main estimates for 2018–2019 are expected to be released before April 16, 2018 and are expected to include most Budget 2018 measures

to avoid the request for spring supplementary estimates next year. Treasury Board of Canada Secretariat officials explained that they will be tabling the main estimates and the departmental plans on the same day for the first time by design, because the departmental plan is intended to inform the committee's study of the main estimates. The main estimates will be two or three pages for each department, and the departmental plan will be 30 or 40 pages of additional detail that sets out specific targets. Thus, the government is seeking Parliament's authority to spend funds for the first three months of the fiscal year through a new mechanism: interim estimates. The interim estimates are based on the amounts outlined in the previous year's main estimates.

CALCULATION OF INTERIM ESTIMATES

Officials from the Treasury Board of Canada Secretariat told our committee that the overall interim estimates amount for 2018–2019 of \$30.9 billion is similar to the interim supply amount for 2017–2018 of \$30.1 billion.

They assured our committee that the calculation of interim amounts is very similar to the method followed in previous years. If organizations had upfront expenditures, they would receive larger increments in the interim estimates.

However, the method of calculation is no longer as clear and transparent as the former proportional link between interim supply and main estimates. While the *2018–19 Interim Estimates* for most organizations range between 20% and 30% of the *2017–18 Main Estimates*, some vary significantly. For example, the amount for the Canadian Northern Economic Development Agency represents 14.7% of the *2017–18 Main Estimates*, while this percentage reaches 58.7% for the Canadian Nuclear Safety Commission. It is also not clear how interim estimates will be deducted from the main estimates for the coming year.

Officials said that using the previous year's main estimates as a baseline for the interim estimates would provide a more consistent funding level for some organizations, such as Marine Atlantic. Under the previous process, the main estimates would indicate a reduction in expenditures in some cases, as the previous budgetary allocation had expired, even though the spending level would likely be renewed in the coming budget and included in subsequent supplementary estimates. Whereas, using the previous year's main estimates to calculate interim estimates would provide a more consistent funding level, which would be restored in time for the current year's main estimates.

CONCLUSION

As the stated goal of the amended estimates process is to improve the spending alignment of the budget and the main estimates, our committee will examine the main estimates to assess the extent to which departmental votes include new spending announced in the budget. The Parliamentary Budget Officer's report on Budget 2018 noted that, "While Finance Canada's improvements are a step in the right direction to improve Parliament's ability to effectively scrutinize the Government's spending plans, [they do] not guarantee that all of the issues have been addressed."¹ Our committee agrees and will continue to monitor the process.

¹ Parliamentary Budget Officer, [Budget 2018: Issues for Parliamentarians](#), Ottawa, March 2018, p. 8.

APPENDIX A – ORDER OF REFERENCE

The Honourable Senator Bellemare moved, seconded by the Honourable Senator Harder, P.C.:

That the Standing Senate Committee on National Finance be authorized to examine and report upon the expenditures set out in the Interim Estimates for the fiscal year ending March 31, 2019; and

That, for the purpose of this study, the committee have the power to meet even though the Senate may then be sitting, and that rule 12-18(1) be suspended in relation thereto.

February 15, 2018

APPENDIX B – WITNESSES WHO APPEARED BEFORE THE COMMITTEE

Treasury Board of Canada Secretariat

Grace Chenette, Executive Director, Financial Management Directorate

Brian Pagan, Assistant Secretary, Expenditure Management Sector

Marcia Santiago, Executive Director, Expenditure Management Sector

(27-08-2018)