

OFFICE OF THE  
PARLIAMENTARY BUDGET OFFICER



BUREAU DU  
DIRECTEUR PARLEMENTAIRE DU BUDGET

## **Monitoring the Government's Operating Budget Freeze**

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[www.parl.gc.ca/pbo-dpb](http://www.parl.gc.ca/pbo-dpb)

The *Parliament of Canada Act* mandates the Parliamentary Budget Officer (PBO) to provide independent analysis to the Senate and House of Commons on the state of the nation's finances, the estimates and trends in the national economy.

This note provides a summary of the operating budget reductions identified by the Government in Supplementary Estimates (B) 2010-11, which relate to the Operating Budget freeze announced in Budget 2010.

As part of their consideration of these Supplementary Estimates, parliamentarians may wish to solicit further information from affected departments and agencies regarding how these budgetary reductions have been achieved, as well as the potential impact of reductions on continuing operations.

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## Background

- Budget 2010 announced a package of three measures to reduce the rate of growth in departmental operating spending:
  - A freeze on increases in departmental spending on travel, hospitality and conferences, originally introduced in Budget 2009, was maintained at 2008-09 levels;
  - Departments and agencies would be required to reallocate internally to fund planned wage increases across the public service of 1.5 per cent in 2010-11; and,
  - In the two subsequent years (2011-12, 2012-13), operating budgets of departments would be frozen at 2010-11 levels.<sup>1</sup>
- Collectively, these initiatives were referred to as an “operating budget freeze” and expected to save \$6.8 billion over five years, including \$300 million in 2010-11.
- In the October 2010 *Update* the Government projected that the operating budget freeze would restrain growth to approximately 1.4 per cent per year, on average, over 2010-11 to 2015-16. This is significantly lower than the average growth rate of 6.4 per cent per year in operating expenses and capital amortization over the five-year period immediately preceding the Economic Action Plan (2004-05 to 2008-09).<sup>2</sup>
- PBO requested details regarding how the Government intends to achieve its planned operating budget freeze over the projection period. However, the Government indicated that this information is a Cabinet confidence and will not be released to the public.<sup>3</sup> A similar request was recently made by the House of Commons Standing Committee on Government Operations and is currently being assessed by the Government.<sup>4,5</sup>

## Current Monitoring

- Supplementary Estimates 2010-11 (B) contain references to 51 reductions in departmental and agency operating budgets attributable “to savings identified as part of the cost containment measures to reduce the rate of growth in operating expenditures announced in Budget 2010”.<sup>6</sup>
- The operating budget reductions proposed by the Government are approximately \$181 million in 2010-11, or over 60 per cent of the \$300 million target announced in Budget 2010. On average, the cuts represent approximately 0.4 per cent of affected operating budgets.

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<sup>1</sup> <http://www.budget.gc.ca/2010/plan/chap4a-eng.html>.

<sup>2</sup> [http://www2.parl.gc.ca/sites/pbo-dpb/documents/EFA\\_2010.pdf](http://www2.parl.gc.ca/sites/pbo-dpb/documents/EFA_2010.pdf).

<sup>3</sup> [http://www2.parl.gc.ca/sites/pbo-dpb/documents/Response\\_IR009B.pdf](http://www2.parl.gc.ca/sites/pbo-dpb/documents/Response_IR009B.pdf).

<sup>4</sup> <http://www2.parl.gc.ca/HousePublications/Publication.aspx?DocId=4689970&Language=E&Mode=1&Parl=40&Ses=3>.

<sup>5</sup> A detailed assessment of the Government's projected freeze of certain operating expenses is presented in the PBO's recent Economic and Fiscal Assessment. [http://www2.parl.gc.ca/sites/pbo-dpb/documents/EFA\\_2010.pdf](http://www2.parl.gc.ca/sites/pbo-dpb/documents/EFA_2010.pdf).

<sup>6</sup> <http://www.tbs-sct.gc.ca/est-pre/20102011/sups/B/docs/index-eng.pdf>.

- Annex A provides a summary table of all reductions outlined in Supplementary Estimates 2010-11 (B), as well as lists of the most affected departments as measured by absolute dollars and as percentage of operating budget.<sup>7</sup>
  - As noted in Table 2, more than half of the total value of reductions are attributable to departments and agencies in the *public security and defence* portfolio.
  - As noted in Table 3, when measured as a share of total operating budget, *public security and defence*, as well as the *cultural* portfolio are among the most affected.

## Key Questions

- While the Government's Supplementary Estimates do provide some information regarding the potential sources for part of the savings attributable to the operating budget freeze, there remain several outstanding issues that parliamentarians may wish to raise during deliberations.
- These include:
  - **What have departments and agencies done to achieve these savings?**
  - **What are the impacts on existing departmental operations and how have the reductions affected corporate risks – as measured by the Management Accountability Framework?**
  - **Are the savings one-time or ongoing?**
  - **When will Parliament be presented with details regarding the remaining operating budget reductions that will be required to achieve the Budget 2010 savings target?**

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<sup>7</sup> These spreadsheets are also provided on the PBO Web site at <http://www2.parl.gc.ca/sites/pbo-dpb/FederalExpenditure.aspx?Language=E>

Annex A: Summary Tables

Table 1: Total Operating Budget Reductions				
Organization	Vote	Reduction <sup>1</sup>	Total Estimates to Date <sup>1</sup>	Reduction as % of Total <sup>2</sup>
Agriculture and Agri-food Canada	1	\$3,112,980	\$766,322,638	0.4%
Canadian Food Inspection Agency	30	\$1,887,410	\$598,031,200	0.3%
Atlantic Canada Opportunities Agency	1	\$594,999	\$88,290,478	0.7%
Canada Revenue Agency	1	\$1,353,132	\$3,136,416,729	0.0%
Canadian Heritage	1	\$1,667,294	\$233,023,792	0.7%
Canadian Broadcasting Corporation	15	\$13,761,089	\$1,031,581,060	1.3%
Canadian Museum of Civilization	40	\$487,600	\$71,137,730	0.7%
Canadian Museum of Nature	45	\$205,853	\$33,154,904	0.6%
National Gallery of Canada	80	\$314,102	\$42,952,120	0.7%
National Museum of Science and Technology	90	\$3,528	\$34,380,603	0.0%
Citizenship and Immigration	1	\$2,245,532	\$594,871,461	0.4%
Immigration and Refugee Board of Canada	10	\$724,552	\$115,517,004	0.6%
Economic Development Agency of Canada for the	1	\$340,807	\$51,964,451	0.7%
Environment	1	\$3,026,619	\$818,484,607	0.4%
Financial Transactions and Report Analysis Centre	25	\$3,461	\$50,889,489	0.0%
Fisheries and Oceans	1	\$6,607,143	\$1,325,349,942	0.5%
Foreign Affairs and International Trade	1	\$2,772,578	\$1,676,306,113	0.2%
Canadian International Development Agency	20	\$1,395,606	\$216,815,020	0.6%
International Development Research Centre	35	\$559,222	\$195,088,432	0.3%
International Joint Commission	40	\$25,246	\$8,543,455	0.3%
Health	1	\$4,744,728	\$2,025,889,780	0.2%
Canadian Institutes of Health Research	20	\$5,232	\$52,328,518	0.0%
Human Resources and Skills Development	1	\$4,155,613	\$754,066,443	0.6%
Indian Affairs and Northern Development	1	\$3,364,095	\$1,396,729,051	0.2%
Industry	1	\$2,927,370	\$433,832,511	0.7%
Canadian Space Agency	25	\$352,674	\$262,455,603	0.1%
National Research Council of Canada	70	\$2,992,358	\$410,539,583	0.7%
Natural Sciences and Engineering Research	75	\$351,009	\$46,556,958	0.8%
Social Sciences and Humanities Research Council	90	\$30,223	\$24,902,405	0.1%
Statistics Canada	105	\$3,477,566	\$514,240,744	0.7%
Justice	1	\$1,249,240	\$302,672,130	0.4%
Courts Administrative Service	30	\$382,355	\$57,140,025	0.7%
Office of the Director of Public Prosecutions	35	\$151,474	\$154,268,151	0.1%
Information and Privacy Commissioners	40&45	\$75,813	\$32,725,744	0.2%

1. As identified in Supplementary Estimates (B) 2010-11.  
2. Green = at or below average reduction, Yellow = Up to 2X above average, Red = More than 2X above average

Table 1: Total Operating Budget Reductions (cntd.)				
Organization	Vote	Reduction <sup>1</sup>	Total Estimates to Date <sup>1</sup>	Reduction as % of Total <sup>2</sup>
National Defence	1	\$79,884,621	\$15,656,720,289	0.5%
Military Police Complaints Commission	20	\$8,276	\$6,628,368	0.1%
Natural Resources	1	\$2,219,795	\$851,268,476	0.3%
Canadian Nuclear Safety Commission	20	\$49,516	\$43,963,575	0.1%
Privy Council Office	1	\$656,942	\$149,780,206	0.4%
Public Safety and Emergency Preparedness	1	\$639,926	\$148,296,308	0.4%
Canada Border Service Agency	10	\$8,947,432	\$1,485,383,055	0.6%
Canadian Security Intelligence Service	20	\$5,288,076	\$456,554,255	1.2%
Correctional Service	30	\$4,862,493	\$1,955,321,740	0.2%
National Parole Board	40	\$378,740	\$43,041,950	0.9%
Office of the Correctional Investigator	45	\$22,750	\$3,625,334	0.6%
Royal Canadian Mounted Police	50	\$3,623,242	\$2,415,440,629	0.2%
Public Works and Government Services	1	\$5,335,366	\$2,941,302,874	0.2%
Transport	1	\$2,136,930	\$652,700,632	0.3%
Office of Infrastructure of Canada	55	\$138,656	\$57,999,960	0.2%
Treasury Board Secretariat	1	\$1,445,441	\$253,703,847	0.6%
Western Economic Diversification	1	\$308,534	\$59,397,156	0.5%
Total Reductions		\$181,295,239	\$44,738,597,528	0.4%
Budget 2010 Target		\$300,000,000		
% of Target		60%		

1. As identified in Supplementary Estimates (B) 2010-11.
2. Green = at or below average reduction, Yellow = Up to 2X above average, Red = More than 2X above average

Table 2: 10 Largest Reductions by \$		
1. National Defence	\$79,884,621	0.5%
2. Canadian Broadcasting Corporation	\$13,761,089	1.3%
3. Canada Border Service Agency	\$8,947,432	0.6%
4. Fisheries and Oceans	\$6,607,143	0.5%
5. Public Works and Government Services	\$5,335,366	0.2%
6. Canadian Security Intelligence Service	\$5,288,076	1.2%
7. Correctional Service	\$4,862,493	0.2%
8. Health	\$4,744,728	0.2%
9. Human Resources and Skills Development	\$4,155,613	0.6%
10. Royal Canadian Mounted Police	\$3,623,242	0.2%

Table 3: 10 Largest Reductions by %		
1. Canadian Broadcasting Corporation	\$13,761,089	1.3%
2. Canadian Security Intelligence Service	\$5,288,076	1.2%
3. National Parole Board	\$378,740	0.9%
4. Natural Sciences and Engineering Research Council	\$351,009	0.8%
5. Canadian Heritage	\$1,667,294	0.7%
6. National Gallery of Canada	\$314,102	0.7%
7. National Research Council of Canada	\$2,992,358	0.7%
8. Canadian Museum of Civilization	\$487,600	0.7%
9. Statistics Canada	\$3,477,566	0.7%
10. Economic Development Agency of Canada for the Region of Quebec	\$340,807	0.7%

1. As identified in Supplementary Estimates (B) 2010-11.