



OFFICE OF THE
PARLIAMENTARY BUDGET OFFICER



BUREAU DU
DIRECTEUR PARLEMENTAIRE DU BUDGET

The Expenditure Monitor: *2011-12 Q1*

September 27, 2011



Key Points of this Note:

- This note reviews federal expenditures for the first three months of the fiscal year (*i.e.* April, May and June 2011).
- Based on data from the first quarter, the overall trend in federal expenditures is generally consistent with the plan outlined in Budget 2011, which projected program expenses to rise 3.2 per cent from 2010-11 to 2011-12 year-over-year (y/y). However, the level and rate of operating expenditures is higher than the previous year.
- 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 first quarter of 2011-12. Beginning next week, this will also include Program Activity data, which the Government of Canada (Government) began to share with the Parliamentary Budget Officer (PBO) earlier this year. An additional year of historical data for 2008-09 has also been added (www.pbo-dpb.gc.ca).
 - The IMD will be updated with expenditure data for the second quarter of 2011-12 in mid- December.

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1. Context

The Parliamentary Budget Officer's legislative mandate includes research and analysis regarding the Government's estimates.¹

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.²

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) and actual expenditures for the first three months of the current fiscal year (*i.e.* April, May and June 2011).

2. Highlights of 2011-12 Q1

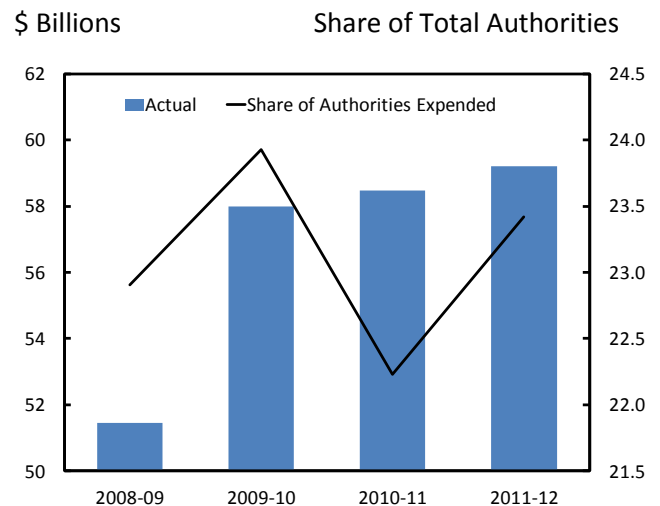
(i) Total Expenditures

As presented in Figure 2-1, the total expenditures in the first quarter of the 2011-12 fiscal year rose 1 per cent to almost \$60 billion, compared to the same period in 2010-11. In contrast, as highlighted in earlier analysis, total spending authorities decreased by approximately \$10 billion in 2011-12 compared to the previous year.³

As a result, federal departments and agencies expended a greater share of the spending authorities provided by Parliament in the first quarter; approximately 23.4 per cent compared to 22.2 per cent in the previous year.

Figure 2-1

Total Expenditures in First Quarter



Source: Government of Canada; PBO Calculations

(ii) Operating Expenditures

Operating expenditures were primarily responsible for the overall increase in spending, growing over 4 per cent to almost \$12 billion (Figure 2-2). The increased level of spending is principally attributable to non-recurring events arising from the 41st General Election and the National Household Survey.

This increased level of expenditure, combined with a decrease in total operating authorities, resulted in departments and agencies spending over 23 per cent of their authorities in the first quarter.

Overall, a stable level of operating spending is to be expected, given the restraint measures implemented by the Government (*i.e.* Operating Budget Freeze, Strategic Reviews).

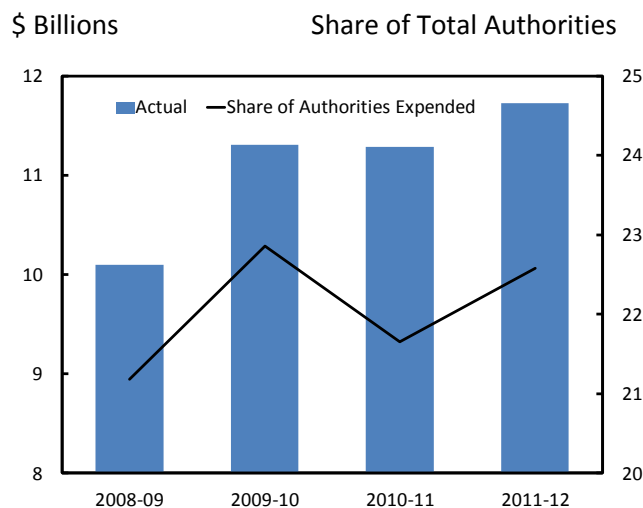
¹ <http://laws.justice.gc.ca/eng/PDF/P-1.PDF>. Accessed September 2011.

² An overview of the methodology used by the PBO is provided in complementary briefing note, "Expenditure Monitor: Methodology". To be published on the PBO website in September 2011.

³ http://www.parl.gc.ca/PBO-DPB/documents/ME_SuppsA_EN.pdf. Accessed September 2011.

Figure 2-2

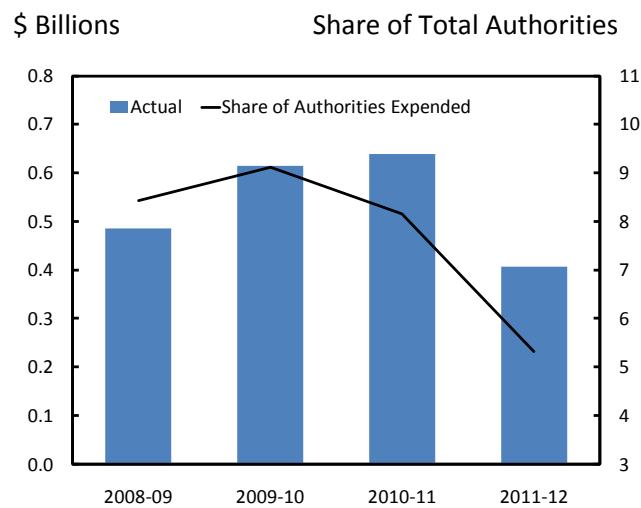
Operating Expenditures in First Quarter



Source: Government of Canada; PBO Calculations

Figure 2-3

Capital Expenditures in First Quarter



Source: Government of Canada; PBO Calculations

(iii) Capital Expenditures

As presented in Figure 2-3, capital expenditures decreased in the first quarter of 2011-12 to approximately \$400 million. This is expected given the planned decrease in capital spending authorities, which was presented in the Main and Supplementary Estimates.

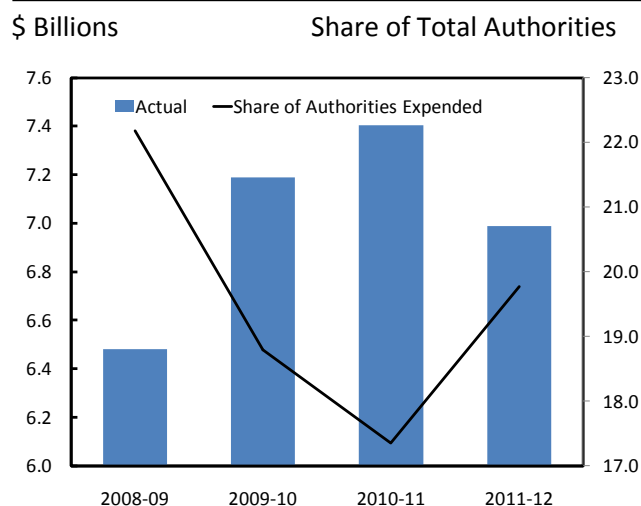
At the same time, the share of expenditures relative to authorities also decreased to approximately 5 per cent. Typically, capital expenditures tend to build over the course of the fiscal year, with the majority of activity during the second half.

(iv) Non-Major Transfer Payments

Expenditures relating to transfer payments, *excluding* major statutory transfers to people (*e.g.* Old Age Security) and provinces/territories (*e.g.* the Canada Health Transfer), fell 6 per cent to approximately \$7 billion in the first quarter 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. As a result, a lower level of spending would be anticipated.

The share of expenditures relative to authorities grew to almost 20 per cent in the first quarter, as the level of spending decreased less than the corresponding spending authorities provided by Parliament.

Figure 2-4**Other Transfer Payments Expenditures in First Quarter**

Source: Government of Canada; PBO Calculations

(v) Internal Services

Expenditures for internal services were \$2.4 billion in the first quarter. This represents 24 per cent of the total planned amount of \$9.8 billion.

Internal services includes communications, financial management, human resource management, and information technology.⁴ 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 Operating Review savings target.⁵

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

3. Individual Items

To identify material variances among the hundreds of votes 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, most items flagged by the PBO are explained in the quarterly financial reports published earlier this month by departments and agencies (see footnotes in Table 1).⁶

4. Conclusion

Based on the first three months of the 2011-12 fiscal year, the overall trend in federal expenditures is generally consistent with the plan outlined in Budget 2011, which projected program expenses to rise 3.2 per cent from 2010-11 to 2011-12 (y/y).⁷

Given the Government's focus on constraining operating spending to achieve fiscal targets, the PBO will continue to monitor the impact of the Operating Budget Freeze.

The Integrated Monitoring Database (IMD) has been updated to include expenditure data for the first quarter of 2011. In addition, the IMD has also been expanded to include Program Activity expenditure data, which the Government began sharing with the PBO earlier this year.

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

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

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

⁷ The Estimates/Authorities are presented on the basis of cash accounting and the Budget presented on the basis of accrual accounting. While less than 10 per cent of federal expenditures are affected by accrual adjustments, the differences can be material from one quarter to the next.

Table 1. Largest \$ Changes in Authorities: Total Expenditures in 2011-12Q1 versus previous year ¹			
Organization	Authorities	\$ (000s) Δ	Explanation from Quarterly Report
Finance	Public Debt Interest	605,470	None
Finance	Canada Health Transfer	381,394	Increased levels of authorized spending
Human Resources and Skills Development	Old Age Security payments	331,898	Increased number of beneficiaries, increased payment amount
Office of Infrastructure of Canada	Contributions	-300,926	Gas Tax Funding deferred to second quarter owing to later Parliamentary Supply process
Finance	Alternative Payments for Standing Programs	-219,277	None
National Defence	Capital	-181,748	Reduced contracting activity for capital projects; generally occurs during election
Chief Electoral Officer	Election Expenses, Operating Expenses	174,239	41 st Canadian General Election
Industry	Grants and Contribution	171,371	Timing of payment to Canada Foundation for Innovation
Statistics Canada	Program Expenses	141,815	2011 Census of Population and National Household Survey and Census of Agriculture
Human Resources and Skills Development	Guaranteed Income Supplement	106,848	Increased number of beneficiaries , increased payment amount
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.			

Table 2. Largest % Changes in Authorities: Total Expenditures in 2011-12Q1 versus 2010-11Q1¹

Organization	Authorities	Δ %	Explanation from Quarterly Report
Industry Canada	Grants and Contributions	1145%	<i>Timing of payment to Canada Foundation for Innovation</i>
Chief Electoral Officer	Election Expenses, Operating Expenses	898%	<i>41st Canadian General Election</i>
Finance	Grants and Contributions	401%	<i>None</i>
Canada Border Service Agency	Capital Expenditures	303%	<i>None</i>
Correctional Service	Capital Expenditures	271%	<i>Implementation of newly enacted legislation; projected increase in offender population</i>
Statistics Canada	Program Expenditures	116%	<i>2011 Census of Population and National Household Survey and Census of Agriculture</i>
Fisheries and Oceans	Grants and Contributions	94%	<i>Timing of agreements signed as part of Atlantic Lobster Sustainability Measures</i>
Environment	Grants and Contributions	-82%	<i>None</i>
Canadian Space Agency	Capital Expenditures	-82%	<i>Timing changes in payment schedules for projects</i>
Marine Atlantic	Program Expenditures	70%	<i>Phase II of revitalization strategy</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.